

Our share of some special fund undertakings might be higher or lower than the overall target.

We expect to utilize the contributions to special funds authorized under this legislation primarily for the priority needs of countries of Southeast Asia. This would not exclude some use of U. S. and other funds for priority projects outside Southeast Asia.

As in our participation in other international financial institutions, we would make our funds available to the Asian Bank under letters of credit, which would be cashed at a later date when needed for disbursement. Funds would remain with the Asian Bank on a revolving basis, and we would retain our residual rights to the resources if the special funds were ever terminated. As usual, our funds are being requested on a no-year appropriation basis, with the money to remain available until expended. However, we expect to contribute approximately \$50 million a year for 4 years.

This proposed authorization will not involve any budget expenditures in fiscal year 1968.

We expect the Asian Bank management, under the supervision of its Board of Directors on which we are represented by Mr. Zagorin here, to be responsible for administration of these funds and the detailed program judgments involved. At the same time, we will be in a position to make stipulations regarding use of our funds when given, and it could be understood that projects would only be proposed for approval by the Board of Directors if there were appropriate consultations with the countries contributing to the special funds.

The nature of the projects to be financed will require that special funds be made available on concessional terms. Exactly what these terms would be might vary depending on the country and type of facility involved, and the Bank will have to decide particular cases. The range, however, might be from IDA-like terms to the middle range concessional terms employed by AID. No capital financing would be on a grant basis. Limited funds would, however, be available for technical assistance on a grant basis.

Finally, I want to give firm assurance to the committee that the financing we provide for projects and technical assistance through our contribution to special funds will take the form of U.S. goods and services. Such tying of our contribution is necessary in the light of our present balance-of-payments problem. We will not finance the local currency costs of projects.

This concludes my remarks on the legislation before this committee. We are confronting here a great opportunity, even while the fighting continues in Vietnam, to encourage and support important constructive developments leading toward greater opportunity and more rapid progress of the peoples of free Asia. U.S. support is required for these opportunities to be realized.

Mr. Chairman, I urge approval by your committee of this legislation.

Thank you.

Mr. REUSS. Thank you very much.

Secretary Barr?

Mr. BARR. I have no prepared statement. I am here to answer any questions that the committee may have on the entire range of proposals that the administration will be submitting this year.