

THE GOVERNMENT OF THE NETHERLANDS AID TO WEST IRIAN

The Netherlands and Indonesian Governments are jointly supporting the Fund of the U.N. for the Development of West Irian (FUNDWI). FUNDWI is a U.N.-administered organization established to plan and carry out development efforts in West Irian. When FUNDWI was reactivated in early 1967, the Netherlands renewed its standing offer to contribute \$30 million to the organization (in \$10 million annual increments) for the proposed development efforts. This Dutch contribution, as well as Indonesia's contribution in kind, will be utilized according to the recommendation of a U.N. team of fifteen consultants who have recently been in West Irian to prepare a master development plan for the area.

Mr. REUSS. Mr. Moorhead.

Mr. MOORHEAD. Thank you, Mr. Chairman.

Gentlemen, I commend you on the way you are going about trying to solve the balance-of-payments problem in the money which we would authorize with this legislation, but I am concerned. Maybe you could help me on this, on the proposal to sell bonds in the United States and use the funds raised thereby for development work in Southeast Asia.

Will that not have an adverse effect on our balance of payments?

Mr. BARR. Mr. Moorhead, we have worked out with the other international financial institutions ways of mitigating any balance-of-payments impact by these borrowings.

For instance, in the case of the World Bank and the Inter-American Bank, they leave on deposit in the United States very substantial sums as they go to the market. I will submit material for the record which will show that over the past 5 years that there has been a net favorable balance-of-payments impact by the operation especially of the World Bank. We would assume we can work out the same operation with them, with Mr. Watanabe and the Asian Bank.

I should also remind you, Mr. Moorhead, that before any international financial institution, including this one, can borrow on the United States, it must get for each borrowing the approval of the Secretary of the Treasury. So we would look at every borrowing, every time any of the international institutions come in to borrow, we take into consideration the question of the impact of the borrowing and use of these funds on our particular balance-of-payments program in an attempt—which has been successful in the past—to offset any drain in this area.

(The following statement and tables were submitted for the record to supplement the reply to the previous question:)

The World Bank in recent bond issues in the U.S. has undertaken measures to offset any large short-term effect the borrowings may have on the U.S. balance of payments. The proceeds of recent borrowings have been invested in long-term U.S. securities to be held by the Bank until needed to meet disbursement requirements. As of December 31, 1967, the Bank has invested about \$200 million in U.S. Government and Agency obligations and over \$500 million in U.S. time deposits. The Inter-American Development Bank has invested the proceeds of its borrowings in the U.S. in a manner similar to the World Bank.