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#8 memo w/-meeting notes	meeting with members of Congress on Asian Bank Legislation Confidential 5 p. <i>open 11-02-83</i>	9/12/67	A

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FOR THE PRESIDENT

FROM: JIM JONES

SUBJECT: Off the record meeting with Members of Congress to discuss
the proposed Asian Bank legislation - held in the Cabinet Room.

DATE: Tuesday, September 12, 1967

Meeting convened: 6:42 PM

Meeting adjourned: 7:52 PM

The President opened the meeting to say this proposal would put the Asian bank on the same footing as the Inter-American Development Bank and the World Bank. He said that Eugene Black recommends that we send a message to the Congress to get the supplementary funds for the Asian Bank. The President then introduced Eugene Black.

Black explained the proposal saying this is a special fund of about \$400 million which would go to the Asian Bank. The United States' share would be \$200 million or 50%. Black said there were several conditions: a.) \$200 million would be strictly tied money and there would be no balance of payments problems; b.) This would be paid out in four years and there would be no appropriation until next year and maybe not until fiscal year of '69; c.) The United States' money is slightly less than 1/2 of the total and the other governments would provide 1/2. Black pointed out that the Japanese have already contributed \$100 million and Canada \$25 million. Black said that if all of the governments do not raise \$400 million, then the United States share will be reduced to 1/2 the total raised. Black noted that the money will be used primarily for agriculture, transportation, communications, and development of the Mekong River. He said that we would stress regional projects.

Black noted that the Asian Bank was formed about a year ago. This was the first example of regional cooperation in that part of the world. He said he has spent a lot of time making sure that this is a sound bank, and noted that they have more than come up to my hopes. A Japanese is President of the bank, and he has a good organization. The original capital of the bank was \$1 billion. The United States share was \$200 million of that original capital, and he said that he has never heard of the United States share being only 20% in any international organization. I think this is the kind of thing that will be very conducive to peace in that part of the world.

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By <i>DLH</i>	per <i>hw</i> NARS, Date <i>11-2-83</i>

Under Secretary Nick Katzenbach pointed out the political significance of the proposal, noting that when the President proposed the bank about two years ago, this was the first step in creating regionalism and cooperation and it also created Asian initiatives.

The President pointed out that he has not made any formal request of the Congress, and he first wants to get their comments.

Black said this would be bait to bring in other countries. He noted that this type of program is better than making foreign aid grants.

Senator Tom Kuchel asked why we contributed only 20% of the billion dollar capital investment and 50% of this supplementary fund.

Black said that this proposal is tied to U.S. purchases. The other is capital expenditure.

Senator Clifford Case asked how would this be governed, i. e. would each program be run by the separate groups of countries, or who would pass on each project and program.

Black said that the projects would be submitted to the President of the Bank and then submitted to the Board of Directors. We have a representative on the Board of Directors and the United States plus the other free world contributors make up a majority to control the board.

Case then asked if our contribution can only be used for purchases in the United States.

Black replied yes.

Senator Wallace Bennett asked will this change the design of the Mekong development.

Black said that it would not, that there have been several good projects developed in the past nine years by the study of the Mekong Committee. This would implement some of those good projects which have been recommended.

Bennett asked "but do we have a backlog of projects? "

Black replied yes.

Senator John Sherman Cooper asked if Japan will let considerable amounts of this money be spent in Southeast Asia.

Black replied yes.

Congressman Clement Zablocki asked if other countries will have their contributions tied to purchases in their own country.

Black replied that if we put that condition on; the others will also. Black said he does not favor tied money but this must be done because of the balance of payments problem.

Congressman Henry Reuss asked "when do we start work on this?"

The President said the purpose of the meeting is to see if you think this is good.

Senator George Aiken queried further about how the U. S. money would be spent in the local country.

Black replied that this money will be used for the 1/2 of external purchases, i. e. equipment. These would be soft loans principally.

Senator Frank Carlson said "having seen the Mekong Valley, \$50 million would be just a drop in the bucket and where do we go from here? "

Black agreed that this is a conservative and reasonable approach. These things take time. He pointed out that when a project is approved, it takes three or four years before the heavy funding is required.

Congressman Seymour Halpern asked how many nations are participating in the bank.

Black said 19 Asian countries and 12 non-Asian. He said that the only major European powers not participating are Russia and France, both of which were asked and both of which declined.

Black said even Switzerland has joined the bank, and to his knowledge this is the first international organization the neutral Swiss have joined.

Senator Fulbright said he agrees with the merits of the bank, and he supported it. I think that this is a good proposal. The only question I have is that with the war and the mood of the Congress, is this the proper time to bring this before the Congress. This is purely a matter of timing. It's late in the session. Personally I will support it. I approve of the regional approach.

Senator John Sparkman said he endorses the idea and agrees with Black.

Congressman Peter Frelinghuysen asked would it require the full \$200 million authorization this year.

The President said yes, because this will be used as bait in order to get other countries to contribute. The President said if this authorization is approved, then our people could go to other countries and be in a stronger position to get them to contribute significantly to the Asian Bank.

Congressman Frelinghuysen said he did not know how Congress would react to the request for a full authorization.

The President said this involves an authorization up to \$200 million providing that other countries also participate to the maximum. No money would be in this year's budget for it.

Senator Everett Dirksen then inquired about what this would do to adjournment. Would this keep Congress in session until Christmas.

The President said he did not know how long it will take. I would hope that this would not interfere with what we already have up there. Most of the measures have moved rather well, the President said.

Senator Case asked if this would forestall grants to other countries like Indonesia.

The President said that anything we can do that enlists the aid of other nations should be done. He said he pleads with the Germans and others to participate in this.

Congressman Bill Moorhead asked if Indonesia is a member of the Asian Bank.

Black replied yes.

Congressman Seymour Halpern asked if Black wanted this authorization before the next Asian Bank meeting, which Halpern thought was in January.

Black said yes he did want it.

Congressman Lud Ashley asked what would be the disadvantage of waiting until January to send this to the Congress.

Black said this would be very discouraging to the other Asian countries who have already done all that we have asked of them.

Ashley asked would it be of any value for the President to send a message up now and have no action on it until January.

Black said that it would be of value for the President to send up a message at this time, but he thinks it should also be acted on.

Fulbright said that with the tax bill he does not know if this is the time to request action on the proposal.

Senator Cooper said the merits of the proposal speak for themselves, and I support it. I think it would be a good thing if it could be done.

Senator Wallace Bennett said he is glad to see us moving in that direction and he supports it.

Senator Russell Long said we can consider it and vote on it if the President wants it done. It all depends upon what priority the President is willing to put on it.

Congressman Silvio Conte said I think we should send a message up and not expect action until January. If we do, the House would beat it. In January there will be a different mood, and the chances would be better. I'm for it now or later, and I will speak for it, Conte said.

Congressman Les Arends asked if there had been any additional sampling of Members of Congress.

Black said he had spoken to about a dozen of them.

Congressman William Widnall said he is all for it. I think the message should come down from the President and serious consideration should be given to Committee action. Also serious consideration should be given to delaying Floor action until January.