

ECONOMIC COMMISSION FOR
ASIA AND THE FAR EAST
Bangkok, Thailand

Regional economic co-operation in
Asia and the Far East:

**Report of the Second Ministerial Conference on Asian
Economic Co-operation, Final Act of the Conference
of Plenipotentiaries on the Asian Development Bank,
and Report of the Preparatory Committee on the
Asian Development Bank.**

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Part I.

REPORT OF THE SECOND MINISTERIAL CONFERENCE ON ASIAN ECONOMIC CO-OPERATION

I. INTRODUCTION

The Second Ministerial Conference on Asian Economic Co-operation was convened at Manila from 29 November to 2 December 1965 in pursuance of a resolution on Asian economic co-operation adopted at the First Ministerial Conference on Asian Economic Co-operation held in December 1963, and of resolution 62(XXI) on the Asian Development Bank adopted at the twenty-first session of the Economic Commission for Asia and the Far East held at Wellington, New Zealand, in March 1965. The objectives of the Conference were: (i) to consider and adopt the Agreement Establishing the Asian Development Bank as submitted by the Preparatory Committee which had met at Bangkok in October-November 1965, to determine the location of the principal office of the Bank and to adopt a programme of preparatory arrangements for the establishment of the Bank; (ii) to review the progress made in the implementation of other aspects of the regional co-operation programme outlined in the resolution of the First Ministerial Conference and to adopt further action programmes for regional economic co-operation.

Attendance

The Conference was attended by representatives of nineteen member countries, namely, Afghanistan, Australia, Cambodia, Ceylon, China, India, Iran, Japan, the Republic of Korea, Laos, Malaysia, Nepal, New Zealand, Pakistan, the Philippines, the Republic of Viet-Nam, Singapore, Thailand, Western Samoa and one associate member, namely, Hong Kong.

A list of participants is given as appendix III to this report.

Address by the President of the Republic of the Philippines

His Excellency Diosdado Macapagal, the President of the Republic of the Philippines, delivered the inaugural address, the text of which is reproduced in appendix IV.

Statement by the Executive Secretary

U Nyun, Executive Secretary of ECAFE, in reviewing the progress achieved in implementing the programme of regional economic co-operation outlined in the resolution of the First Ministerial Conference, expressed great satisfaction with the keen enthusiasm and co-operation shown by Governments of member countries that made possible the early establishment of the Asian Development Bank.

His statement is given in appendix IV.

Vote of thanks

The Ministerial Conference unanimously adopted a vote of thanks to the Government of the Republic of the Philippines for the generous hospitality extended to the delegations, to His Excellency the President of the Philippines, and to the ECAFE secretariat.

Election of the chairman and vice-chairmen

The Honourable Cornelio Balmaceda (Philippines) was elected Chairman. H.E. Dr. Alinaghi Alikhani (Iran), was elected first Vice-chairman; H.E. Mr. Aiichiro Fujiyama (Japan), the Honourable Paul Hasluck (Australia) and H.E. Dr. Serm Vinichayakul (Thailand) were elected Second, Third and Fourth Vice-Chairmen respectively.

Adoption of the agenda

The agenda and annotated agenda as adopted by the Conference are given as appendix Ia and Ib to this report.

Adoption of the report, the Agreement Establishing the Asian Development Bank and several resolutions

The report, the Agreement Establishing the Asian Development Bank and a number of resolutions were unanimously adopted by the Ministerial Conference. The resolutions are given as appendix II.

II. ASIAN DEVELOPMENT BANK

The Ministerial Conference on Asian Economic Co-operation considered the draft Agreement Establishing the Asian Development Bank presented to it by the Preparatory Committee on the Asian Development Bank convened at Bangkok from 21 October to 1 November 1965. The Conference expressed its deep appreciation of the valuable work of the Consultative Committee which had been set up under resolution 62 (XXI) of the Commission, and also the work of the Preparatory Committee.

In adopting the Agreement, the Conference decided with regard to Article 4 that the authorized capital stock of the Bank should be in terms of US dollars of the weight and fineness in effect on 31 January 1966; that date had been left open by the Preparatory Committee for the Conference to decide upon.

The Conference endorsed the recommendation of the Preparatory Committee that the Agreement should remain open for signature until 31 January 1966 and that the instruments of ratification or acceptance should be deposited with the Depository not later than 30 September 1966 (Article 64).

The Conference expressed its gratitude to the Secretary-General of the United Nations, the Executive Secretary of ECAFE and other United Nations officials for their assistance in securing wide support for the Bank, and also to the ECAFE secretariat for its dedicated work on the project.

The Conference approved the programme of preparatory arrangements recommended by the Preparatory Committee and decided to establish a Committee for Preparatory Arrangements for the Establishment of the Asian Development Bank which would be composed of fourteen members, twelve from the regional countries and two from non-regional countries. In considering the composition of the Committee, the Conference took note of the valuable contribution made by the Consultative Committee and decided that its members, with the addition of others from Australia, the Republic of Korea and Nepal, should constitute the regional representation of the

new Committee. The composition of the non-regional members of the Committee was left to be decided by the Conference of Plenipotentiaries.

The Conference unanimously adopted a resolution establishing the Asian Development Bank (resolution 1). In the true ECAFE tradition of friendly co-operation, it unanimously decided that the principal office of the Bank be located at Manila, Philippines. In that connexion, the Conference expressed its deep appreciation to the various Governments which had offered to be host of the Asian Development Bank.

The Conference noted the provision in the Charter for the appointment of a Trustee for the Bank. In conformity with the United Nations practice, the Conference decided to request the Secretary-General of the United Nations to act as Trustee for the Bank and unanimously adopted a resolution outlining the Trustee's functions (resolution 2).

The Ministerial Conference examined Annexes A and B to the Agreement Establishing the Asian Development Bank regarding the initial subscriptions to the authorized capital stock of the Bank for countries which become members in accordance with Article 64 of the Agreement, and the procedures for election of directors of the Bank. The Preparatory Committee had referred these matters to the Ministerial Conference for decision. The Conference welcomed the offers of increased subscriptions from a number of regional countries, which raised the total initial subscriptions by regional countries which were about to become members in accordance with Article 64, to US\$641.58, or US\$41.58 million in excess of the US\$600 million for regional countries originally envisaged. In that connexion, the Conference also noted that the subscriptions offered by a number of non-regional countries totalled US\$296 million, thus leaving a short-fall of US\$104 million of the total subscription of US\$400 million allocated to the non-regional countries. The Conference therefore felt that Annex B should be reviewed and finalized during the Conference of Plenipotentiaries in the light of this new situation.

III. MEASURES FOR DYNAMIC ASIAN ECONOMIC CO-OPERATION

The Ministerial Conference had an extensive discussion on the basis of the Executive Secretary's report dated 8 November 1965 entitled "Regional Economic Co-operation: Action Programmes". The summary of statements made by delegations at the Conference is reproduced in appendix VI. The Ministerial Conference commended the Executive Secretary on his report, which indicated that significant progress has been achieved in implementing the programmes recommended by the First Ministerial Conference. The Ministerial Conference discussed at length the action programmes for further acceleration of regional economic co-operation as outlined by the Executive Secretary in his opening statement and in the report referred to above. It paid particular attention to the following specific programmes; regional harmonization of development plans; industrialization and natural resources development; trade liberalization; shipping and ocean freight rates; the Asian Highway; telecommunication; typhoon damage control; and demographic programmes.

The Ministerial Conference unanimously adopted a comprehensive resolution on dynamic Asian economic co-operation the text of which is attached to this report (resolution 3).

Appendix Ia AGENDA

1. Opening addresses.
2. Election of the chairman and vice-chairmen.
3. Adoption of the agenda.
4. Asian Development Bank:
 - (a) Adoption of the Agreement Establishing the Asian Development Bank in conjunction with the report of the Preparatory Committee on the Asian Development Bank;
 - (b) Determination of the location of the principal office of the Asian Development Bank;
 - (c) Adoption of the programme of preparatory arrangements for the establishment of the Asian Development Bank.
5. Consideration of other action programmes for regional economic co-operation; harmonization of development plans of the ECAFE region;

industrialization; trade liberalization; shipping and ocean freight rates; typhoon damage control; the Asian Highway and demographic problems.

6. Adoption of the report of the Second Ministerial Conference on Asian Economic Co-operation.

Appendix Ib ANNOTATED AGENDA

- Item 1. Opening addresses. The Second Ministerial Conference will be inaugurated by His Excellency the President of the Philippines. The Executive Secretary of ECAFE will make a statement which, among other matters will review the progress achieved in implementing the resolution of the First Ministerial Conference on Economic Co-operation.
- Item 2. Election of the chairman and vice-chairmen. As in the past, and following the terms of reference of the Commission, the Conference will elect a chairman and two or three vice-chairmen as may be required.
- Item 3. Adoption of the agenda. Following the rules of procedure of the Commission, the Conference will adopt its agenda, for which purpose the provisional agenda as drawn up by the Executive Secretary will be considered as a background document.
- Item 4. *Asian Development Bank*
 - (a) *Adoption of the Agreement Establishing the Asian Development Bank in conjunction with the report of the Preparatory Committee on the Asian Development Bank*

The Preparatory Committee on the Asian Development Bank, which met at Bangkok from 21 October to 1 November 1965, unanimously adopted the draft Agreement Establishing the Asian Development Bank. The Committee made a detailed examination of the various legal and technical aspects of the recommendations of the Consultative Committee on the Asian Development Bank (which was created in accordance with Commission resolution 62 (XXI) adopted

at Wellington, New Zealand, in March 1965 and composed of regional experts in banking, finance and development financing) and the draft agreement prepared by the Consultative Committee. The Preparatory Committee approved the draft Agreement and recommended its approval by the Asian Ministerial Conference. The Agreement is given in annex A to the report of the Preparatory Committee.

(b) *Determination of the location of the principal office of the Asian Development Bank*

Nine Asian Governments have offered facilities for the location of the principal office of the Asian Development Bank. In accordance with the recommendation of the Consultative Committee on the Asian Development Bank, the secretariat sent letter questionnaires to the Governments concerned requesting them to indicate the precise nature and extent of the facilities they were prepared to place at the disposal of the Bank and its staff. The secretariat note reproduces the replies to this questionnaire and has been circulated to Asian Governments for their consideration. In accordance with the recommendations of the Consultative Committee, the Ministerial Conference is expected to take a final decision on this matter.

(c) *Adoption of the programme of preparatory arrangements for the establishment of the Asian Development Bank*

The Preparatory Committee endorsed a programme of preparatory arrangements for the establishment of the Asian Development Bank recommended by the Consultative Committee. The programme is given in annex E of the Preparatory Committee's report for approval by the Ministerial Conference.

Item 5. *Consideration of other action programmes for regional economic co-operation*

The Executive Secretary will present to the Second Ministerial Conference on Asian Economic Co-operation a brief paper reviewing the progress made with the programmes and projects which the First Ministerial Conference recommended for priority treatment and implementation. The report will also indicate, in keeping with the objectives of regional economic co-operation defined in the resolution adopted by the First

Ministerial Conference, several areas which the Executive Secretary feels should receive the policy consideration of the Second Ministerial Conference in order to enable him to intensify the implementation of action-oriented programmes and projects to accelerate Asian economic co-operation. These programmes and projects include the harmonization of development plans of the ECAFE region; trade liberalization; shipping and ocean freight rates; industrial development; the Asian Highway project; typhoon control; and the programme dealing with demographic problems. Brief particulars concerning them are given in the Executive Secretary's paper so that the Ministers can provide broad policy guidance concerning future action for intensifying regional co-operation activities.

Item 6. The Conference will adopt a report and/or appropriate resolution(s) at the close of its session.

Appendix II

1. RESOLUTION ON THE ESTABLISHMENT OF THE ASIAN DEVELOPMENT BANK

The Ministerial Conference on Asian Economic Co-operation,

Recalling resolution 45 (XIX) on Asian economic co-operation, adopted by the United Nations Economic Commission for Asia and the Far East at its nineteenth session in March 1963, and the programme of regional economic co-operation embodied in the resolution unanimously adopted by the First Ministerial Conference on Asian Economic Co-operation in December 1963;

Also recalling resolution 62 (XXI) on the Asian Development Bank adopted by the United Nations Economic Commission for Asia and the Far East at its twenty-first session in March 1965, calling upon Governments of member countries of ECAFE to give urgent consideration to the establishment of the Asian Development Bank and inviting developed countries outside the region to consider favourably participation in the Bank;

Noting with deep appreciation the valuable assistance rendered by the Secretary-General of the United Nations in securing wide support for the project;

Noting further with satisfaction the work carried out by the Working Group of Experts, the Consultative

Committee on the Asian Development Bank created under ECAFE resolution 62 (XXI), and the Preparatory Committee on the Asian Development Bank;

Commending the Executive Secretary for his initiative and for the comprehensive preparatory and investigative work undertaken by the ECAFE secretariat in implementing the proposal for the establishment of the Asian Development Bank;

Recognizing that the establishment of the Asian Development Bank would mobilize new and additional funds for the ECAFE region to finance projects and facilities for economic and social development in the ECAFE region as a whole or in countries of the region which are members of the Bank;

Also recognizing that the establishment of the Asian Development Bank would serve as a focal point for, and as a stimulus to, other concrete measures for regional economic co-operation;

Expressing its appreciation to member countries of ECAFE and other developed countries outside the ECAFE region of their decision to participate in the Bank;

Also expressing its deep gratitude for the invitations extended by the Governments of Afghanistan, Cambodia, Ceylon, Iran, Japan, Malaysia, the Philippines, Singapore and Thailand to establish the principal office of the Asian Development Bank in their respective capitals;

(1) *Decides* to adopt the Agreement Establishing the Asian Development Bank as recommended by the Preparatory Committee on the Asian Development Bank;

(2) *Decides* to establish the principal office of the Asian Development Bank at MANILA, PHILIPPINES;

(3) *Urges* the Governments interested in participating in the Bank to sign and accept or ratify the Agreement Establishing the Asian Development Bank at the earliest possible time so as to enable the Bank to come into existence at an early date;

(4) *Requests* the authority entrusted with the preparatory arrangements for the establishment of the Bank to initiate, devise and undertake the necessary steps for the establishment of the Bank, including the preparations for the inaugural meeting of the Board of Governors of the Bank; and

(5) *Further requests* prospective member countries, the international organizations concerned and the Executive Secretary of ECAFE to provide all the

necessary assistance for accelerating the preparatory work leading to the early establishment of the Asian Development Bank;

(6) *Brings* this resolution to the notice of the Conference of Plenipotentiaries on the Asian Development Bank.

2. RESOLUTION ON DUTIES OF THE TRUSTEE FOR THE ASIAN DEVELOPMENT BANK

The Ministerial Conference on Asian Economic Co-operation,

Considering that paragraph 7 of Article 6 of the Agreement Establishing the Asian Development Bank provides that the Secretary-General of the United Nations shall be the Trustee for the Bank;

Noting the concurrence by the Secretary-General of the United Nations with the request that he take such action and perform such duties as are provided for the Trustee in the said Article of the Agreement and in this resolution;

Realizing the need to give immediate effect to this resolution;

Has decided as follows:

1. (a) The Trustee shall at all times keep all gold and convertible and other currencies received from Signatories of the Agreement, in pursuance of the provisions of Article 6 thereof, as well as any income accruing thereto (such gold, currencies, and income, in their entirety, hereinafter called the "funds received") entirely separate and apart from all other assets and accounts, in a special account to be designated the "Asian Development Bank Trust Account."

(b) The Trustee shall not hold, deposit, use, commit, invest, transfer or otherwise dispose of the funds received or any part thereof except as is provided in this resolution.

(c) The Trustee may:

(i) deposit the funds received or any part thereof in one or more deposit accounts designated the "Asian Development Bank Deposit Account(s)" for a period not exceeding six months subject to interest and to arrangements whereby he may withdraw the funds so deposited or any part thereof at any time upon ten days' notice; and

- (ii) invest, as he deems appropriate, the funds received, or any part thereof, in first class government bonds denominated and payable in a convertible currency and maturing within a period of six months from the date of investment.

(d) The Trustee shall inform the Committee on Preparatory Arrangements for the Asian Development Bank of all acts and transactions effected pursuant to this resolution.

2. The Trustee shall transfer all funds received by him to the Bank not later than on the date of the inaugural meeting of its Board of Governors and shall, at the same time, submit to the Board of Governors a statement of accounts relating to the funds received, duly audited in accordance with the auditing procedures of the United Nations.

3. If the Agreement has not entered into force by 30 September 1966, the Trustee shall, not later than 15 October 1966, inform the Governments of the countries listed in Annex A of the Agreement Establishing the Asian Development Bank of that fact and shall convene a meeting of representatives of such Governments to consider the situation created by the failure of the Agreement to enter into force.

3. RESOLUTION ON DYNAMIC ASIAN ECONOMIC CO-OPERATION

The Ministerial Conference on Asian Economic Co-operation,

Noting with satisfaction and appreciation the Executive Secretary's report on the progress made in implementing the resolution and programmes adopted by the First Ministerial Conference on Asian Economic Co-operation held in December 1963;

Noting with particular satisfaction the steps completed for establishing the Asian Development Bank;

Deeply concerned nevertheless, that most Asian countries are still encountering serious difficulties in achieving the minimum desirable rates of growth and the targets set for the United Nations Development Decade;

Re-emphasizes the need to fill rapidly the economic gap between the developing countries and the developed countries of the world;

Reaffirms the agreement recorded in the resolution on Asian economic co-operation of the First Ministerial Conference on Asian Economic Co-operation;

Agrees to seek the definition of a common regional economic co-operation policy and to take prompt and practical measures for promoting dynamic regional economic co-operation, particularly in economic and social development planning, trade, industry, mining, agriculture, natural resources, including water resources, transport and communications;

Also agrees to continue carrying out the programmes adopted at the First Ministerial Conference and, in order to accelerate regional co-operation further, to adopt the following programmes with regard to which it:

A. Regional harmonization of development plans

Invites the Governments of Asian countries to co-operate fully in the implementation of Commission resolution 56 (XXI) on regional harmonization of development plans and in the work of the ECAFE secretariat and the Regional Centre for Economic Projections and Programming;

Urges the Governments of Asian countries to participate in working groups of planning experts to be convened by the Executive Secretary and to hold at regular intervals bilateral or multilateral intra-regional consultations, within the framework of ECAFE and assisted by the ECAFE secretariat, so as to promote achievement of the objectives of plan harmonization in the context of a long-term development perspective to be suggested by the Regional Centre for Economic Projections and Programming;

B. Regional trade liberalization and shipping and ocean freight rates

Expresses the hope that the Governments will give urgent and serious consideration to the relevant recommendations of the Group of Experts on Regional Economic Co-operation held in 1963 and the recommendations of the Groups of Experts on Trade Liberalization and on Shipping and Ocean Freight Rates held in 1964;

Urges Governments to conduct further investigations and studies on various measures for promoting regional trade co-operation, taking into account the recommendations of those groups of experts and the relevant recommendations of the United Nations Conference on Trade and Development, in preparation for a subsequent meeting to be held, under the auspices of ECAFE, in order to establish guidelines to assist Governments in intra-regional multilateral and bilateral negotiations;

Appreciating that most of the developing countries in the region suffer from acute and continuing balance of payments difficulties;

Recommends that a study group be constituted from among the regional countries to examine the financial aspects of expansion of trade and the need for a payments arrangement to prevent imbalances arising from expanded intra-regional trade;

Requests that studies on the rationalization of shipping and ocean freight rates be intensified and that the necessary steps be taken to bring about the establishment of national shippers' councils which may ultimately lead to the establishment of a regional shippers' council;

C. *Industrialization and natural resources development*

Expresses the hope that the First Asian Conference on Industrialization will formulate specific proposals and appropriate action programmes for accelerating industrialization in the region generally and for developing joint industrial ventures, multilateral industrial projects, including complementarity agreements, and other joint efforts for the survey and development of resources;

Requests the Governments concerned to pay particular attention, in developing such joint and multilateral industrial schemes, to the broad policy aspects of trade and payments, investments, tariffs, fiscal and planning policies, so as to ensure the success of those projects;

Also requests Governments to study, consider, and take necessary steps to implement the recommendations of the Expert Groups on Joint Off-Shore Prospecting for Minerals in the Asian Continental Shelves as endorsed by the meeting of representatives of the Governments concerned;

D. *Asian Highway*

Noting that the Asian Highway Co-ordinating Committee is taking every step for the implementation and co-ordination of activities at the national and regional levels, and for seeking technical, financial and other assistance for accelerating the development of expanded transport facilities;

Urges the early implementation by Governments of programmes which will lead to the carrying out as soon as possible of the recommendations of the Asian Highway Co-ordinating Committee;

Urges the Executive Secretary to convene as early as possible a meeting of the Asian Highway Co-ordinating Committee to consider and finalize the draft application to the United Nations Special Fund for its assistance;

Urges the Asian Highway Co-ordinating Committee to request the United Nations Special Fund and donor countries to continue extending the maximum possible assistance for the implementation of the project;

F. *Telecommunication*

Noting that the ECAFE secretariat, through the joint ECAFE/ITU unit, has prepared a series of regional and sub-regional telecommunication projects which would make telecommunication links, facilities and circuits, etc., available to the countries of the region;

Hopes that the countries covered by these regional telecommunication links will implement these projects with both national and international assistance and co-operation;

G. *Typhoon damage control*

Noting that the Fifth ECAFE Regional Conference on Water Resources Development had rightly drawn attention to the vast annual damage suffered by the ECAFE countries in the Pacific region through typhoons;

Welcomes the initiative taken by ECAFE/WMO to establish a working group of experts to consider possible means of minimizing or controlling the detrimental effects of typhoons in the ECAFE region;

Earnestly hopes that the research programmes, studies, experiments and other activities will be commenced as soon as possible and that, in these endeavours, the countries of the region will receive the substantial financial and technical assistance required;

H. *Demographic problems*

Noting with satisfaction the results of the Asian Population Conference convened by ECAFE in 1963, the subsequent action taken by the Economic and Social Council and the General Assembly, the results of the World Population Conference, and the expansion of the ECAFE secretariat's studies, research, training programmes and advisory services with help from United Nations technical assistance and other sources;

Also noting the vast scope for regional demographic co-operation and its importance in view of the population problems faced by all countries of the region;

Requests the Governments to co-operate and assist one another in providing information on the experience they have gained in implementing population policies — particularly with regard to censuses,

sample surveys, training and research, studies or experiments, and motivation — and in their research on, and development of, population policies and action programmes;

I. Tasks ahead

Requests the Executive Secretary to develop a dynamic programme of work and priorities in the above fields, to take measures to strengthen the resources of the secretariat for providing assistance to Governments engaged in carrying out that programme, to seek additional financial assistance as required from multilateral and bilateral sources, and to take such other measures as may, from time to time, be necessary;

Also requests the Executive Secretary to present to the next Ministerial Conference on Economic Co-operation a comprehensive report on the progress achieved with the above action programme, and to take further steps to accelerate such co-operation, bearing in mind the short-term and long-term targets set for regional and sub-regional co-operation in Asia.

Appendix III LIST OF PARTICIPANTS

MEMBERS

Afghanistan

Representative:

H.E. Mr. Abdul Wahab Haider, Deputy Minister of Plan, Kabul

Australia

Representative:

Honourable Paul Hasluck, Minister for External Affairs, Department of External Affairs, Canberra

Alternates:

Mr. F. Pryor, Acting First Assistant Secretary, Department of the Treasury, Canberra

Mr. G. N. Upton, Assistant Secretary, Department of External Affairs, Canberra

Mr. F. E. Anderson, Assistant Secretary, Department of Trade and Industry, Canberra

Mr. Geoffrey Bentley, Secretary to the Minister for External Affairs, Canberra

Cambodia

Representative:

H.E. Mr. Chausau, Secrétaire d'Etat au Plan

Alternates:

Mr. Srey Pong, Directeur des Finances Extérieures

Mr. Hak Hem Say, Directeur Crédit Banque Nationale

Mr. Chan Sun, Directeur Plantification

Mr. Or Kosalak, Sous Directeur des Conférences, Ministry of Foreign Affairs

Ceylon

Representative:

Mr. W. Tennekoon, Senior Deputy Governor of the Central Bank of Ceylon, Colombo

Alternates:

Mr. D. C. Gunasekera, Deputy Governor of the Central Bank of Ceylon, Colombo

Mr. H. O. Wijegoonawardene, Counsellor for Foreign Relations, Ministry of External Affairs, Colombo

China

Representative:

Mr. P. Y. Hsu, Governor, Central Bank of China

Alternates:

Mr. I-Shuan Sun, Director of Secretariat, Central Bank of China

Mr. Yung Hour Cheng, Deputy Director, Monetary Department, Ministry of Finance

Adviser:

Mr. Kou-Chuan Wang, First Secretary, Embassy of the Republic of China, Manila

India

Representative:

H.E. Mr. B. R. Bhagat, Minister of State for Finance and Planning, Government of India

Alternates:

Mr. C. S. Krishna Moorthi, Joint Secretary, Ministry of Finance, (Department of Economic Affairs), Government of India

Mr. B. D. Jayal, Joint Secretary, Ministry of Commerce, Government of India

Mr. Harbel Singh, Under Secretary, Ministry of Commerce, Government of India

Adviser:

Mr. S. P. Sethi, Charge d'Affaires, Embassy of India, Manila

Iran

Representative:

H.E. Dr. Alinaghi Alikhani, Minister of Economy,
Government of Iran, Teheran

Alternates:

H.E. Dr. Khodadad Farmanfarmaian, Deputy
Governor, Bank Markazi Iran (Central Bank
of Iran), Teheran

H.E. Dr. Mohamad Yeganeh, Deputy Minister of
Economy, Government of Iran, Teheran

Mr. Akrami, Director, Division of International
Organization, Central Bank of Iran, Teheran

Japan

Representative:

H.E. Mr. Aiichiro Fujiyama, Minister of State
and Director-General of the Economic Plan-
ning Agency, Tokyo

Alternates:

H.E. Mr. Nobubiko Ushiba, Ambassador, Deputy
Vice-Minister for Foreign Affairs, Tokyo

Mr. Takeshi Watanabe, Special Adviser to the
Ministry of Finance, Tokyo

Mr. Hideo Suzuki, Director, International Finance
Bureau, Ministry of Finance, Tokyo

Mr. Bunroku Yoshino, Counsellor, Economic
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Mr. Hiroshi Uchida, Counsellor in charge of
General Affairs, Economic Affairs Bureau,
Ministry of Foreign Affairs, Tokyo

Mr. Michiyoshi Kawada, Counsellor, Minister's
Secretariat, Ministry of International Trade
and Industry, Tokyo

Mr. Koichi Tanaka, Administrative Counsellor,
Coordination Bureau, Economic Planning
Agency, Tokyo

Mr. Haruo Maekawa, Executive Director, Bank
of Japan, Tokyo

Special Advisers:

H.E. Mr. Harumi Takeuchi, Ambassador Extra-
ordinary and Plenipotentiary of Japan to
the Philippines, Manila

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Director-General of the Economic Planning
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Mr. Tsuneo Oyake, Second Secretary, Embassy of
Japan, Bangkok

Mr. Toshitake Katayama, Second Secretary, Em-
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Representative:

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Seoul

Alternates:

Mr. So Yong Chung, Secretary to President for
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Mr. Jae Choon Kom, Second Secretary, Bureau of
Economic Affairs, Ministry of Foreign
Affairs, Seoul

Mr. Kie Soon Park, Chief, International Finance
Division, Bank of Korea, Seoul

Laos

Representative:

H.E. Mr. Inpeng Suryadhay, Minister of Planning,
Vientiane

Alternates:

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Mr. Nikorn Phankongsy, Secretary-General, Na-
tional Bank, Vientiane

Mr. Oukeo Souvanavong, Commissioner-General
for Planning, Vientiane

Mr. Nivong Souvanheuan, Director of Commerce, Ministry of National Economy, Vientiane

Malaysia

Representative:

Hon. Mr. Tan Siew Sin, Minister for Finance, Kuala Lumpur

Alternates:

Raja Mohar Bin Raja Badiozaman, Secretary, Ministry of Commerce and Industry, Kuala Lumpur

Mr. Choi Siew Hong, Adviser, Central Bank of Malaysia, Kuala Lumpur

Mr. Rama Iyer, Under Secretary, Finance Division, Treasury, Kuala Lumpur

Mr. Abdul Rahman Bin Hamidon, Deputy Controller of Trade, Ministry of Commerce and Industry, Kuala Lumpur

Mr. Zainal Abidin Bin Sulong, Ministry of External Affairs, Kuala Lumpur

Mr. Ali Bin Abdullah, Malaysian Consul in Manila, Kuala Lumpur

Nepal

Representative:

H.E. Mr. Nagendra Prasad Rijal, Minister for Industries, His Majesty's Government of Nepal, Kathmandu

Alternates:

Dr. Yadav Prasad Pant, Secretary to His Majesty's Government, Ministry of Finance, Kathmandu

New Zealand

Representative:

Mr. D. W. A. Barker, Secretary to the Treasury, Wellington

Alternates:

Mr. G. L. Easterbrook-Smith, Director, Trade Relations and Economics Division, Department of Industries and Commerce, Wellington

Mr. L. J. Watt, First Secretary and Permanent Representative of New Zealand to ECAFE, New Zealand Embassy, Bangkok

Pakistan

Representative:

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Mr. Rafael Recto, President, Philippine National Bank

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Executive Secretary

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Mr. P. T. Tan
Chief, Water Resources Development Division

Mr. H. Kitamura
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Appendix IV

OPENING ADDRESSES

Address of the President of the Republic of the Philippines at the opening session of the Second Ministerial Conference on Asian Economic Co-operation

For the second time in two years, it is my pleasure and privilege to welcome to Manila ministers from Asian countries gathered together under the auspices of the United Nations Economic Commission for Asia and the Far East to discuss economic co-operation in Asia.

Two years ago in this very same hall, you made history by meeting for the first time for the specific purpose of giving impetus to the idea of Asian economic co-operation. You then noted that an Asian Institute for Economic Development and Planning was soon to open its doors, and endorsed such areas of endeavour as trade co-operation, co-ordinated shipping arrangements and an Asian Development Bank. Such is the power of ideas that in two years you are now gathered again to take up the progress towards the goal of Asian economic co-operation.

You are about to launch another milestone—the Asian Development Bank. I note that, together with this, you are due to take up the harmonization of development planning, trade liberalization, industrialization, typhoon damage, the Asian highway and demographic problems. Truly the seeds planted in

Manila not so long ago have started to bear fruit. In greater or lesser degree, the Philippines is interested in each of these matters and will be watching your deliberations keenly and hopefully.

The Philippines supports enthusiastically your project of an Asian Development Bank. In this connexion, you hold your conference at one of our greatly cherished moments. We have just managed a business which has become, for us, a proud tradition, a deeply rooted political enterprise: a democratic election involving the peaceful and orderly transfer of public power. A vigorous partisan conflict has preceded this business of two decades, but the nation, as usual, is united again after the apparent national dissension required by a democratic dialogue. So although there is an impending change of administration in our country, I feel justified in stating that, as the Filipino people themselves support the establishment of an Asian Development Bank, the Philippine Government will lend its fullest backing and co-operation to your project under any administration. This is a project in which we have participated wholeheartedly from the beginning and through all stages—in the technical group and the preparatory meeting of 1963 in Bangkok, the Ministers' Conference in Manila in the same year, the ECAFE sessions of 1963 and 1964, the Expert Group of 1964, the Consultative Committee of 1965, the preliminary meeting of officials last month and your present Conference.

In common with the borrower countries of Asia, we look forward to being beneficiaries of the Bank's activities—in lending and, not less important, in technical assistance. But there is more than the possibility of borrowing which is significant to us with regard to the Asian Development Bank. We cherish as well a key feature of this pioneering regional project: the spirit of self-help. In this project the Asian countries show that they are determined to rely in great measure on their own efforts. To be sure they hope by such a demonstration of determination, self-confidence and maturity to be able to attract aid from the more fortunate developed countries. But there is no gainsaying the fact that in terms of the sacrifice involved, the contributions of the developing nations to the Bank represent heavier burdens relative to their own available resources than the capital funds requested from the developed nations.

The spirit of self-help points the way to future methods of handling the economic development problem. Heretofore economic development aid has been largely a one-sided flow—from the advanced countries, especially of the West, to the developing regions of the world. It is a matter for commendation that the proposed Asian Development Bank makes an

attempt to broaden the directions of assistance by calling on the developing economies to assist each other.

My country is gratified over this because we are deeply interested not only in the development of our own national economy but also in assisting our neighbours to the extent we can. As a developing economy, we may not be rich in developed material resources, but fortunately, neither are we at the poorest level—a situation which enables us to help materially in some ways. Even though there are limitations at the present time in regard to our contributions in financial terms, we feel that in such fields as manpower resources we may be of some assistance. For many years now our vigorous school system has turned out large numbers of engineers and mechanics, accountants, agriculturists, teachers, doctors and nurses, and technicians of various kinds. The faculties of our universities and colleges have competencies to offer—not only in the above-mentioned technical fields, but also in training for public administration, economics, statistics and others. Through the Asian Development Bank we offer to share these resources and facilities with those of our Asian brothers who may have use for them. It is a modest start, but it is an example of how each of us can add its own resources and facilities to the common pool of development efforts.

The local press published yesterday an article of the Philippine delegate, Secretary Cornelio Balmaceda, expounding why Manila is being proposed by the Philippine delegation as the site of the Asian Development Bank. I subscribe to the views of Secretary Balmaceda. In the cordial competition for the choice of the bank site, should Manila become the fortunate choice, on behalf of our people I pledge that we shall provide the necessary resources, assemble competent technical staff, provide the cosmopolitan facilities and meet every exacting requirement to house the Asian Development Bank. In this connexion, I would like to add the statement of Senate President Marcos that “should the proposed bank be set up in this country, my administration will welcome every chance to lend encouragement and resource to its success.”

It is to the interest of each of our countries to take steps forward in tackling the other problems at hand. For instance, my administration has restored the principle of free private enterprise on which the Philippines is basically founded, and yet we recognize that government action and co-ordinated national programming are essential. Indeed, we have launched a five-year economic development programme over the past four years and have laid the groundwork by focusing efforts on what we conceive to be the first and the most pressing area for development—

mobilizing the government machinery so as to make it a more effective instrument for economic advance. As we continue to make progress in this sphere, we are able to turn our attention outwards—towards trade liberalization and the harmonization of our plans with the rest of Asia.

As to the Asian highway, although we are not on the mainland of Asia, we have our own project for a Pan-Philippine highway running through our major islands from north to south and connected at some points by ferry services. Considering that ours is an archipelago of over 7,000 islands, this plan has technical difficulties. Nevertheless, we regard the technical difficulties as surmountable and we are determined to push through the project, not only for our own benefit, but also in consonance with the grand design, now nearing reality, of an Asian Highway.

In the efforts of Asian nations towards mutual assistance, no organization has played a more pivotal role than ECAFE. ECAFE's encouragement has permeated all levels of economic co-operation in this part of the world—in regard to national efforts, sub-regional groups, broad regional efforts such as those represented at this gathering, and multi-national endeavours such as that which will come to fruition in a few days when non-regional members of ECAFE join us Asians to initial the charter of the Asian Development Bank; while some sectors of mankind seek to destroy, ECAFE through economic co-operation builds for the attainment of a better life for the greatest number, which is a mission and a performance that merits the gratitude of all the peoples of Asia.

One man has come to be known as indispensable to the forward movement of this noble mission of ECAFE, and I refer to our common and esteemed friend, the Executive Secretary of ECAFE, U Nyun. His dedication to the goal of Asian economic co-operation has been very instrumental in bringing us to where we are today, and I am sure that under the inspiration of his unflagging efforts we shall continue to move much further beyond where we are now.

I also express my admiration for all of you who have come together on this occasion, for individually and collectively you are demonstrating the desire and the will without which there can be little to hope for in the way of Asian co-operation.

My country has been honoured to be host to you not once but twice. Our people like to think that, aided by our history and our geographic location, we are in a position to serve in some measure as a bridge between nations, both of the East and the West. We are an Asian nation, linked by blood ties

and by aspirations with this vast, diverse and vital region of the world. Yet our relation of four and one-half centuries with Spain and the United States has given us familiarity with the culture, language and institutions of the Western World. Co-operation is an ingrained value and a way of life for us. It is our ambition to be friendly with everyone. I take it as a tribute to our deep friendliness for other peoples that you meet in Manila for your Second Ministerial Conference on Asian Co-operation. In the best spirit of our encompassing friendship for all nations, I wish you all success in your Conference, stressing that if there is anything in which we can be of help to the success of your noble mission, we will happily endeavour to provide it.

**Statement by U NYUN, Executive Secretary of
the United Nations Economic Commission
for Asia and the Far East**

It is a great privilege for me to welcome you all to this second historic Conference of Asian Ministers and high-level representatives, which is being convened to undertake the vital task of considering further measures for concerted and co-operative action to accelerate economic development in Asia through a wide variety of purposeful activities involving co-operation and mutual assistance among our Asian countries. This Ministerial Conference on Asian Economic Co-operation is being held at a place of great significance to the ECAFE region and at a highly crucial point of time—for 1965, besides constituting the mid-point in the United Nations Development Decade, is also the year designated by the United Nations General Assembly as International Co-operation Year. As you are aware, this meeting is being convened in pursuance of a unanimous resolution adopted by the United Nations Economic Commission for Asia and the Far East at its nineteenth session which was also held in this beautiful historic city of Manila in 1963. The Manila Resolution of 1963 was followed in 1964 by the Tehran Resolution which marked an important step forward in our continuing search for means of widening the areas of regional co-operation.

First of all, I wish to express on behalf of all of us our deep gratitude to the Government of the Republic of the Philippines for the excellent arrangements made for convening this important Conference in Manila. I also wish to express our deep and sincere gratitude to His Excellency President Diosdado Macapagal for his warm words of welcome and his inspiring address. I recall that His Excellency the President, at the First Ministerial Conference on Asian Economic Co-operation, underlined the need for Asian countries to seek strength individually and as a community as an effective means of providing our

peoples with things that answer to the need for a better life through higher standards of living. His Excellency's inaugural address today again underlines the urgency of making rapid progress towards regional co-operation covering all aspects of the economic and social life of our Asian people; for it is evident that Asia still has to make very determined efforts to achieve the goal of the United Nations Development Decade and that its attainment can be greatly facilitated by regional economic co-operation. The purpose of this periodic Conference of Asian Ministers is closely linked with the objectives of the United Nations Economic Commission for Asia and the Far East. The roots of Asian co-operation lie deep in age-old culture and traditions which are embedded deep in our minds; furthermore, during the last fifteen years, we have witnessed the successive steps leading to the development of this forum for practical Asian co-operation. It was in the very early stages at the Lahore session of the Economic Commission for Asia and the Far East in 1951 that a convention was established whereby the Asian members of ECAFE were assured that, in matters of vital interest to the countries of the region, their voices would be heard without interruption. The Asian countries have today by this Conference strengthened this convention by making the voice of Asia a living reality.

The activities of ECAFE all through these years have been marked by a constant search to identify areas and fields in which co-operation among all the countries of the region, or groups of them, can be developed on a continuing basis, and to discover the most suitable measures for achieving this co-operation at the technical, functional, institutional and policy levels.

The First Asian Ministerial Conference at Manila adopted a comprehensive resolution which, among other things, outlined a number of practical measures and methods for promoting regional economic co-operation in such fields as trade, industry, mining, agriculture, transport and communications. The report I am presenting to you at this Conference contains a brief review of the progress achieved in implementing these measures. First and foremost among them is the establishment of the Asian Development Bank. Other action programmes for regional economic co-operation submitted for your consideration include regional harmonization of national development plans of the countries of the ECAFE region, industrialization, trade liberalization, shipping and ocean freight rates, typhoon damage control, the Asian Highway and demographic problems. The review is by no means exhaustive, but illustrative of the growing momentum towards regional co-operation among all our countries. The countries have taken a number of other steps individually and

collectively; they have established several institutions for training research and joint studies, and they have subscribed to various types of declaration and agreement. As economic and technical progress gather momentum, many such new institutions and activities will develop, offering further scope to Asian countries for utilizing their facilities and services in a spirit of mutual self-help and co-operation.

An event of outstanding significance in the work of ECAFE during 1964/65 is the gratifying progress towards establishing the Asian Development Bank. Credit for this achievement goes to the member countries themselves which have shown friendly understanding and keen desire to co-operate with one another in this great regional co-operation enterprise. I wish to take this opportunity to express our sincere thanks to the dedicated members of the Consultative Committee under the able chairmanship of His Excellency Secretary Cornelio Balmaceda of the Philippines and Mr. Takeshi Watanabe of Japan, and to the industrious members of the Preparatory Committee under the able chairmanship of Dr. Khodadad Farmanfarmaian of Iran. In this task, we have all been greatly inspired and heartened by the positive support received from the United Nations Secretary-General U Thant, his Chef de Cabinet and Under-Secretary for General Assembly Affairs, Mr. C. V. Narasimhan, and from Mr. Philippe de Seynes, Under-Secretary for Economic and Social Affairs, Mr. Paul Hoffman, Managing Director of the Special Fund and Mr. David Owen, Executive Chairman of the Technical Assistance Board. We have also been encouraged and assisted by the President of the International Bank for Reconstruction and Development and the President of the Inter-American Development Bank on many technical aspects. The purpose and scope of the Asian Development Bank, the participation envisaged, and the general framework under which it will operate are all well known to you and you are going to give them final form at this Conference. Hence I need not go further into these matters; I would only say that the Asian Development Bank opens a new vista of active mobilization by our countries of the resources needed for developing their economies, both individually and collectively. Above all, the Bank will be an effective instrument not only for mobilizing domestic capital but also for attracting additional capital and financial resources from the capital markets of the world. The fact that a major part of the capital resources of the Bank will be subscribed by the Asian countries on their own initiative demonstrates the essentially Asian character of the venture. The fact that non-regional members, some of whom intend to contribute in large measure both to the share capital and to the other types of funds, are ready to participate in the Asian Development Bank demonstrates the healthy interna-

tional spirit of co-operation which has assisted the Asian countries to establish the Bank within a short period of time. The various ways in which the sponsors of the Bank have envisaged mobilization of its share capital and trust funds, and the manner in which they envisage the use of these funds, also demonstrate that the Asian Development Bank can become an effective vehicle for securing multilateral assistance for the benefit of the entire Asian continent.

The establishment of the Asian Development Bank will be a great step forward in the United Nations Development Decade, a step that is bound to accelerate the economic development of the developing countries of Asia. The Bank will be able to mobilize additional resources within the region and also attract additional funds from outside the region, and it will finance various projects either not financed or only inadequately financed by existing institutions. The Bank will constitute an organization through which better understanding and relations among the Asian countries will be fostered; and, most important of all, its establishment will be the result of Asian initiative and international co-operation. The Bank will also do much to promote closer co-operation between Asian countries on the one hand and the rest of the world on the other, as the capital subscription will not come exclusively from Asian sources, although Asian countries will provide the larger part.

The main task before the Conference is to consider and adopt the Agreement Establishing the Asian Development Bank in the drafting and preparation of which the Preparatory Committee has done thorough and excellent work. The draft Agreement represents the widest area of agreement reached at this stage among all the participating countries with different interests and different levels of development. There may be a number of questions which could appropriately be left to the management of the Bank to work out and implement in practice. The Bank, in order to serve the Asian countries effectively, must be strong, independent and financially viable. The most urgent requirement is to establish the Bank, give it good sound management and establish its credit, so that it can assist national, sub-regional and regional projects wherever the needs are urgent.

There are a few important matters relating to the Bank which remain to be resolved at this Conference, such as the location of its Headquarters and other matters of a technical nature. I hope that all of them will be dealt with in our traditional Asian way and in the true ECAFE spirit of friendly understanding, conciliation and compromise on the part of all concerned.

The next task before the Conference is to seek and agree upon further measures and action programmes, particularly those which will involve high policy decisions by Governments. The report before the Conference mentions very briefly these action programmes for the further acceleration of regional co-operation. They result from various studies by the secretariat, studies and discussions among working groups of experts from within and outside the region, recommendations of the subsidiary bodies of the Commission, and the technical assistance and pre-investment activities undertaken by ECAFE and the United Nations under such United Nations programmes as the technical assistance programme and the Special Fund activities.

In carrying out these studies, consultations and action-oriented measures, it has become evident that the Governments themselves, while engaged upon their own national activities, have quite often discovered new avenues for co-operation with other countries. It is strongly recommended that all countries should conduct such studies on a continuing basis. The ECAFE secretariat stands ready to follow such activities closely and to provide fullest assistance to the countries.

It will be recalled that the Commission at its last session, held before that of the Conference of Asian Economic Planners, emphasized the need for harmonization of the national development plans in order to achieve a new and more efficient pattern of regional production, investment and trade. In recent years, discussions in the ECAFE Working Party on Economic Development and Planning, Asian Planners Conference and other committees and conferences have focussed attention on the opportunities for practical co-operation in such matters as the exploration of hydro-electric resources on a sub-regional co-operative basis, and the harmonization of production and marketing of petroleum refinery outputs. Furthermore, the search for ways and means of harmonizing development plans now presents itself as an urgent and continuing task.

The secretariat will be convening working groups of planning experts, organizing exchanges of information about national development plans, making analyses of them from the regional viewpoint, or preparing long-term projections as frames of references in which each country can visualize its own national plan in the regional context; meanwhile, the countries of the region will do well to increase consultations among themselves at all stages of plan-formulation and plan-evaluation. Such consultations could be on a voluntary basis and could be convened bilaterally or multi-laterally within the framework of ECAFE, with the secretariat providing the data, information, analysis and advice that may be necessary. The

growing work of ECAFE in preparing various types of economic projection, either aggregate or sectoral, country-wise or commodity-wise, or in respect of population, etc., will further reveal the internal as well as external forces determining the rate of growth of the Asian countries' economies, individually and collectively. I hope that from these results will soon emerge a perspective plan for Asia as a whole and a picture of what kind of Asia we Asians really want. The results of the secretariat's work are also likely to make it increasingly clear that national development plans conceived and prepared through mutual consultation among the planners will permit a much faster rate of economic development than could be achieved by a number of separate national efforts. In other words, a real advance towards regional development will entail a continuous series of co-ordinated efforts which can grow only out of carefully devised measures adopted at the national and regional levels. All these will not be easy, but too much is at stake in Asia today for such difficulties and challenges to be shirked.

The question of trade liberalization has been examined by two groups of experts, one of which met prior to the First Ministerial Conference in November 1963 and the second subsequently. The *raison d'être* behind the search for trade liberalization has all along been that the full potentialities of increasing the trade within our own region have not yet been fully utilized or even explored. One group identified a number of commodities for which the countries of the region can themselves relax the existing trade restrictions or take more positive measures to develop what is called additional trade. The recommendations of that group have been under the consideration of Governments for some time. I should like to reinforce the Commission's view that they merit the most urgent attention. I should also like to suggest that the various commodities and products identified by the group as those for which trade within the region could be developed through co-operative measures might form a suitable subject for periodic consultations during the intra-regional trade promotion talks. Such an exercise would reinforce the spirit of co-operation among the developing ECAFE countries which was so dramatically revealed both at the Tehran Commission session and at the UNCTAD session in Geneva. It would also help the developing ECAFE countries to co-operate closely not only among themselves but also with other developing countries; and it would prepare the ground for consultations or negotiations to be carried out in a spirit of good-will and co-operation with the developed and other countries in the rest of the world on many matters pertaining to trade and development.

Within the existing trade pattern, while the scope for liberalization exists, it may be noted that real co-operation could be achieved only in the long run and in the context of the development targets laid down for each field in the national development plans. We must remember that the development planning efforts initiated by our Governments, noble as they are, have hitherto been internally geared—a situation which was inevitable in the early stages. In that process of planning in the national context, import substitution naturally occupied an important place in the minds of the planners. But import substitution in consumer goods industries has been limited by the extent of the local domestic markets and the elasticity of demand, and it has sometimes given rise to artificial restrictions on trade and payments, some of which must now be re-examined in relation to the needs for dynamic co-operative development. The kind of industrialization needed to make a real impact must include the development of durable goods, engineering goods, capital goods and other highly sophisticated types of manufacturing activities. Most of these, however, require large-scale plants to achieve economies of scale; hence such co-operative arrangements as joint ventures among countries and integrated markets for large-scale industries are essential. Some of these matters will be studied by the forthcoming Asian Conference of Industrialization.

Progress is being achieved in examining the problems of shipping and ocean freight rates in the countries of the region. An expert group, taking into account the recommendations of the United Nations Conference on Trade and Development, has recommended a series of measures, short-term and long-term, for promoting co-operation among the countries of the region in developing shipping and in simultaneously evolving suitable machinery for consultations and negotiations between the shippers and shipping lines. Improvement of port facilities and measures to assist maritime transport and training have also been studied.

In addition to dealing with some of the overall policy matters I have mentioned earlier, this Conference will, I hope, give general consideration to the action programmes for industrialization and for ensuring the early fulfilment of the Asian Highway project for which a five-year plan has been adopted by the first meeting of the Asian Highway Coordinating Committee. There are a number of other projects in preparation; for example, the ECAFE secretariat has prepared a series of regional and sub-regional telecommunication projects which would benefit countries of the region, link them together, and eventually link the whole region to the first developing global telecommunication network for which the latest scientific advancements, such as satellite communications, are bound to be employed.

In the field of water resources development, the ECAFE secretariat has already identified a number of international rivers on which conditions permitting, activities such as those now being carried out in the Mekong Basin could be initiated through co-operation and agreement among the Governments concerned. A working group of experts on typhoons will soon meet at Manila to study the organization, equipment, personnel, training and financial resources required for introducing new methods of minimizing typhoon damage and, as now begins to seem possible, of controlling typhoons before they hit.

To achieve economic development and unity in Asia, while giving due recognition to the diversity inherent in our present and future structure, requires practical and simultaneous action in all fields. There is an urgent need to lay down clearly defined guidelines and to evolve successive steps towards its attainment. The experience gained in our planned efforts will certainly provide better criteria for tackling our common problems. There must be close relationship between the principles used to determine the allocation of resources in accordance with national plans and the measures employed to establish and enlarge intra-regional trade; and there must be much more rational development of industries on the national, sub-regional and regional levels.

The Asian countries have now embarked upon the voyage towards dynamic regional co-operation. Their progress should be hastened by drawing upon the new will to achieve a dynamic development of our region; for, despite the antagonisms and anomalies from which our continent is not yet free, the will to build a prosperous new Asia based on mutual co-operation, harmony and dynamic growth undoubtedly exists and grows stronger day by day.

The tasks before us are indeed challenging. We must meet them with diligence and determination. In this exceedingly important task of achieving regional harmony and co-operation and accelerating the economic development of the countries of Asia, and thereby fulfilling the aspirations of Asia's teeming millions for a better life, it is imperative that we do not fail.

Statement by Cornelio Balmaceda, Chairman of the Second Ministerial Conference on Asian Economic Co-operation

Allow me, first of all, to convey to all of you my most profound gratitude and sincere appreciation of the great honour that you have conferred upon me as representative of my country in electing me Chairman of this historic and most significant Conference.

The First Ministerial Conference succeeded in giving policy orientation for regional economic co-operation and in identifying programmes and specific projects to be undertaken for the purpose of accelerating the economic and social development of the ECAFE countries, and for enhancing co-operation in regional projects like the development of the Mekong and the Asian Highway and above all to raise the standards of living of the masses of our Asian population.

A resolution was adopted which our active and indefatigable Executive Secretary of ECAFE, U Nyun, has rightly described as the "Charter for Asian Economic Co-operation."

We have been convened anew to this Second Ministerial Conference to give meaning to, and to translate into action, the programme and projects that were adopted in the First Ministerial Conference. These include the adoption of an acceptable programme of trade liberalization, removal of quota restrictions and tariff reduction within countries of the ECAFE region; concerted measures for the promotion of and stabilization at remunerative and reasonable prices of exports of primary commodities; harmonization of development plans; development of shipping and rationalization of ocean freight rates; a co-ordinated programme of industrialization; and the establishment of an Asian Development Bank.

The last-named project to establish an Asian Development Bank was given highest priority upon the realization by the Commission that it is by far the most significant project for achieving a faster economic growth in the region.

The Commission sent a Consultative Committee composed of representatives of nine Asian countries to consult with governments and financial institutions around the world about this project and the Committee found an enthusiastic and most encouraging response. The Asian Governments without exception welcome the project and pledged their full co-operation in the early establishment of the Bank. Non-Asian countries likewise showed great interest and expressed their desire to participate.

While we of Asia hailed the project as a much needed addition to the existing limited sources of capital for development, the industrialized and non-Asian countries saw in it an opportunity to assist in developing the vast economic and trade potential of Asia.

All the necessary preparatory steps have already been completed for the early realization of the project. These steps have included the technical study by experts under the direction of the Executive Secretary of ECAFE and his competent staff, the consultations with 31 governments—18 in Asia and 13 outside the region—which were visited by the nine-man Con-

sultative Committee, and the preparation of the draft Agreement for the Establishment of the Bank which is in the agenda of this Conference for adoption. The draft Charter has been passed upon not only by the Consultative Committee but also by a bigger group of representatives of participating countries which attended the preparatory meeting at Bangkok last October.

During the last three days, the Consultative Committee on the Asian Development Bank met at Manila to put the draft Charter in readiness for adoption by this Conference.

It is now our duty as delegates to this ministerial meeting to take the final step to bring this important project to its full realization. We are also called upon to decide where the location of the Headquarters of the Bank will be. This is one of the important tasks before us in this meeting. The Consultative Committee and the Committee of Experts that studied the project have laid down specific criteria which by general consensus are the right basis for the selection of the best location for the Bank.

Since no less than seven Asian capital cities are being proposed for the site, it will be necessary for us to apply the criteria that have been adopted objectively and impartially, keeping in mind as the paramount consideration in the selection what is best for the Bank and what will be most conducive to the successful attainment of its objectives.

With great hopes and expectation, the whole ECAFE region awaits our action on this momentous task of establishing our own Asian Bank. Born of Asian initiative, this new international financial institution is being launched with determination and unity by Asians as a concrete manifestation of their newly awakened spirit of regional consciousness and self-assistance.

It is not without some difficulties that countries in this area have pledged their subscriptions to the capitalization of the proposed Bank. Still with very limited financial resources and plagued by balance of payment difficulties, many of them have unhesitatingly pledged their shares of the capital allocated to them by the Consultative Committee if only to demonstrate their spirit of regional co-operation and their faith in the usefulness and importance of the Bank to the future welfare of the peoples of Asia, to help in redeeming them from the morass of poverty and under-development in which they have long been engulfed.

I am certain that we, the ministers and representatives, will face our task in this historic Conference with the same determination and spirit of co-operation and in that spirit we cannot fail in accomplishing the important mission that brought us together in this Conference.

Appendix V

STATEMENTS BY REPRESENTATIVES ON AGENDA ITEM 4: ASIAN DEVELOPMENT BANK

Australia
Cambodia
China
Hong Kong
India
Iran
Republic of Korea
Laos
Malaysia
Nepal
New Zealand
Pakistan
Philippines
Singapore
Republic of Viet-Nam
Thailand

Statement by the representative of Australia

The Australian Government has examined the draft Articles of Agreement submitted by the Preparatory Committee and considers that these Articles provide an appropriate framework for the operations of the Asian Development Bank. Accordingly, we consider that the Articles, as they now stand, should be agreed upon by government representatives at this meeting and at the subsequent meeting of Plenipotentiaries as providing an appropriate set of Articles which countries can consider ratifying in due course. On this basis, I shall be very happy to sign these Articles. I am assuming, of course, that we shall succeed in reaching agreement on Annexes A and B and on one or two Articles which have not yet been completed.

I confirm that the dates proposed in Articles 63 and 64 for signature and subsequent ratification are satisfactory to us. We suggest that the date to be inserted in Article 4 should be early enough to place no impediment in the way of the entry into force of the agreement.

An earlier speaker has referred to the fact that some large Asian countries are not represented here

today and has expressed some doubts whether the principles embodied in these articles are appropriate when reviewed from the standpoint of the development problems of the region. I do not wish to comment in an argumentative or controversial way on the observations of our distinguished colleague. Nevertheless it is worth noting, in the first place, that it is open to other regional countries not represented here today to join the Bank. Furthermore, although the articles envisage certain methods of assisting the economic development of developing countries in the region, it does not follow that these are the only methods. Some countries may perhaps prefer to rely on other avenues of investment and assistance for their economic development. Any countries which may prefer to adopt this course are quite free to do so. It is already apparent, however, that the great majority of Asian countries consider that the principles and methods implied in the present articles are appropriate to their needs and that they propose to join the Bank.

The Australian Government considers that these articles provide a sound basis for the future operations of the Bank and that the Bank will make a very useful contribution to the economic development of the region. I shall therefore be very happy to sign these articles; there are some gaps at the moment in Annexes A and B but I am confident that these will be filled in a mutually satisfactory manner.

I am very glad to be able to announce at this stage that, in the light of the discussions which took place at the Preparatory Meeting of officials, the Australian Government is prepared to consider joining the Bank on the basis of an Australian subscription of 85 million dollars. I am not in a position at this stage to make any commitment on the question of ratification because we must follow our own constitutional procedures which will require reference of the Charter to our Cabinet and legislation in Parliament.

Australia is not a fully developed country. Nevertheless, the Australian Government does not expect to receive bank loans or assistance in respect of the mainland of Australia. In considering Australia's approach to the Asian Development Bank proposal including the amount of Australia's subscription, we have had in mind, however, that the Territory of Papua and New Guinea, which is not at the moment economically viable and which is one of the least developed areas of the world in economic

terms, would be eligible for bank loans at some time in the future. Any requests which we might make for Bank assistance in respect of the Territory would not be made in the early years. We understand that the Articles as at present drafted would place no legal impediment in the way of the Bank making loans to the Territory of Papua and New Guinea provided the terms of Australia's membership of ECAFE are amended to make it clear that Australian membership covers not only "continental Australia" (the present wording) but also the Territory of Papua and New Guinea.

In conclusion, my Government welcomes this great step forward in regional economic co-operation and development. We have participated in an active and positive way in the working of the Preparatory Committee and, as one of the four major potential contributors to the capital of the Bank, we look forward to playing our part in the work of the Steering Committee which is to be appointed to carry out the further preparatory work. For this purpose, we shall be happy to make available an official who is conversant with the working of international financial organizations and who has some knowledge and experience of the problems of developing countries.

Statement by the representative of Cambodia¹

I want to state a certain number of principles which in my view should govern the Bank's operations. All my remarks are linked closely to the Charter. At the same time it is necessary to put forward certain views on the spirit which ought to govern the Bank's operations and for this reason I ask you to allow me to make this statement.

I should start by putting forward the point of view of my Government in this matter. As our country is in a rather different situation, the position of our Government may be somewhat different from that of other Governments although not entirely opposite. Our positive answer to the invitation extended to us by U Nyun, Executive Secretary of ECAFE, constitutes a manifestation of the deep feelings we are experiencing, feelings of hope. Indeed, through this financial institution, for the creation of which we shall extend our wholehearted co-operation, we sincerely hope that more active co-operation will take place among the participating nations, and that the Bank will constitute a powerful instrument to improve the economy of the region, becoming in future a pole of attraction which will draw many other interested nations to contribute to the development of our region. But the feelings which we have just expressed and which are based on our belief in man,

in mankind as a whole, and his ability to improve and to develop over and above nations and ideologies, are not unmixed with another feeling which we shall not say is opposite but rather different. It is a feeling of concern.

Why do we feel concerned? On the one hand, because an important number of Asian countries, very similar to those represented here, are absent from our meeting; and, on the other hand, numerous other countries from other regions which have extensive resources and a large experience in the field of economic development have not seen fit to sit with us. We are convinced that no country will deny that one of the greatest problems of our time, the severest problem, is the gap between the developed and the underdeveloped world. There is need for an accelerated development of the underdeveloped nations, need to bridge the gap which exists not along ideological or geographical lines but along economic lines. War and peace are only an aspect of this problem. While we all agree about the urgency, the nature of the problem and all its consequences, there is no agreement as to the means for solving it or on the conditions governing the implementation of its solution. This disagreement remains very serious.

As to the spirit, which ought to govern the mobilization of national and international resources making it possible to lift the economically retarded nations out of their present state and lead them on to development, the Charter of Asian Development Bank, despite the good intentions we all express, does not fully express our Asian aspiration. For this reason, we cannot refrain from examining the basic idea which ought to govern the future institution; because, behind all technical language of institutions, there is always a doctrine, a certain number of principles to be applied to concrete action. The question is an important one. If the Bank's policy does not conform with the social and economic aspirations of the Asian countries, if it is not adapted to the conditions prevailing in our region, there is a big possibility that either we shall see a diminution of its credit and authority, or else witness the birth of a rival body—or, at best, of a body which will have to make up for the faults of the body we are going to create. History is rich in examples of this kind, both in the field of ideas and in the field of facts. Thus mercantilism went down in the eighteenth century because it was incapable of solving the problems which arose during that period. It gave way to liberalism which, having been a factor of progress for a long period, has in turn become an obstacle to progress and has been shaken by socialist thinking to its very foundations. Here again, the financial institutions established at Bretton Woods on the theoretical basis of liberalism have had to rely

¹ Original in French. This version is based on the interpretation into English transcribed from the tape.

on stop-gap measures; unable to abandon their doctrine, they have had to create satellite or annex bodies which apply softer rules. Even in the case of the World Bank, the doctrine which has been put forward is in contradiction with its practice and concrete reality. If we speak of the objectives of the World Bank, the former President of the Bank, Mr. Eugene Black, himself recognized that its main concern was to insure the reconstruction of Europe and the establishment of a system of international trade answering the needs of European and Atlantic countries. The World Bank was given the efficient name of International Bank for Reconstruction and Development; but, from the very outset, reconstruction has been its main pre-occupation. This is what Mr. Black has said himself. If we want the Bank we are going to create to be a positive step on the road to development, if we want it to be a model, an example to be followed in other regions—which for the time being is only a Utopian vision—, if we want the Bank to arouse more hope, to wield more attraction and to diminish the prevailing reluctance and hesitations, the time of its establishment must be an occasion to rethink and re-examine the principles in order to find those principles which will enable it to run efficiently.

We consider that the first principle to be respected by the Bank is the real recognition (and not the formal recognition) of the interests and sovereignties of all member countries; or, in more concrete terms, of the authority of government and national bodies to act as they see fit; on this point, Cambodia has been struck by the fact that the draft Charter of the Bank does not take into account all situations which might arise, particularly when it speaks (in Article 6) of the establishment of a dollar equivalent to be subscribed in local currency. Indeed, when the sum to be subscribed is to be fixed and difficulties arise, it is intended that only the international Monetary Fund—to which most of the member countries here present belong—should be consulted. As you know, however, it so happens that Cambodia is not a member of the International Monetary Fund. It is logical that the views of member countries of the International Monetary Fund which participate in our Bank, that is to say, of those which have already subscribed to the statutory provisions of the International Monetary Fund, should be the same as those of the Fund. But things look different in a country, such as our own, which is not member of the International Monetary Fund, and problems arising in this context can only be solved on the basis of a common examination of each of them. This is a question of principle touching upon the sovereignty of a country more particularly in the

monetary field. A respect for our sovereignty is, however, one of the necessary conditions if our country is to adhere to the Bank.

The second principle which has to be applied is that of real equality among the members. Indeed, there is a great difference between a development bank and a commercial bank. Financial and banking practices, book-keeping practices, may obviously be the same, but it is difficult to see the sovereignty of nations transformed into a sovereignty of capital. In provisions where voting power is granted according to the number of shares, the sovereignty of nations and the sovereignty of capital will co-exist in the Bank. Which will prevail? Would it not be easier and closer to the ideal of our Bank to stick to the principle of a single vote thus, reflecting the general principles of the United Nations Organization? Unfortunately, as has been pointed out by Lord Keynes, among others, the difficulty is not to understand new ideas but to get rid of old ones. Cambodia is not losing hope, however, that new principles which are better adapted to contemporary conditions will gradually replace the principles which, at present, are actually governing the operations of international financial institutions.

Another principle is the priority of economic development on the basis of economic growth. By this we mean that higher priority is due to projects which contribute to an actual change in the economic structure of a country than to those that will merely bring about a quantitative increase without contributing to such a change. These are, in our view, the guiding principles on which the Charter of our Asian Development Bank ought to be based, because what we want to work out is an ideal approach of development. The success of the Bank will be the success of a political conception but its failure would mean the collapse of that conception. Hence the great importance we attach to principles.

We will leave aside for the moment most of the technical details of the provisions of the Charter. We will merely refer to two of them. The first is the breakdown of operations into two categories. We have here a complete similarity with the statutory provisions of the Inter-American Development Bank and the European Investment Bank. We find the same distinction and the same terms of operation. Far from denying the usefulness of such a distinction, we think, however, that it would be better, taking into account the prevailing concrete situations, to reverse the order of the conditions of operations. We think that the conditions and provisions applied to ordinary operations should be for special operations, because the problems differ from one country to another and, therefore, the solutions have to be

different. An automatic transposal of certain techniques from one continent to another is not justified. The reports of the United Nations experts highlight the essential differences between the developed and underdeveloped countries and there is a wide literature on the problems created by underdevelopment, that is to say, in regions where more than half of the world's population live; and we know that the gap between the two types of country is becoming even larger. We recall the cry of alarm raised by the Director-General of FAO; yet, when we examine the terms of interest, duration of credit and reimbursement conditions prevailing in the Inter-American Bank and European Investment Bank—on which the experts have largely drawn in preparing the provisions of the Charter—we see that the same set of methods are meant to operate for a completely different situation. Development aid implies progressive adjustment of means to the degree of development reached by the country or the region concerned. For example, while malnutrition is widespread in one region, it is the exception in another. The use of machinery is exceedingly common in one region, but rare in another. Though modern industry may rule the roost in one country, it may be almost absent in another. In one region productivity may be rising, whereas it is hardly doing so in another region. Under these conditions, the efficiency of action taken will be severely limited by the contradiction between theory and practice.

The second technical point on which I should like to dwell for a moment is the notion of resources, as defined in Article 20 of the Charter. We think that, in principle, there are only two categories of resource—the Bank's own resources and those engendered by them, and the resources borrowed or donated. However, the draft also considers as special resources such items as the sums becoming available as a result of reimbursement by the clients of the Bank. We think that this involves mixing up resources with liabilities, i.e. the Bank's liabilities with a part of its assets that are first demobilized and then become available for other uses when the Bank's loan is being paid back. In reality, we think that this would merely mean that the Bank would have the possibility of financing its projects on the expiration of some of the liabilities, but we have tried to draw some lesson from the past in order to avoid costly errors.

We shall now deal with the future. We have not come together in order to dream about the future or forecast this future but to choose it for ourselves. We intend it to be the future of a society that is economically prosperous and democratic and on which the entire welfare of our region depends. The Bank is one of the means, so far on a very modest scale, to contribute to this development. But, no matter how small is its importance, we think it essential to

set forward certain principles in order to bring about optimum results. Principles, techniques of application, means and objectives must be made to cohere, otherwise all our solemn declaration will remain a dead letter. By this brief analysis we have attempted to show the shortcomings we find in the draft and which we should like to see being eliminated in order that the means be better adapted to the overwhelming task it is meant to solve.

I shall merely add one small remark which seems essential. I believe we should distinguish between the letter and the spirit of the provisions of the Charter. Sometimes the letter reflects the spirit, sometimes it does not. The fact, however, that my country is participating in assisting with the establishment of the Bank indicates its desire to join in the efforts of all other countries if the spirit of the Asian Bank is really respected. With this reserve, my Government authorizes me to say that the subscription which has been fixed for our country taking into account our modest resources will be raised from two to three million US dollars.

Statement by the representative of the Republic of China

Following the good example established by the honorable delegations of the Government of Australia and other member countries, and to express our staunch and unconditional support of this epoch-making banking institution in this area, I, in the name of the Government of the Republic of China, offer to double our capital subscription to the Asian Development Bank from eight million US dollars to sixteen million. I repeat that we offer to double our capital subscription from eight million to sixteen million dollars.

Statement by the representative of Hong Kong

Apart from more general resolutions at the First Ministerial Conference on Asian Economic Co-operation at Manila in 1963, the twentieth plenary session of ECAFE at Teheran in 1964, and the twenty-first plenary session at Wellington in 1965, the first working paper on the Asian Development Bank was the Report of the *ad hoc* Working Group of Experts published in October 1964. Paragraph 26 of that report dealt with the question of membership of the Bank and included the following recommendation:

“The Group does not consider that associate members should be admitted to full membership of the Bank although the possibility of their association in some form need not be excluded. It is noted that, in the IBRD, dependent territories are included in the membership of the metropolitan country.”

The Government of Hong Kong accepted this recommendation as offering a suitable practicable basis on which Hong Kong could be associated with the work of the proposed Bank. It appreciated that there was considerable preparatory work to be done before the Bank came into existence. It considered that, until these essential preliminary steps had been taken, it was not timely to discuss the forms which Hong Kong's association with the Bank should take at some later date.

Following the decision of the twenty-first session of ECAFE, taken earlier this year, to establish a group of experts, subsequently designated as the Consultative Committee, the Government of Hong Kong advised the ECAFE secretariat that, in view of the acceptance by Hong Kong of the recommendations of the *ad hoc* Working Group of Experts on the associate members of ECAFE, it was not thought that any useful purpose would be served, at that stage, by a suggested visit to Hong Kong of a group from the Consultative Committee. As far as I am aware, no visit was officially made to Hong Kong by any member of the Consultative Committee. Certainly, no official approach was made to the Government of Hong Kong.

In these circumstances, the Government of Hong Kong was surprised, when it received a copy of the Report of the Consultative Committee dated 31st August, 1965, to read, in paragraph 16, a reference to the "clear wish" of associate members to become members of the Bank. As far as Hong Kong is concerned, I do not understand how such a statement could have arisen. It was not supported by any previous correspondence, consultation, or speech from the Government of Hong Kong.

Although I feel obliged to put the record right about Hong Kong's position with regard to events prior to this Conference, the main purpose of my intervention in this discussion is not to dwell on the past but to look to the future. I wish to re-iterate that the Government of Hong Kong sincerely hopes that, when the Asian Development Bank has been established, ways and means will be found whereby Hong Kong can be associated with its activities. I need not say more than that Hong Kong has financial, commercial, and industrial facilities which may be of mutual beneficial value to both the Bank and Hong Kong. How these can be best harnessed to the needs of the Bank can be examined and discussed at a later stage. It may well be that, with the passage of time and the development of associations, it will be found that the most effective means of co-operation for Hong Kong is to apply to be a full member of the Bank. Because of this eventual possibility, the Government of Hong Kong welcomes the amendment made, at the recent meeting of the Preparatory

Committee on the Asian Development Bank, to Article 3 of the draft agreement and, particularly, the addition of paragraph 3 of that Article whereby provision is made for associate members of ECAFE to apply, under certain conditions, for full membership of the Bank at any time subsequent to its establishment.

I am to assure you that the Government of Hong Kong will sympathetically consider any proposals from the Asian Development Bank for co-operation while Hong Kong remains outside the membership of the Bank. I am also to assure you that Hong Kong will continue to keep under careful review, as a result of this co-operation, the possibility of applying, at some future date, for admission as a full member of the Bank.

Statement by the representative of India

In approaching the concept of an Asian Development Bank, my Government believed that certain *sited* perspectives were necessary in the Asian interest. These perspectives in my Government's judgement were: *first*, that the Bank should be truly Asian: it should belong by majority to the Asians, should be based mainly (though not exclusively) on their own resources, should be managed and run by Asians and should be based on a wide spread of Asian participation; *second*, that the Bank be related, within the region, to association with ECAFE, and, outside the region, to the United Nations family; *third*, that the Bank should not suffer from exclusiveness and that it should provide a fitting role to non-Asian nations of goodwill that are willing to collaborate with funds and expertise in the major task of Asian development; *fourth*, that the exercise of proprietorship, namely the voting rights, should be a fair compromise between the principle of equality among nations and the principle of proportionality to contribution; *fifth*, that the Bank, when set up, should pay great attention to the establishment of a sound reputation so that it may in future serve to siphon into the capital-poor area as much of the world's resources as possible; *sixth*, that the Bank should operate as a major tool for drawing the Asian community together in closer fraternity for mutual benefit; *seventh*, that the Bank in its functioning should be capable of calling on Asian talent and experience where it finds it and wherever it finds it; and *eighth*, that the Bank should be an economic organization, unimpaired and uninfluenced by political considerations whether of the region or of outside.

My Government is happy to find that these perspectives are well realized in the draft Charter before us. We recognise, and do so with appreciation, that the Consultative Committee and the Preparatory Committee have rendered us yeoman service. They

have brought before us a document that is as close to our expectations as possible. We thank the members of the Consultative Committee and the Preparatory Committee as also the Executive Secretary and his able staff for a task well discharged.

My Government is prepared to accept the draft Articles of Agreement as a whole, subject to Parliamentary approval and sanction of funds in due course, and to participate therein. We expect to be able, to participate more than by merely becoming shareholders and members. While we do expect to be able to avail ourselves in reasonable degree of the facilities that the Bank will provide to its members, we also do hope to be able to subscribe in steadily mounting degree to the contribution of capital goods inputs and technical skills as the production capacity of the Indian economy itself grows. The story of Asian co-operation for growth is just starting; and, in our own lifetimes, we can legitimately expect that Asia as a whole will be developed and strong enough to be self-reliant. As the individual nations of Asia expand their own individual productive capacities, more and more can be made available within Asia for the growth of Asia. And in this regard, in particular, my delegation welcomes the concept of the Bank, stated in the Article on function, as being devised to promote intra-regional flows of the funds of economic development. This may be not a matter of today; but it will surely be a fact of tomorrow.

The stress laid on the Asian nature and purpose of the Bank is, in our opinion, no mere transposition to continental scales of conventional nationalism. We are pleased that collective Asian thinking so far on the proposed Bank has commended itself to Western capital exporting countries and has attracted the sympathetic attention of the USSR. Asia is today in a crucial stage. If it cannot grow, quickly, and grow quickly in *peace*, it may well enter into an agonizing period of stultifying unrest or worse. And at this crucial stage, the interest and goodwill of other nations outside the area, not all of whom have had close relationships with everyone of us in the past, is of material benefit. We should thank them for their goodwill and appreciate their presence in the Bank in the same spirit in which their co-operation is offered. The report tendered to my Government by its delegation to the Preparatory Committee showed my Government that the non-regional countries that were present at that meeting had displayed a sensitive willingness to respond affirmatively to Asia's initiative. We of Asia must comment these non-regional countries on their constructive and statesmanly approach; and must have confidence that such constructiveness and statesmanship will be durable.

The issues that remain are of moment to the Bank. They are the location of its Headquarters and

the identification of the President and the top management. The latter, namely the identification of the management personnel, can only be finalized at the inaugural meeting of the Board of Governors, but we should pay in the period from now until then very serious consideration to getting for the Bank the best that Asia can provide, regardless of colour, creed or country. The former, namely the location, is something that to have to decide during our session. My delegation is confident that, with the good sense and the goodwill of the various claimants, with the gentle persuasiveness of our distinguished Executive Secretary, with the capability of our officials whom we have here in good number, and above all with the remarkable capacity of our Chairman to derive a consensus, we shall before long have a widely acceptable solution to this problem where, while one country may be the gainer, no one will in fact be the loser; for, after all, wherever the Bank be situated, it will nevertheless be our Bank, the Bank of all and of every one of us.

Statement by the representative of Iran

It was in Manila that we first resolved to establish the Asian Development Bank as the main vehicle for promoting Asian economic co-operation. We are once again gathered here, only two years later, to approve the Draft Agreement of the Asian Development Bank, to determine its location and to authorize all necessary steps required to start its early operation. We have all already noted with great satisfaction the efforts of the Executive Secretary and the ECAFE secretariat in helping to bring us so speedily so far. However, I must take a moment to record the expression of thanks of this delegation to the Expert Group which prepared the first technical report. I submit, it has an extraordinary task. They met for the first time in Bangkok last June; they revised the first technical report; then set out to consult with the Governments of thirty-one countries around the world in thirty days; came back to Bangkok and completed and submitted their report and the Draft Agreement to the member countries by mid-August. We have already witnessed the high quality of the work of the Consultative Committee. The members of that Committee—those distinguished Asian statesmen of finance and economics—worked night and day with no respite and completed their assignments at great personal sacrifice. Indeed, each one of them deserves our highest praise.

Further, this delegation wishes to express its thanks to the officials who formed the Preparatory Committee which helped to put the final touches to the Draft Agreement now submitted for our approval. Finally, a word of thanks is due to two great institutions, the Inter-American Development Bank

and the World Bank, for providing valuable advice and assistance to the Consultative Committee and the Preparatory Committee during their difficult deliberations.

The Government of Iran has always been a firm supporter of and a very active participant in all the activities leading to further Asian economic co-operation and economic progress. My Government firmly believes that the Asian Development Bank will enhance economic co-operation among our countries and will significantly contribute to the welfare and the prosperity of the region. Therefore, my Government is determined to do all that is possible to help bring about the early establishment of the Bank. My Government is further resolved to ensure that the Bank is operated on sound banking principles, efficiently and independently, unencumbered by any political considerations. It is also resolved to submit for your consideration that the Bank should predominantly direct its attention and resources to the urgent economic problems and capital requirements of the more needy countries of the region.

In keeping with these determinations, the Government of Iran has authorized my delegation to inform the Conference:

- (i) that it endorses fully the Draft Agreement of the Asian Development Bank as approved by the Secretariat of ECAFE, noting, however, that Annexes A and B to the Draft Agreement have not yet been submitted in final form; it, therefore, wishes to reserve its right to consider these Annexes after their completion in the light of the related provisions of the Draft Agreement and in keeping with the spirit and principles that have guided all our thoughts and actions in preparing the Draft Agreement;
- (ii) that it reconfirms its earlier pledge to go beyond its allocated share of 23.7 million dollars up to fifty million dollars, should it deem this necessary to assure the success of the Bank;
- (iii) that, noting the small shortfall in the regional subscription, it wishes to announce that it is prepared to consider a further increase in its proposed subscription to raise Iran's participation up to sixty million dollars to preserve the integrity of the pledge of Asia and help to maintain the Asian character of the Bank;
- (iv) that it is fully cognizant and gives due consideration to the candidacy of the

several countries which have generously offered to host the Asian Development Bank;

- (v) that it, however, wishes to offer for the objective consideration of the Governments of the region its own candidacy to be host to the Bank, stressing the fact that it fully satisfies all the requirements proposed in the Consultative Committee Report;
- (vi) that, in keeping with its wish to assist in any way it can to assure the efficient operation of the Bank, it has already offered to provide a free site, construct and furnish a building according to the specifications of the Management of the Bank including all modern conference halls and facilities and a modern telecommunication system and further provide for the houses for the President and the Vice-Presidents all free of charge to the Bank;
- (vii) that it hopes the question of the location of the Bank will be settled quickly, cordially and objectively on the basis of our tradition of deliberation and consensus; and
- (viii) that it further wishes to urge the member Governments to give careful and indeed very serious consideration to the procedure for the selection of the President of the Bank in order to ensure that the final selection is based purely on the merits of the individual and no other consideration.

In conclusion, I wish to express a profound sentiment, a conviction which I believe is shared by all and everyone of us, that the Bank will function for the furtherance of age-old Asian aspirations. We hope that the peoples of our great continent will, from the inception of the Bank, look upon it as an institution born to serve them, and that the spirit of service will permeate and guide the thoughts and actions of the Management of the Bank. And so, regardless of the turn of our deliberations, I can but urge my very distinguished colleagues to close ranks, one and all and give their undivided support and blessings to ensure a speedy, smooth and successful launching of the Asian Development Bank.

Statement by the representative of the Republic of Korea

The Korean Government has a strong feeling that the establishment in Asia of a regional financial institution has long been the cherished desire of the

countries in the ECAFE region and that such an institution would no doubt prove to be an effective medium to translate the aspirations of the Asian people into economic and social betterment. My Government, therefore, has warmly welcomed the idea of forming a regional development bank for Asian countries from the beginning and has ever since taken a very keen interest in the project.

The importance of this Conference, needless to say, is appreciated by all of us here today. This Conference, in the years to come, will be viewed as rivalling in importance the conference held over twenty years ago at Bretton Woods which led to the establishment of the World Bank and the International Monetary Fund.

On this occasion, we are indeed fortunate to have the report together with the Draft Agreement prepared by the Special Preparatory Committee on the Asian Development Bank, which was held at Bangkok recently under the able and wise guidance of honourable Executive Secretary, U Nyun, and represented by the distinguished delegates from more than thirty nations. I am sure that all of us would wish to pay tribute to the work done by the Preparatory Committee, which will obviously render very much easier the task now before us.

I wish to take this opportunity to reaffirm my Government's whole-hearted support for the early establishment of the Asian Development Bank, and also to state that my Government is generally in agreement with the provisions of the Draft Charter.

We are prepared to participate fully in the activities of the proposed Bank and are considering to increase allocated capital subscription of 10.6 million US dollars up to 30 million.

This substantial increase of capital subscription is a proof of our active participation in the Bank and a reflection of our rapid economic growth and prospective potentiality in years to come.

Another matter on which I wish to say a few words is to maintain the Asian character of the Asian Development Bank and give adequate representation on the Board of Directors to the smaller Asian nations. It is also our desire that, since the Steering Committee to be set up henceforth will play vital role in the course of establishing the Bank, its members should be elected on the basis of individual ability and qualification regardless of the size of capital.

Our delegation is instructed by our Government to seek the opportunity to participate in the work of

the Steering Committee and staffing of the Bank, though we have not been a member of either the Expert Group or the Consultative Committee.

Before I conclude, I should like to extend our sincere appreciation to our non-regional colleagues. Their active participation in the proposed Bank gives the Asian people strong confidence that Asia has friends and that the establishment of this Bank is the result of Asian initiative and international co-operation.

Statement by the representative of Laos²

We are determined to move ahead to take all necessary measures, in order to overcome difficulties on the path of development and fraternal co-operation. The statement made by the honourable Ministers of Australia, China, Iran, the Republic of Korea, Malaysia, and Nepal, who have announced increases in the subscriptions of their countries have been encouraging sign of this fact. As far as we are concerned, I should like to make the following statement in the name of my Government. First of all, my Government, which has stressed the importance of the work leading to the Preparatory Meeting of Officials held at Bangkok from the 21 October to 1 November 1965, congratulates all the participants in that meeting on the important measure of agreement they arrived at. A patient study of the facts and of the views exchanged has since materialized. This study may have seemed prolonged to some of us but the delay was necessarily entailed by the complexity of problem to be solved. We have finally come to the working out of an agreement which is life to the Asian Development Bank. At the moment great success is rewarding all our efforts.

The Royal Laos Government will not refrain from expressing its satisfaction at the solidarity of all member and associate member countries of the Economic Commission for Asia and the Far East of the United Nations and the active solidarity of other members of the United Nations Organization which has been demonstrated to us. The increasing efforts of the countries associated with our Bank constitute a very heavy task which warrants an increase of regional savings and deserves the creation of much more capital; this can be carried out successfully only with the help of economically more developed nations. The legal principles related to the equality of nations, large and small, are completed nowadays by the recognition

² Original in French. This version is based on the interpretation into English transcribed from the tape.

of the moral obligation of developed nations which places upon them a very great debt to mankind as a whole. Our delegation is happy to find in the report the recognition of the principle that only the solidarity of all can guarantee happy results in the process of economic and social development of the countries of Asia and the Far East.

The Royal Government of Laos wants to stress its particular pleasure at certain provisions of the Charter, which will undoubtedly be ratified unanimously by the delegations present such as paragraph 5 of Article 2 which has ceased participation by international financial institutions in the share capital and Article 19 dealing with the use of the special funds, from which we expect very beneficial results for the less developed countries of our region.

My Government is extremely pleased also with provision of Article 31, which makes it possible for a country to defend its projects direct by and to plead its cause directly before the Board of the Bank. This will enable all countries to submit to the Board all the facts and to plead in favour of the development projects to which they attach vital importance. However, the Royal Government of Laos is still worried about the considerable possibility that, in the case of countries such as Laos, their economic and financial situation will make it difficult for them to use the Bank's facilities, because of certain terms imposed, although these terms may be justified on the whole by the need to ensure the good operation and high reputation of the Bank. We fear, indeed, that these terms may be too heavy and too strict, that they make it difficult for certain countries to resort to the facilities of the Bank and may hinder the implementation of Article II where it is said that harmonized development of the region ought to be insured and that, in particular, the needs of the smallest and least developed countries of the region should be given special attention. For more than twenty years, Laos has been the victim of a foreign and subversive war which have been a serious obstacle to its economic development. For this reason, our country is still lagging very much behind in its economic growth in comparison to other countries in this region and it will not be fully in the position to take advantage of investment facilities that the Bank may offer to more developed countries. It is true that the establishment of the special funds envisaged will make it possible to grant loans on more generous terms. We think it essential that these funds be established from the very start of the Bank's operations and that liberal measures be envisaged to grant loans and guarantees to the countries which are in the same situation as our own. We are convinced that it is possible for the Bank, while not losing sight of principles of sound operation, to grant,

in very special cases for countries in our situation, means of financial support enabling them to speed up their economic development. For the second time a Ministerial Conference on economic co-operation in Asia is being held at Manila. At our first meeting we recognized the need for developing regional co-operation and the necessary measures for the implementation of such programmes were laid down. Among these measures, two are on the way to having been carried out successfully. The first is the general agreement on transit trade which was established at Tehran, reviewed at Geneva and adopted in New York. The second programme was the establishment of the Asian Development Bank. It is indispensable that this Bank should fully realize a programme consonant with its purpose, namely, it should help the least favoured nations and the least developed nations to take off in their economic development. I confirm once more the agreement of our Government to participate in the Bank by supplying its share in the capital subscription. We express the hope, on the other hand, that the Bank will be able to start operating very soon and contribute fully to the development of our region and even more largely to the economic take-off of the least favoured nations, taking into account the thoughts we have expressed here; and we hope it will be possible to implement a policy which will be both sound and liberal.

Statement by the representative of Malaysia

I think it is needless to say that this concept of an Asian Development Bank is an extremely enlightened and farsighted proposal. It is also safe to say that all of us in this room and I think, probably, thinking people in nearly every country in Asia feel that an Asian Development Bank on the broad lines proposed is not only desirable but a matter of urgent necessity although there could be dis-agreements, perhaps, in regard to detail. But my Government would like to suggest that, owing to the urgency of the situation, even if the Bank were established now, the needs of the member countries, particularly those of the region, would probably be far greater than the resources likely to be available to it; I think we should get on with it, if I may use a colloquial expression.

I should like to say that I particularly agree with the comments of the distinguished representative of India that two of the most important criteria for the success of this proposal would be: (a) good and efficient management and (b) which I think is more important, the ability of the Bank to attract sufficient resources either in the form of capital or loan funds so that it will, in course of time, be able to meet adequately the requirements of its member countries. There is no doubt that even though the

capital subscription of one billion US dollars may sound very large it is extremely modest compared with the almost insatiable needs of Asia. Therefore, I think the most important thing is to ensure that this Bank, when established, should be able, as time goes on, to attract in even greater measure and ever greater flow of the resources which are so badly needed.

My Government is willing to participate in this Bank and I do not want to take up the time of this assembly by dwelling on the draft Charter which has been considered by very many people over a period of time; I think we find it generally satisfactory and we have certainly no major amendments to propose.

Insofar as our capital subscription is concerned, we are prepared to go up to US \$20 million although the amount originally allocated to us was of the order of US \$15.4 million.

In regard to the site of the Bank, I should like to say that we are one of countries ready to play host to it; but this is a matter we are prepared to leave to the wisdom of the Conference and, if we are not sufficiently lucky to be chosen, we extend our best wishes to the winner.

Statement by the representative of Nepal

The idea of regional co-operation in Asia found its concrete expression only a few years back; nevertheless, the achievement in this field, I should say, has been quite satisfactory. The appreciation of the need for close co-operation within the region is by itself a great achievement. Though Asia has been a late-comer in the field of regional co-operation and though it may have to pass through various vicissitudes in order to be economically united, the delegation from Nepal is fully confident that the potential benefits that can be reaped by such co-operation will more than outweigh the differences, if any, existing among us.

My delegation has a feeling that the aspirations and efforts of the Asian countries to achieve greater intra-regional economic co-operation, which they have been keenly and steadily pursuing recently, would appear to take a concrete and fruitful shape in the establishment of the Asian Development Bank which will be a significant event in the history of Asia. This will be the first type of institution with activities having over-all regional coverage. The proposed Bank, as a regional development institution, will represent the determination of the Asian people to help themselves and to mobilize all the potential resources at their disposal. It will thus be a product

of Asian initiative and enterprise and will be primarily, though not exclusively, an Asian institution in capital management and operations. The report of the Special Preparatory Committee, which is now before us, indicates the practical suggestions and careful thought which have been expended on its preparation. The quality of their work, which is reflected in the document, is, in the view of my delegation, deserving of the highest commendation. In this respect, I cannot help but mention the dynamic and energetic role played by the distinguished Executive Secretary of ECAFE in the various processes so far towards the establishment of the proposed Bank. The initiative taken by the ECAFE secretariat, right from the very beginning, deserves special mention. The ECAFE countries, as a matter of fact, with their geographical, economic and cultural diversities, are being provided with a rallying point by the secretariat so that they can jointly act for mutual development.

My delegation feels that, for promoting regional solidarity in the region, all kinds of complexes, such as between bigger and smaller countries, should be avoided as far as possible and that the approach of making the representation of small countries adequate and making their voices effective in the working of the Bank should be properly encouraged. This view has, of course, been slightly hinted at in certain places in the report of the officials. It should, however, not be over-looked that the proposed Bank is more than just a business concern; it should be the expression of Asian determination and aspirations to promote economic co-operation within the region. Keeping this aspect in view, Nepal suggested during the Preparatory Committee meeting that the basic votes should constitute 30 per cent of the total voting power and that the number of Directors in the Executive Board should be increased from regional countries. I am happy to note that the Preparatory Committee has properly recognized this aspect by the inclusion in the draft Charter before us or suggestion that the Second Annual Meeting the Board of Governors should review the size and the composition of the Board of Directors and increase the number of Directors as appropriate, paying special regard to the desirability of increasing representation on the Board of Directors of smaller and less developed member countries.

Nepal, like most of the countries of this region, is a capital-importing country and is now dedicated exclusively to rapid economic development. Naturally, even the payment of the subscription as provided for in the tentative allocation of subscriptions may involve some sacrifice, as the country has limited investable resources for its accelerated growth. His Majesty's Government has pinned a great faith on this institution and has full confidence that it will

be able to pay more attention than has apparently been the case so far to the needs of development in the smaller and relatively less developed countries of the region.

My delegation has pleasure to announce the decision of His Majesty's Government to increase Nepal's subscription up to 20 per cent beyond what is presently allocated for its capital contribution towards the formation of the projected Asian Development Bank. We know that this will cause some strain in our financial resources. Our Government has made this decision as a gesture and expression of our active support for, and co-operation in establishing, the Bank.

With regard to the organization of the *ad hoc* committee, the Preparatory Committee has rightly pointed out that it should be adequately representative so that it can function effectively. Nepal has shown active interest right from the beginning when the idea of establishing the Bank was taking definite shape. We have participated at various stages and tried to contribute our utmost towards its establishment. We shall also be pleased to serve on the above committee, if such an opportunity is provided to us.

Given the elements of co-operation among the countries of this region, my delegation is confident that there are distinct advantages in a body of this type fully initiated and sponsored by regional countries and also helped by developed countries outside the region. The task of conquering poverty is too big for the Asian countries alone; we need outside assistance in accelerating the process of economic development of developing countries of this region. We hope that the proposed Bank, in addition to mobilizing resources to the maximum extent, will also enlist the support of both official and private suppliers of funds in the capital-exporting countries as well as the support of international agencies engaged in promoting economic development in Asia. Again, the scale of international assistance flowing into our region will gradually increase, partly because our group will have a greater bargaining power and partly because we shall be able to project a better image of ourselves. Above all, my delegation is fully confident that the very presence of such a regional development institution located in one of the regional member countries should in itself stimulate new functions for accelerating the economic development of the countries of the region. With these remarks I recommend the adoption of the Report of the Preparatory Committee and the Programme of Preparatory Arrangements for the Establishment of the Asian Development Bank.

Statement by the representative of New Zealand

The New Zealand delegation is generally in favour of the draft Charter for the Asian Development Bank. As long as the final document remains materially unchanged and the great majority of regional members are prepared to sign up, we shall do so too. This latter means that we await with interest the final appearance of the list of countries covered by Annexes A and B which are also willing to subscribe to the Bank's Charter.

We can accept 30 September 1966 as the date for ratification, though it would be better for us if the date could be extended by a further month or two since the New Zealand Parliament will not reassemble until June 1966. A longer period in which instruments of ratification may be deposited would not prevent countries which do not have difficulties from ratifying the agreement and bringing it into force. However, we do not wish to press for a later date if it is not supported by other delegations.

Our attitude towards the establishment of the Bank is that it should provide a welcome addition to the resources now available for capital development in Asian countries. We have had experience of other international institutions which provide loan funds, both long and short-term. We realize the particular need for this new regional Bank for the benefit of ECAFE countries.

Our contribution will be US \$22 million and we are authorised to sign an agreement to provide this amount on the agreed terms for the establishment of the Bank.

The independent State of Western Samoa is also willing to become a member of the Asian Bank. It was unfortunately not able to send a representative here, but has asked New Zealand to act on its behalf. We have been very closely associated with Western Samoa for many years, economically, administratively and financially. This small group of South Pacific Islands achieved independence only recently and should in the future become much more well-known in countries in the Asian area.

Samoa's contribution has been assessed by the ECAFE secretariat at 0.01 per cent of the regional allocation of \$600 million, i.e. \$60,000. This is not a large sum, but then Western Samoa is a very small country with a population of only 130,000 and has limited resources compared with others in the regional group. The Western Samoa Government has authorized us to say that its conditions for joining the Bank are:

- (a) that a substantial number of other countries do so;
- (b) that there are no amendments to the Charter as adopted by the Preparatory Committee at Bangkok during the period 21 October to 1 November of this year; and
- (c) that Samoa's contribution will not exceed the ECAFE secretariat's assessment of \$60,000.

If these criteria can be met, there remains the need for consideration as to what grouping of smaller countries Western Samoa should join for the purpose of election of Directors.

Finally, there is no suggestion that Western Samoa is entitled, at this time, to a proxy vote upon the Asian Bank site.

Statement by the representative of Pakistan

The establishment of the Asian Development Bank is an event of which we can all be proud and one which the Executive Secretary's initiative and untiring endeavours, backed up by the very competent Consultative Committee and the Preparatory Committee, have brought forward from the stage of conception to near reality in as short a time as we could have hoped for.

The creation of the Asian Development Bank gives us new hope and faith in our efforts to secure for our peoples a better life. Its great merit, as we all recognize, is that, being a predominantly Asian organization stemming from an Asian initiative, it will prove a living symbol of regional economic co-operation. It comes also at a time when we find that external aid for development has levelled off at about the figure reached in 1961. Thus, it proves not only our determination to help ourselves in the matter of development but also that the advanced countries, whose past support we generously acknowledge, are not altogether tired of their partnership in the challenging task of advancement to which we have set ourselves. Indeed it is this feature of adding to available resources in the region which is the outstanding characteristic of the Bank. We feel sure that, under the proper guidance of its President, yet to be chosen, the Bank will make a wise, impartial selection of projects to be financed and that, in so doing, it will not only accelerate the pace of development in the region but also build up its credit-worthiness and attract still more funds for its operations. We hope that, in staffing the Bank, its Asian character will be fully maintained by adopting as wide a geographical representation of its personnel as possible.

Once the Bank has been placed upon a sound footing and its credit position fully established, we also hope that it will be able to extend the area of operations of the soft loans which it will advance and thus accelerate still further the process of development in the region.

A good deal remains to be done before the Bank opens its doors to business and a heavy responsibility lies on the shoulders of the Preparatory Committee and the Project Director whom it is proposed to appoint. We are confident that, just as the Preparatory Committee has successfully discharged its task up unto this time, the remaining work will also be done to our complete satisfaction.

We have no comments to make on the Articles of Agreement Establishing the Asian Development Bank. It only remains for me to add that my Government has already decided that Pakistan will become a member of the Bank and subscribe to the capital in the amount suggested by the Preparatory Committee.

Statement by the representative of Philippines³

On this historic occasion as we stand on the threshold of an immense event, the final acceptance of the Charter of the Asian Development Bank, we look back with some nostalgia to the earnest effort that has been exerted towards its establishment but we also look forward with great hope to the future of the Bank. My delegation has actively participated in every step of the formation of the Bank and we have had ample opportunity to express our views on just about every aspect—on principles, on functions, on organization, on capitalization and on preparatory arrangements. It would be superfluous to comment further at this point unless we have something new to add. Over the last few days, weeks and even months the Philippines has amply demonstrated its determination to be of greater assistance in the formation of the Bank. Yesterday, the President of the Republic, on his own behalf and on that of all supporting the incoming administration, reiterated his support. We would want to state here, therefore, that in accordance with the pledged support of our President, the Government is prepared to increase its contribution to the Bank from the present US\$ 22.98 million to US\$ 35 million.

Statement by the representative of Singapore

Singapore is the smallest of the countries which have offered host facilities for the proposed Asian Development Bank. We are a little island, only 227 square miles in area at high tide and, at low tide,

³ Transcribed from the tape recording.

even less. We do not feel, however, that we have less to offer on account of this. On the contrary, the smallness of Singapore and the fact that our population is multiracial and the fact that our Government is politically non-aligned are themselves good reasons for the Bank to be sited on our little island.

When the Consultative Committee on the Asian Development Bank met at Bangkok, Singapore was not an independent and sovereign nation. We were not represented on the Committee. Nevertheless, my delegation agrees with the nine criteria which the Committee has proposed for consideration of the location of the headquarters of the Bank.

The Singapore Government is not only willing but enthusiastic in offering host facilities. This is reflected in the swiftness with which we offered our facilities to the Bank, that is, one day after Singapore had gained independence. In making this offer we believed that Singapore has all the facilities to make it a very suitable site for the Bank. But we did not have any knowledge at that time of the criteria on which the location should be chosen. Now that we have considered the nine criteria, we are more convinced that Singapore would be the best location for the Bank. We, being a small nation with no natural resources, cannot contribute a large sum towards the capital of the Bank; but, in fact, we have agreed to contribute a little more than the share fixed for us by the Committee. We would be glad to contribute more towards this important project of regional economic co-operation in any other way. One such way is for us to play host to the Asian Development Bank.

Statement by the representative of the Republic of Viet-Nam

The Government of Viet-Nam wants to express its full appreciation of the opportunity to attend this Conference on regional economic co-operation.

At least since the Wellington session of ECAFE, it has been our privilege to take an active part in the establishment of the Asian Development Bank. In the Consultative Committee first, then in the Preparatory Committee, our representative did his best to give help and make whatever contribution lay within his modest capacity.

We have now reached the stage where the final blessing will be given to the Charter and the Bank will be formally established. Our Government fully

endorses the main principles laid out in the Charter and especially those related to:

- (i) the selection of the president, who should be the ablest man available in the region, regardless of his nationality and the amount of subscription of his country;
- (ii) the recruitment of the Bank's staff from member countries, with a distribution of posts as wide as is not contrary to the exercise of efficiency;
- (iii) the general rule that no single member should get too much loanable fund from the Bank;
- (iv) the basic principle that smaller countries shall be served first, as far as possible, so as to reduce the present difference in levels of development and to make co-operation easier and more effective for the whole area.

During the meeting of the Preparatory Committee at Bangkok, the delegation of Viet-Nam requested the Chairman and the ECAFE secretariat to take due note of its desire to reserve the right to subscribe at least the amount allocated to us in the adopted formula. We have now the pleasure and the privilege to announce that the subscription of the Government of the Republic of Viet-Nam will amount to US \$7 million.

My delegation would also like to add that we are ready to serve on the steering committee or any other committee which will be created for making preparatory arrangements, until the Bank is finally and actually established.

Statement by the representative of Thailand

The Government of Thailand supports the principles now incorporated in the Draft Agreement. We think it has clearly stated the purposes and functions of the Asian Development Bank as we have agreed upon. On the question of operating procedures, the Agreement, in my estimation, has covered all the essential guide-lines for its future operations. We now hope that management of the proposed Bank can be entrusted to a body of competent people with the interest of the region at heart, who will be able to steer the institution through the early stages of operation, and put the Bank on its feet as early as possible.

Appendix VI

STATEMENTS BY REPRESENTATIVES ON AGENDA ITEM 5:

CONSIDERATION OF OTHER ACTION PROGRAMMES FOR REGIONAL ECONOMIC CO-OPERATION: HARMONIZATION OF DEVELOPMENT PLANS OF THE ECAFE REGION; INDUSTRIALIZATION; TRADE LIBERALIZATION; SHIPPING AND OCEAN FREIGHT RATES; TYPHOON DAMAGE CONTROL; THE ASIAN HIGHWAY AND DEMOGRAPHIC PROBLEMS.

- | | | |
|---------------|------------------|---------------------------|
| (1) Australia | (6) Japan | (11) Pakistan |
| (2) Cambodia | (7) Laos | (12) Philippines |
| (3) China | (8) Malaysia | (13) Singapore |
| (4) India | (9) Nepal | (14) Thailand |
| (5) Iran | (10) New Zealand | (15) Republic of Viet-Nam |

Statement by the representative of Australia

The Australian Government is supporting the Asian Development Bank because we see the need for regional economic co-operation in order to use more fully the undeveloped resources and to bring better standards of living to all the peoples of the region. We believe the Bank will help provide means of doing this and its operations will stimulate other agencies for co-operation to do more.

Australia agrees that to get the best results national development plans will have to be harmonized but, in seeking this end, we are aware too that many difficulties may arise. There are many nations with diverse needs and diverse opportunities and capacity. Thus, we would emphasize the need for give-and-take between countries of the region if industrial harmonization is to be achieved to a significant degree. We note that the Special Working Party on Regional Plan Harmonization which was to be convened in 1965 has not met and we hope that it will be convened as soon as circumstances permit.

We see the urgent need for *industrial expansion* in Asia. This is not the only need. All of us would probably agree that there are also great basic problems of food production in many, if not all Asian lands. Industrialization is an addition to and not a replacement for agriculture; and development in one needs to be related to development in the other.

Turning to industrial development we support the view that much could be achieved through joint ventures and various forms of co-operation. This is a task for industry as well as for governments and

international organizations. If the industries concerned are encouraged to do more in association with governmental and inter-governmental planning, this should add the skilled advice, the technical competence and the economic judgment required in choosing forms of development. Industry itself can and should help to bring about development.

Australia recognizes that private investment has a role in financing industrial development in the region. Our own major developments have taken place through private enterprise. In this development we have welcomed overseas investment in partnership with our own enterprises. Australia is still a net importer of capital. One consequence of this is that the amount of Australian capital available for *investment overseas* is bound to remain limited for some considerable time. Nevertheless some Australian investment is taking place in neighbouring countries. For some time the Australian Government has been considering ways and means of ensuring greater Australian participation in the industrial development programmes of less developed countries. Recently, for example, the Government introduced legislation providing insurance cover for Australian investment overseas.

The Government intends to administer these investment guarantee arrangements in such a way as to encourage Australian investors to associate with investors in the overseas country in joint rather than wholly Australian-owned ventures. Whenever appropriate, for example, there will be a preferential premium rate for investment in joint ventures. This should encourage a type of investment which most countries, including our own, prefer to see.

Under the Colombo Plan the Government is also assisting industrial development by way of training in Australia, by the supply of technical equipment and by making available the services of Australian experts and we will continue to do so. Australia has, for example, to date provided facilities for some 650 students from Asia in courses connected with industry.

The Australian Government regarded the convening of the Working Group of Experts on *Trade Liberalization* as concrete progress towards regional economic co-operation. The Experts' report is at present receiving close examination and it is hoped our views will be conveyed to the secretariat in the near future. Our own trade policies reflect very clearly our determination to obtain worthwhile reductions in barriers to trade and to introduce measures which will provide positive encouragement to the economic growth of less developed countries. At the same time we are conscious of the need to avoid liberalization measures on a sub-regional basis which might discriminate against non-participating developing countries to the detriment of the ECAFE region as a whole.

In the field of trade liberalization, Australia has taken action on its own initiative to provide positive assistance and encouragement to less-developed countries. We have done this in international forums such as GATT by making every possible effort to obtain recognition of and protection for the interests of those countries heavily dependent on the export of primary products.

Furthermore, the Australian Government announced in May of this year that it had decided to make provision in the Australian Customs Tariff for preferential duties on selected imports from developing countries. Generally speaking, this means that, for a range of manufactured products of particular export interest to developing countries, imports into Australia from those countries will bear substantially lower rates of duty than are payable on corresponding products from developed countries.

We are now seeking the approval of GATT to enable these preference measures to be put into effect. Australia does not assert that these measures will solve all the trading problems of developing countries or even that they will go a long way towards solving them. Nevertheless Australia is the first country in the world to take action of this kind, and we sincerely believe that our initiative represents a major innovation in overseas trade relations of particular interest to the developing countries in the ECAFE region.

More recently, the Australian Government has taken a further step in helping to expand the trade of developing countries. On 23 September 1965, it announced a decision to remove the present tariffs on a wide range of handicraft products. This is expected to be of considerable interest to ECAFE countries.

Australia like other countries of the region has a special interest in and dependence upon efficient and economic *shipping services* and will be glad to support moves to obtain them. Port development is an essential part of any programme aimed at improving shipping services and action by ECAFE to examine needs and to stimulate appropriate action seems well worthwhile.

As regards *typhoon control* we believe that the most useful procedure would be for general typhoon research to be carried out by individual countries and the results of this research and views on the problem to be exchanged. We agree that typhoon damage can be minimized by an efficiently organized warning system. The Australian Meteorological Bureau which has had some experience in this field would be ready to assist in the development of such a system.

Progress with the *Asian Highway* is an encouraging example of regional economic co-operation in action. My Government has been glad to co-operate with the Government of Thailand in the construction of connecting roads and would be willing under the Colombo Plan to help member countries in their further development of the Asian Highway in cases where we are in a position to provide useful assistance.

In conclusion, the economic structure and circumstances in each of the various regional member countries are different. Each has different needs; each has a different capacity to contribute; but all seek a common opportunity to work for the mutual benefit and welfare of our peoples. We will try to do our part in that sense. We ourselves are by no means "fully developed" but we recognize we are more nearly developed than others.

In the time available, it is clearly not possible for us to consider in any detail the terms of the resolution now before us. In any case, as we understand it, the Executive Secretary is not seeking endorsement in detail of this resolution. He is simply seeking *broad* endorsement. On this basis, Australia is prepared to agree to this resolution in the sense that we warmly support the general thesis implied in it that every effort be made to continue to work actively towards closer economic co-operation in the region.

Statements by the representative of Cambodia¹

A

I take this opportunity to state briefly our position regarding the great problem which is the subject of our Second Ministerial Conference. First of all I should like to make a prior observation. I think for my part, that all the great problems are interrelated. Economic development, the marketing of products, financing of procurement—all these problems are linked together and there are only different approaches. Moreover, these are all approaches to one reality. How is the problem defined? Should I say that international trade is a fundamental condition and factor of international or regional economic development. This was discussed a long time ago. Since the passage to a monetary economy, we do not produce any more just to produce but in order to sell, and this question is of interest to our region and also to other regions which are very important partners.

I should like to give you some fundamental data relevant to the last 50 years. If we envisage the problem on the aggregate plan before approaching it on a partial level, then, at the level of international trade during the last 50 years, statistics would show four basic trends. First, the relation between the less developed and the more developed countries. The terms of trade are less favourable to the less developed countries. This is the first fundamental trend. The second trend is the very substantial variation of the prices of primary products. The third trend, which is a consequence of the second, is the variation of export earnings, and the fourth is the artificial restriction brought about by certain external factors. These are the basic trends and if we look for a moment into the proportions of imports which we can derive from statistics, we find that, during the same period, exports of the less developed countries were reduced some 30 to 20 per cent in relation to world exports.

Now I shall refer to the situation of our region for the year 1964. Exports of the ECAFE countries amounted to 10 billion US dollars while imports were over 12 billion US dollars.² Who paid for these imports? Well, 60 per cent of the imports of these ECAFE countries, 60 per cent I repeat, were paid by the developed countries of which 12 per cent by United States, 7 per cent by Japan and 45 per cent by Western Europe. Such is the trend. Consequently the settlement of the problems of trade of these countries cannot be approached without a parallel consideration or consecutive examination of the

commercial problems arising between the countries of our region and those outside the region.

Now I associate this trade problem with the problem of industrialization. In order to industrialize, it is necessary to have adequate financial resources, but what can be done in order to obtain them? One of the ways of doing this is the expansion of international trade, which will enable the country concerned to realize increased foreign exchange in order to finance the import of capital goods; and the import of capital goods makes it possible to solve the problems. There is an aggregate situation here. If we consider these problems separately, if we envisage only one side of them and neglect the other, the action on the whole will be inefficient. In considering the relations between our different countries, many of which possess about the same structure, one of the basic principles could be equality among them. While in regard to more favoured countries it will be necessary to state another principle, namely the principle of preferential treatment. For our countries, this is a great basic principle. Inasmuch as we accept this principle the rest are just matters of detail. I think for my part that, if we approach the problem of expansion of intra-regional trade, it is necessary to envisage other important problems also. There are two forms of trade: bilateralism and multilateralism. Bilateral trade signifies merely an exchange trade. Progress is only possible if we can progress from bilateralism to multilateralism and this cannot be dealt with if we can not solve, at the same time, the problem of widening trade with developed countries. This implies also the problem of prices of the products to be sold, and that is why I think, if we approach to the problem at the global level, we have a chance to solve it.

B

Harmonization of plans, co-ordination of efforts, co-operation—all these are different terms that have been used. For my part I should like to use the term coherence or consistency. I have spoken of the problem of financing in my first statement at the time of the consideration of the problems regarding the establishment of the Asian development Bank. I spoke yesterday about the problem of international trade. To-day I ask your permission to speak on the problem of industrialization. I said yesterday that these are different aspects of the same reality. In approaching the problem of industrialization I should like to treat this subject as an essential topic around which gravitate the problem of production, the problem of search for resources and the problem of organization, that is, the manner in which industrialization should be approached. My brief statement comprises three aspects. The first aspect refers to the

¹ Original in French. This version is based on the interpretation into English transcribed from the tapes.

² Figures adjusted to 1964 figures (Source: Economic Survey of Asia and the Far East 1965, p.264).

physical problems of industrialization. The second aspect concerns the problems of financing industrialization. The third aspect refers to what I call organization of industrialization.

Let us see how the physical problems of industrialization can be defined. In this connexion, I should like to refer to the economic conditions for industrialization. I think that it is easy to say that industrialization requires, first of all, the achievement of a certain number of conditions of a structural nature. This means the achievement or fulfilment of basic preparatory conditions for the success of productive industries, such as construction of railways, roads, digging of canals, development of transport, etc., and industrialization can bear fruit only if supported by these elements of infrastructure which, in the conditions of modern economy, can be conceived only at the national or regional level, especially in small countries because it requires an enormous basic investment and a prolonged capital expenditure which is very costly. This is the first aspect.

The second aspect, which still concerns the physical economic problems of industrialization, is that, while in the technical field in the nineteenth century, expansion of infrastructure could take place only slowly, modern technology can no longer be satisfied with fragmentary mechanisms of transport, power, irrigation—these matters have been referred to by many participants.

The third aspect is that the development of modern industry can hardly proceed without a sufficient water supply for which abundance and regularity are essential. In this connexion, a famous report affirms that the regularity and abundance of water could prove the most important policy factor regarding the selection of industries. These are the basic requirements regarding infrastructure. But there are problems which are raised in the field of industrialization proper. These problems are peculiar to our own underdeveloped countries.

First of all there is the accelerated character of industrialization. The countries which have recently attained political independence and are still on the threshold of economic industrialization must avoid certain phases in their development through which advanced countries have gone. They should be able to use the experiences of countries which have been through these stages before for the acceleration of economic development and industrialization at an increased rate. This is vital if these countries are to progress. Concerning their backwardness, which is very serious, I can cite the opinion of an international authority. An Argentinian Economist, Dr. Raul Prebisch, has calculated, and I mention this with

reserve since I have not examined the data myself, that at the existing rate of economic development it would take two centuries for the Latin American countries to attain the level of development of the most advanced countries.

Secondly, industrialization of the underdeveloped countries which has been realized to-day is the result of advanced technological progress which has made it possible to substitute among factors of production. In particular, it has become possible to replace manpower with technical capital. A country which wants to take full advantage of these conditions can no longer count on low-cost manpower but has to face international competition at the level of modern technology and productivity. The last consideration is that industrialization is no longer merely the sum or the total of particular activities individually induced intending to maximize profit, but a means to ensure the social prosperity of a nation and economic equality among nations. This is the problem that arises in the economic field of industrialization. It is not necessary to calculate at length to realize that we are facing enormous needs for financial resources and this is why I drew your attention yesterday to the definition of a new commercial policy concerning relations between developed and underdeveloped countries, especially those of our region, in order to allow for the determination of a marketing policy among our regional countries. I referred yesterday to statistics proving that the proportion is greater in our trade with advanced countries. This is why the problem of marketing cannot be approached in a separate isolated manner but should be approached within structural framework.

On the other hand, I also spoke of a certain number of principles which should govern the drawing up of this policy and this morning I heard with satisfaction the declaration of the distinguished representative of Australia, which had deemed it necessary to accept the principles of preferential treatment to which I had referred.

There is another contemporary problem which is very serious and which I would like to refer to because it has not yet been sufficiently emphasized. It is the problem of the public debts of the less developed countries vis-a-vis developed countries. On the basis of available statistics, underdeveloped countries at present have a debt towards developed countries of about 30 billion. This is the colossal amount of the debt of the underdeveloped countries vis-a-vis the developed countries. On the other hand, we have witnessed another trend which is related to the aggravation of the external public debt. In effect, each year the underdeveloped countries, as a whole are compelled to repay part of their public debt to advanced countries to the tune of about \$5 billion;

and, since the flow of capital from developed countries into the less-developed countries is on the average of about \$5 billion a year, it seems as if this flow is designed to permit annual amortization. This is a trend which for us is a matter of great concern and I recommend the Ministerial Conference approach the problem on a general political level. We should do this in a general way, in order to define the principles of a dynamic commercial policy at the international level, in order to refund the external debt and also to earn a surplus which would make it possible for us to import the capital goods necessary for industrialization. This is the commercial aspect of the problem and the financing aspect of industrialization.

Now I should like to talk about the last aspect, the organizational aspect of industrialization. This problem is one to which many delegates have already referred. We use the word 'plan', we use the term 'co-ordination'. It is not for us to examine the technique of planning. That should be done at the expert level. But I just want to say that the concept of planning implies the determination of specific objectives, the determination of adequate means to reach those objectives and the determination of the potential possibilities. Consequently, in order to plan we should have specific information and abundant statistics. Without them, we cannot exchange ideas, and our programmes will not be translated into reality.

In the field of planning, there are two considerations which should be examined. The first is at the national or international level plan and the other is the micro-economic plan at the level of each individual enterprise. There are interrelationships between these two. Up to now, in referring to planning we have referred to quantitative problems, i.e. quantity to be produced, requirement of financial resources and the manpower requirements. But there is another problem which is even more important, namely the organization problem. A plan is comparable to an iceberg. There are two parts of the organization plan, the visible part and the invisible part. As was rightly said before, it is the invisible part which causes the most shipwrecks. In the field of planning, it is essential to arrive at appropriate determination of the cost and at the right choice and selection of the equation of means to cost, otherwise the plan is not able to avoid dangers but aggravates them. The moment that it is possible to determine in a precise manner the different objectives, we can begin to talk about co-operation at the international level in the field of planning.

Statement by the representative of the Republic of China

I have only a few comments on the Draft Resolution on Dynamic Asian Economic Co-operation to which we wish to give our full support.

First, on trade liberalization, our experience is fortunately a happy one. In the past two years, we have liberalized our foreign trade to a great extent with a very encouraging result that our exports increased much faster than our imports. In fact, we achieved our first balance of payments surplus in 1963 and, in 1964, that surplus went up even higher. Our experience clearly indicates that adequate trade liberalization has led to trade expansion. And in turn, trade expansion has enabled us to further liberalize trade restrictions. They are so closely related and mutually dependent that one can hardly tell which comes first, chicken or egg. We are making constant efforts to remove trade restrictions in conformity with the general trend in the free world. Such efforts will continue to be exerted until we set our foreign trade entirely free.

On the question of the Asian Highway Co-ordination Committee, I wish to recall my remarks made in the sixteenth annual session of ECAFE held at Bangkok in 1960, during which I drew attention to a practical question of unification of driving; on the left side or on the right side of the way. This question seems to me very basic to the convenience, efficiency and safety of the whole Asian Highway system as visualized by the action programme.

As to typhoon damage control, my Government attaches great importance to the projects that will minimize typhoon damage. In a period of five years from 1959 to 1963, the total damage done by typhoons in Taiwan alone amounted to US\$150 million, equal to 30 million US dollars, a year which equals roughly 2 per cent of our gross national product. We welcome the initiation of a joint programme of action by countries in the Pacific area to minimize this adverse effect of typhoons.

Before concluding, I wish to point out to my distinguished colleagues in this room that a co-operative spirit is the key to the success of all joint projects, including the new-born Asian Development Bank. We must realize that, in joining these mutual undertakings, our first obligation is to give rather than to take. I deeply admire the spirit of initiative of the ECAFE regional countries. I wish to point out very frankly and sincerely, however, that no dream will become a reality if it is not strongly supported by a spirit of co-operation. In addition to the increase in our capital subscription in the Bank, which I reported yesterday, the Government of the Republic

of China is always ready to offer our technical know-how without reservation to our neighbours especially in the field of agricultural developments and improvements which are part and parcel of the success of over-all economic development programmes in this region. We are willing to contribute our share of resources, financial as well as technical, to the developmental efforts of the ECAFE region. We stand ready to answer the call of this duty.

Statements by the representative of India

A

I would like to confine myself today to two items on the agenda—the Asian Highway and Trade Liberalization.

Asian Highway

On the question of Asian Highway, the Indian delegation continues to share the interest evinced by the distinguished representatives of other countries and would emphasize that all possible efforts should be made, in keeping with the capacity of individual member countries, to complete the project. As has been brought out in the note circulated on this subject, this project is of very great significance to the countries concerned.

We in India have continued to make further progress in the implementation of the national part of the project work and in our consecutive five-year plans we have been making suitable provision for funds required for sustained progress of the programmes taken up in the country. The lengths of the Asian Highway passing through India lie along our national highways, which satisfy the minimum standard of international highways in most cases. Some sections will of course have to be constructed or upgraded. We note that the ECAFE secretariat has already prepared a plan in accordance with the investment programme which was laid down by the Asian Highway Co-ordinating Committee at its last meeting held at Bangkok in April this year. We believe it will be possible for the ECAFE secretariat to convene the next meeting of the Co-ordinating Committee soon to consider this plan.

On the question of signing the application to the United Nations Special Fund for assistance, the Indian Delegation is of the view that, since the application would imply a consideration of the administrative as well as the detailed financial aspects of the proposal embodied in it, it would be desirable to place the draft application before the Asian Highway Co-ordinating Committee for discussion of details in the first instance and that it would be somewhat premature to sign the application before affording that Committee

an opportunity to consider the matter in detail. We would, therefore, urge that this question be placed before that Committee for its decision. That Committee would be able to arrive at a suitable mechanism of operation of the application contemplated to be made.

As for the technical bureau proposed to be set up, we believe that the proper forum to discuss this subject will also be a meeting of the Co-ordinating Committee. This question would essentially raise the issue of funds required for the functioning of the proposed bureau and the research institutes and training programmes.

Trade liberalization

But I should like to say that the scope that has been set out in the Expert Group's report for liberalizing trade in the ECAFE region is, indeed, within the practical reach of the countries in the region. India will endeavour to take all possible steps that will help to advance this objective. Undoubtedly, while identifying these steps, regard will have to be paid to the chronic balance-of-payments difficulties which almost all the developing countries in the ECAFE region are facing today and it will have to be ensured that any liberalization measure that may be decided upon does not aggravate these difficulties. It is in this context that we have to appreciate the selective policy which has been and continues to be followed by a number of these countries in regulating their imports. Within these limitations, however, all efforts will have to be made to extend the scope of trade within the regional countries.

The Indian delegation is of the view that it is desirable and necessary to have some payments arrangement to take care of the imbalances that are likely to arise as a result of the expanding trade between the countries of the region. Here the international credit agencies and the industrialized countries can concert together to provide a cushion and a buffer so that the intra-regional expansion of trade between developing countries becomes a practical proposition. We are of the view that it is necessary to make a thorough study of the need for a payments arrangement to take care of the repercussions which I have alluded to just now and we would suggest for consideration of this Conference that a study group be formed under the auspices of ECAFE to go into this question in detail, having regard to the balance of payments difficulties of the ECAFE countries and report to the ECAFE secretariat, for consultations with Governments of member countries as soon as possible, on practical recommendations for financing additional trade.

The question of finding resources and how these are to be utilized with a view to liberalizing trade is also another matter which, perhaps, could as well be taken up by this study group.

In their report the Experts have suggested a few alternative courses of action. We consider that, while introduction of free lists and liberalization of regional quotas for selected commodities have their place in any scheme aimed at liberalizing trade—even though while examining the question of determining quotas, regard will have to be paid to the GATT obligations—perhaps bilaterally negotiated measures for expansion of trade between countries of the region would be a more practical idea. In fact, the institution of bilateral trade agreements has, by now, become a very tried method for mutual trade expansion and the Indian delegation supports this recommendation of the Expert Committee. Even at the UNCTAD meeting, the recommendation on Long Term Trade Agreements contemplates the conclusion of long term trade agreements as one of the methods that can contribute to the solution of commercial problems between different countries and recommends consideration of bringing about improvements in the contents, technique and effectiveness of such agreements. India and a number of other countries in the ECAFE region as well as outside the region have fully subscribed to this recommendation and, we are glad to note that the recommendation of the ECAFE Expert Group is fully in line with the UNCTAD recommendation on the subject.

We have every hope that the developing countries of the ECAFE region will, as usual, act in concert as at the previous sessions of the UNCTAD to put their weight behind this idea and urge the developed countries to implement the recommendations of UNCTAD as early as possible. The ECAFE secretariat and, in particular, the Executive Secretary, U Nyun, have been extremely helpful to the ECAFE countries in co-ordinating their approach to the vital issues facing them in the sphere of trade liberalization and in other matters, such as securing for the primary products from the developing countries, stable and remunerative prices, ensuring availability of adequate shipping at reasonable freight rates and removal of a large number of other handicaps which the developing countries have been facing; and it is our hope that these efforts will continue. The procedure evolved by the Committee on Trade early this year and endorsed by the Commission, regarding effective consultation between ECAFE countries on the activities of the Board of Trade and Development has been useful and, we believe, should continue to be followed.

B

Higher productivity and maximum utilization of the total productive capacity are the two goals set before the developing nations in this region and every effort has to be made to achieve these goals. In any planned development of the economy, industrialization on a planned basis, expansion of trade and adequate provision of communication facilities—both ocean-borne and on the land—are the most indispensable requisites and it is in this sphere that the acceleration of co-operation in the ECAFE region is going to bring fruitful results.

I shall now briefly touch upon the other measures listed in the agenda for economic co-operation which need to be pursued in order to achieve a minimum standard of economic development of the large number of less developed countries in this region.

Shipping and ocean freight rates

India fully endorses the recommendations made by the Experts on Shipping and Ocean Freight Rates. In fact, we have already initiated necessary steps aimed at implementing some of the recommendations; and I am glad to report that, notwithstanding the complex procedures that regulate the functioning of the shipping conferences; etc; and the obvious time-consuming nature of the approach that is required to be made, the progress has been encouraging. It would have been inappropriate in the very nature of things to expect any spectacular results during the short period since the report was circulated among the Governments concerned, but we consider that the conferences and other interests concerned with these matters have not been averse to the progressive suggestions made by the Experts. Their response has been one of understanding, appreciation and, on the whole, quite favourable.

Typhoon damage control

The Indian Delegation fully endorses the views contained in the Executive Secretary's note on the subject of typhoon control. We also strongly support the work programme outlined in this note and we are looking forward to a very fruitful conclusion of the meeting of the Working Group of Experts of Typhoons which is going to meet here within the next few days.

India, too, is adversely affected as a result of the destructive cyclones which occur in the Bay of Bengal and the Arabian Sea. These cyclones are just like the typhoons characteristic of the Pacific Ocean, though indeed, these are generally of less severity.

India has compiled a compendium of information regarding all cyclones which have been developing in the Indian seas and this information has been passed

on to the ECAFE secretariat for use in its Flood Control Journal. Exhaustive statistical analysis of the data pertaining to cyclones is also recorded in Indian publications and India would be very happy to share its experience in this line with other countries in the region.

Demographic problems

The note on demographic problems circulated by the distinguished Executive Secretary brings into focus the magnitude of the problem, which, indeed is a challenging one; challenging in the sense that, while, on the one hand, the mortality rate has undergone a really spectacular decline as a result of the sustained development of medical science and modernization of public health measures, the birth rate has remained almost at the same level, resulting in an unabated growth of population.

It is, however, gratifying to see that the problem has now begun to receive the recognition and attention it deserves. Already, the ECAFE countries have examined it at the Asian Population Conference held at New Delhi and the ECAFE secretariat is now going to further intensify its work programme in this field. We have to ensure that the economic gains made by the developing countries are not nullified by the unrestricted growth of population.

Indian whole-heartedly supports the work programme mentioned in the Executive Secretary's note and will be glad to assist the ECAFE secretariat and the other countries in the region in any manner in which its experience may be found suitable and useful.

Regional Harmonization of development plans

We have gone through with interest the Executive Secretary's note on regional harmonization of development plans which brings out clearly the issues to be tackled under this heading for regional co-operation. Now that various countries in the ECAFE region are passing through an era of planned economic development, the subject of harmonization of development plans assumes much greater importance.

In so far as the sectors which admit of harmonization of development planning are concerned, we consider that, owing to the pressure of population and the absence of alternative employment to a large percentage of working hands engaged in agriculture in most of the countries of this region, a policy of regional harmonization in the field of agriculture would be subject to limitations at least in the earlier years. In many countries of the region, agricultural development programmes should not be viewed as programmes for achieving self-sufficiency in agricultural products but as programmes for raising agricul-

tural incomes through increased productivity. We, therefore, consider that the field which will be more amenable to the idea of harmonizing its growth would, perhaps, be the industrial sector; and, naturally, in that sector a series of studies and detailed examinations of the possibilities will have to be undertaken before harmonization of any particular industry can be thought of.

Industrialization

The impending establishment of the Asian Development Bank will give a new meaning and emphasis to the efforts being made by countries in the ECAFE region to industrialize their economies.

The great need in most of these countries is for a quick breakthrough in industrialization. This will have to be done at the national level by effective mobilization of internal resources although technical and financial aid from the developed countries will also be essential. The task consists essentially in drawing up a plan of economic development both perspective and short-term; building up the infrastructure; making a beginning with the less capital-intensive consumer industries and then going on to basic industries such as iron and steel, and thence to manufacture of producer goods equipment.

The kind of joint venture scheme of interest to us in India is one where there is a sharing of raw-materials of technology and expertise. For example it has been suggested that the cheap power available in places such as Brunei and in the Mekong Valley could be linked with bauxite ore available in countries such as Australia and India for the production of aluminium. Another suggestion is that the natural gas available in plenty in Iran should be tapped for production of ammonia which could then be shipped to countries such as India for the production of fertilizers. Such schemes presuppose a certain degree of international division of labour, and would call for closer international economic integration than obtains now. Nevertheless, it is such schemes that deserve to be formulated and studied, and the first step would be for ECAFE or any similar agency to undertake feasibility reports and investment surveys.

Joint venture schemes should not be conceived on the basis of equity, i.e. the schemes should not go by a consideration the economics only, but also take into account other considerations of a non-material or subjective character. They should confer a measure of benefit on all the participating countries and, in their preparation, there should be adequate give-and-take. If such schemes are formulated and presented to the Governments of member countries, the chances of effective economic co-operation will be considerably strengthened.

Before I close I would like to pledge India's support for the policy of economic co-operation in the ECAFE region and its readiness to subscribe to the various schemes that aim at this end. We are looking forward to an increased impetus and activity on all these important fronts and I am sure the ECAFE countries will continue to have the enthusiastic and sincere attention of the distinguished Executive Secretary to the schemes and for achieving the maximum co-operation, on the basis of understanding in the countries of the region of one another's policies and needs. We are looking forward also to the continued co-operation and consultation between the developing countries of the ECAFE region and the other developing countries in the world on these vital questions which have a direct bearing on their economic development, and to a co-ordinated approach to these issues at the various international forums namely GATT, UNCTAD and the Board of Trade and Development etc. In this matter again, we shall have to depend upon the help and assistance of the ECAFE secretariat and the Executive Secretary which has been made available so far even though this entails a tremendous pressure of work on the secretariat. The achievements so far have been very promising and I am sure that the concerted effort we are making to achieve our goal of economic development through co-operation is bound to bring still better results.

Statement by the representative of Iran³

During the first Asian Ministerial Conference which was held at Manila two years ago, we recognized the importance of regional co-operation for promoting the economic and social development of our countries. The resolution which was passed at that Conference identified a number of areas for possible collaboration and joint efforts by the member countries of ECAFE either on a regional or sub-regional basis. We are indeed greatly pleased to note that our efforts have started bearing fruit. The Asian Development Bank which was only a dream a few years ago is coming to reality and it is expected to give new impetus to the promotion of regional co-operation. The Mekong River Project in which my Government has gladly participated is progressing rapidly. The Asian Highway, part of the basic infrastructure of our region, is expected to be completed within the next two or three years. The Asian Development Institute has already been established and is making substantial contributions to the training of personnel for planning and policy formulation. The Asian Trade Fair which is one of the steps taken for the promotion of intra-regional trade will be shortly held at Bangkok. Appreciable progress has

also been achieved in preparing the ground work for trade liberalization and collaboration in the field of industrial development. My delegation considers all these admirable achievements which owe a great deal to the dedicated efforts of our distinguished Executive Secretary and his able staff as only the beginning in our regional co-operation efforts. We believe that there are enormous possibilities for regional and sub-regional joint co-operation. Watching the economic groupings and the experience of the countries of south and central America and of western and eastern Europe, we feel that our efforts towards the regional co-operation will have to be intensified. However, we have to be realistic and pragmatic in our approach and we should look for possibilities rather than ideals. Taking into account the extent of our continent, it may be more practical to proceed with sub-regional co-operation in the fields of industrial and natural resources development through the harmonization of the development programme. Our experience with the Regional Co-operation for Development (RCD) which consists of the joint efforts to achieve economic, social and industrial development by Pakistan, Turkey and Iran has been quite successful. The Asian Conference on Industrialization which will shortly be held here at Manila should preferably give greater attention to the launching of the joint industrial projects.

In the field of trade, while the effort may be continued for general liberalization of trade among the developing countries of ECAFE, the secretariat may undertake studies on the possibility of exchange of goods on a selected basis and submit recommendations to that effect. UNCTAD has demonstrated to all developing countries that, in view of the position taken by developed countries, we have to intensify gradually the trade among ourselves in order to broaden our markets and increase our economic and industrial development possibilities. Considering the foreign exchange difficulties of most of the developing countries of our region as well as their shortage of shipping facilities which have been hindering our trade, especially the trade among ourselves, my Government is extremely interested in the problem of shipping and the freight rates and we expect that the ECAFE secretariat, in collaboration with the UNCTAD secretariat, will undertake a study in this field and will formulate recommendations for our consideration.

My delegation fully supports the draft resolution which has been circulated on Dynamic Asian Economic Co-operation in the fields enumerated in that resolution; and we hope that it will receive the unanimous approval of the Conference and that it will provide us and also the secretariat a guideline for action.

³ Transcribed from the tape.

Statement by the representative of Japan⁴

At the outset, may I express our sincere appreciation of the serious and strenuous efforts made by the planners and experts of ECAFE in order to originate various commendable projects conducive to economic co-operation and development of this region. As we are well aware, my Government has consistently supported the work done by ECAFE in this field. Now that the long cherished aspiration of establishing the Asian Development Bank is going to be realized, our attention is drawn to the other promising areas for regional co-operation in Asia. On behalf of my Government, I would like to reiterate the intention of the Japanese Government to continue to render its fullest possible co-operation to any realistic programme or project that is designed to further the co-operative ties among Asian countries in various fields.

We are sympathetic with the concept of the harmonization of development plans and programmes among countries of the region on a multi-national, sub-regional or regional basis, and we are prepared to participate actively in the work of ECAFE in this direction. In the view of my delegation, the work of ECAFE relating to the schemes for liberalization of trade among countries of the region, to which the distinguished delegate of New Zealand referred, merits continued attention to following up the results so far achieved by the Expert Group convened last year by the ECAFE secretariat. My Government is willing to assist the ECAFE secretariat in the further study of this programme.

My country is also prepared to play an active part in the acceleration of industrial development of countries of the region. We will help these countries as much as possible in taking these steps through extending technical and financial assistance as well as through our participation in the multilateral financial institution. We endorse also the proposals for further accelerating the work of ECAFE relating to the Asian Highway, the telecommunication network in Asia, typhoon damage control, as well as for dealing with demographic problems. Not only have we already budgeted some financial resources to help some of these projects to be launched but also we feel that, in these fields, we shall be able to contribute substantially, especially through sharing our know-how and our recent experience with other countries of Asia.

In conclusion, I would like to state that my delegation is in favour of adopting at this Ministerial Conference a resolution on regional economic co-

operation that would serve as the guideline for the ECAFE secretariat's work in the above-mentioned fields.

Statements by the representative of Laos⁵

A

With regard to item 5 of the agenda, my delegation would like to draw the attention of the Conference to the following three points, which are of primary interest to us in our development: 1) Regional harmonization of development plans; 2) Trade liberalization; 3) Industrialization.

1. Since 1963, the countries of Asia and the Far East have recognized the need for greater co-operation and co-ordination in their development and significant progress has been made. There is recognition of the importance of regional and inter-regional development in ensuring co-ordinated development of all countries in the region.

If this progress is to be of any magnitude, however, the development plans of all the countries in the ECAFE region must be co-ordinated. Such harmonization, which must seek to avoid duplication of effort and fruitless competition, calls for the formulation of a general plan to be put into effect through the national plans. It would be unthinkable and irrational for a country with a good geographical location to manufacture products for which all the raw materials must be imported, while another country without access to the sea does not manage to install an industry for which the raw materials are available locally.

In a statement made by our delegation to the Preparatory Committee for Regional Economic Co-operation, held at Bangkok from 21 to 26 October 1963, we stressed that we would be in favour of exchange of information in order to arrive at a better co-ordination of development plans among countries of the region, particularly at the sub-regional level. Our position has not changed and we hope to see the establishment of this co-operation, which has already borne fruit in other fields. Examples are the dam construction project on the Nam Ngum river and the project to link up the electric power networks of Laos and Thailand, which represent a prototype of co-operation at the sub-regional level.

Laos has everything to gain from co-ordinating its development plans with those of its closest neighbours, particularly since the country is compelled by its landlocked position to give preference to sub-regional rather than worldwide trade.

⁴ Transcribed from the tape.

⁵ Original in French. This version is based on the interpretation into English transcribed from the tape.

The idea put forward by the Preparatory Committee for Regional Economic Co-operation that encouragement be given to the establishment of enterprises shared by several countries of the region also meets with our approval, since it cannot fail to facilitate the exchange of ideas and capital between neighbouring countries and to pave the way for the formation of economic entities extending beyond the limits of national boundaries. In making the relevant studies, however, particular care should be taken to recognize the potentialities of each country and to avoid the systematic installation of industries in the more industrialized countries.

2. During the Preparatory Committee meeting held at Bangkok in October 1963, the Committee's experts conceded that trade liberalization by reducing tariffs was possible at the sub-regional level, particularly among countries that had reached the same level of economic and industrial development. Our delegation shares this point of view.

Although Laos is very liberal in regard to imports, since goods from all sources can enter without any restriction, the revenue from import duties and taxes represents a large part of the country's budget. Moreover, the infant industries need greater protection for their products, which will hamper any liberalization of trade in the near future.

Our delegation would like to see sub-regional co-operation established so that a better balance of trade may be reached between Laos and its neighbours, who are its main suppliers. This means revising the existing agreements, determining the quotas of goods to be traded, defining an export assistance policy, and, in general, studying all possible ways of restoring the balance.

At the same time, the transport and transit agreements would have to be revised in line with the decisions contained in the Convention on the Transit Trade of Landlocked Countries.

3. As far as industrialization is concerned, we would like to see co-operation in several fields: (i) prospecting for resources of raw materials in order to determine which resources can be exploited economically, taking into account the requirements of the country (and, if necessary, of the region), the amount and quality of manpower available, and finally the cost of production and conditions of marketing; (ii) co-ordination of development plans in order to obviate the possibility of launching projects that are doomed to failure because of market conditions, at the same time taking into account the comments we made in this connexion; (iii) training of personnel in accordance with the needs of the various sectors of industry,

which involves the training of certain specialists outside the country (or even outside the region) and the creation or expansion of other training centres at the national or regional level; (iv) financing, the search for capital, participation by the State or private capital—these also constitute a problem which takes on different aspects according to the size and nature (national or regional) of the projected enterprises, as well as the nature of the markets, domestic, regional or world-wide, on which the products are to be marketed.

B

As we reach the end of our work, the Laotian Delegation would like to express once again its deep gratitude to the Government and people of the Philippines for the warm welcome it has received.

We should also like to congratulate U Nyun, Executive Secretary of ECAFE, the members of the Consultative Committee and all the representatives from countries in the region for their tireless efforts, which have contributed to the establishment of our regional financing institution.

We have followed with great interest all the changes of fortune that have marked the creation of our Bank, and we cannot conceal our admiration for the spirit of dynamic co-operation and mutual understanding that marked our discussions. It is true that these discussions were often difficult, but how fruitful they were in the end!

My delegation welcomes the choice of Manila, the wonderful city, as the headquarters of the Asian Development Bank.

The international public is eagerly awaiting this good news. The Government and people of the Philippines have spared no effort to assure the Conference of their willingness to see to it that the Bank, which is situated in their capital, will prosper under the best possible conditions.

We share wholeheartedly the joy of our friends in the host country and we wish them much success in their development task.

Statement by the representative of Malaysia⁶

We agree, in general, with the new subjects which the secretariat has proposed for inclusion in the action programme for the further acceleration of regional co-operation. We appreciate that, with some of these subjects, it may take certain time to achieve the objectives but the new subjects certainly lend

⁶ Transcribed from the tape.

themselves to regional co-operation. We are particularly interested to note that the new subjects include regional harmonization of development plans, industrialization and dealing with demographic problems. These are some of the topics which are currently of interest, I am sure, to many of our countries in the region: the question of population explosion, the question of co-operation in harmonizing our development plans which are now accepted as necessary for the economic development of the economies of the countries and, particularly, the subject of industrialization which is also recognized as one of the important ways of diversifying the economies and for providing new employment opportunities for the ever-increasing population in the region. We also appreciate that the implementation of this new action programme may be limited by inadequate staff and financial resources but we would be happy if measures to start these projects are taken even in a modest manner, and we hope that, in carrying out this new programme, the secretariat will also carry out the programmes which have been agreed to, that is those on trade liberalization, shipping and ocean freight rates and industrial development, which are very important to the countries of the region, particularly, the underdeveloped countries.

Statement by the representative of Nepal

Regional economic co-operation has grown quite considerably among the ECAFE countries over the last two years, as this is one of the important means for achieving a consolidated and even progress. The ECAFE secretariat has been very active in trying to follow up and implement previous resolutions and the delegation from Nepal congratulates the distinguished Executive Secretary for its efficient and useful work in spite of various limitations. So far as the progress on the resolutions of the First Ministerial Conference is concerned, my delegation wishes to commend the efforts made by the ECAFE secretariat.

The problem of co-ordinated national economic development plans was considered by the first session of the Conference of Asian Economic Planners in 1961. Fuller harmonization, from which the countries will ultimately derive great mutual benefits, will naturally entail a great deal of mutual understanding and mutual sacrifice. While it is eminently desirable to have an ideal of overall economic co-operation towards the realization of which all parties should strive, it will take time to accomplish it fully. But, during the process of growth, it will be possible to implement many partial co-operative measures which will not require much sacrifice on the part of participating and yet assist materially in their economic development. Furthermore, it may not be necessary for individual countries to participate in all these

measures; each may select those which are of special interest to it. My delegation hopes that this Conference will agree to adopt this approach as a matter of policy and issue a directive to the Executive Secretary to keep this in view and also to advise the United Nations and other international financing agencies.

The Lower Mekong Project has of course been a brilliant example of subregional economic co-operation. However, my delegation has a feeling that there have not been other examples of this nature so far, though co-operation of Nepal and India on the Gandak and Koshi projects on a bi-lateral basis has been very satisfactory. I would like to suggest in this respect, that more projects of the Mekong type which would benefit three or more countries should receive priority consideration in our future programmes. I might mention the Karnali River Project which, if it could be taken up on a sub-regional basis, would help Nepal, India, Pakistan, Ceylon and perhaps even Burma. A feasibility survey of the Karnali River Project has already been completed with the assistance of the United Nations Special Fund.

The delegation from Nepal has noted the action taken by the secretariat in the matter of trade liberalization. It feels that the secretariat should pursue the matter with Governments of member countries which have not yet communicated their views as urged by the Commission at its twenty-first session. It also feels that the ECAFE secretariat should co-ordinate its activities on matters of regional trade with the UNCTAD Secretariat set up at Geneva as a result of the United Nations Conference on Trade and Development. My delegation also feels that the ECAFE secretariat should follow up the resolutions adopted by UNCTAD which pertain to the region and try to get them implemented as early as possible.

The Nepalese delegation wishes to draw the attention of this conference to the serious problems of development of trade, particularly of a small land-locked country such as Nepal and wants to reiterate its views that there should be closer understanding on this matter among the developing countries at various levels of economic growth themselves before they, as a group, move for more satisfactory terms of trade from the developed countries. These terms of trade should be dictated and animated by a common desire among countries of the world and be of help to the less fortunate ones, not as a matter of favour to them but as a matter of their right. My delegation therefore humbly suggests that this Conference discuss the matter and adopt resolutions to support the idea it has proposed.

The delegation of Nepal also notes with satisfaction the work of the ECAFE secretariat on the measures it had already taken with regard to the question of shipping and ocean rates. Freight costs of all modes of transport being important for developing countries, the delegation from Nepal feels that this Conference should also discuss freight rates on rail traffic which are of particular interest to land-locked countries. To overcome the difficulty of high production cost in developing countries, particularly in smaller countries, this aspect has a great bearing on the development of their foreign trade and is therefore of vital importance to them. The Nepalese delegation would, therefore, feel grateful if a proper solution to this problem of small land-locked countries in the region were found.

Mr. Chairman, I have a feeling that countries of the region should be animated by the desire of self-help. More than that, the more developed nations of the region should help the less developed smaller countries to industrialize and co-operate with them by providing their technical knowledge, skill and above all by providing such countries with market facilities. This unfortunately has not been done quite appropriately in practice. As the Asian Industrial Conference is due to be held immediately after this conference, the delegation from Nepal suggests that matters pertaining to industries be left to that with such suggestions as the present Conference deems fit. The Nepalese delegation feels that the Asian Industrial Conference should among other things consider the main problems of industrialization in Asia which, in accordance with the experience of Nepal, may be listed as follows:

- (a) lack of adequate knowledge of resources within the country for which feasibility studies are the first pre-requisite.
- (b) lack of management skills and technical know-how.
- (c) lack of adequate research facilities.
- (d) high cost of production, quality control and standardization.
- (e) insufficient development of infrastructure.
- (f) absence of manpower resources survey.
- (g) difficulties involved in servicing of foreign debts.
- (h) absence of concentrated efforts at joint projects on a bilateral or multi-country basis. Such efforts would be more useful on a sub-regional basis.
- (i) efforts to promote productivity.
- (j) limitations of marketing facilities.

The Asian Highway Project since its inception in 1959 has proceeded quite satisfactory. It is gratifying to note that the participating countries have agreed on the routes and the construction standards in Nepal. The East-West highway, which, as you all know, constitutes a considerable portion of the Asian Highway Priority route No. 2 passing through the Indian sub-continent, continues to receive top priority among our development projects. The preliminary survey of the whole length of the East-West highway being already completed a detailed survey, with designs for bridges and culverts, has also been completed for about 135 kilometres, stretching from Adabar in central Nepal to Janakpur, a town in the eastern Terai. The detailed survey of the remaining portion in the eastern sector is also to be undertaken very soon. Actual construction of the highway from Adabar to Janakpur is to start towards the end of this year.

In the construction of about 600 miles of this road, we are grateful to all the friendly countries and we look ahead with hope and confidence that the help and assistance of the SUNFED and of other governments and agencies will also be forthcoming through the auspices of ECAFE. With these brief comments on the action programme for regional economic co-operation, my delegation recommends that the secretariat paper before us be adopted by the Conference.

Statement by the representative of New Zealand⁷

Pursuant to the 1963 Manila Ministerial Conference resolution, work in 1964 and 1965 has centered around four main areas: the proposal to establish the Asian Development Bank; the formulation of practical and acceptable programme of trade liberalization to ECAFE region; improvements in the field of shipping and ocean freight rates; and harmonization of industrial development within the region. At this meeting we have advanced consideration of the Asian Development Bank proposal to the point that this institution will be established and start operating in the near future. On shipping and ocean freight rates, the secretariat of ECAFE, following the February 1965 Expert Group meeting, is undertaking technical investigations. Action taken or underway in these two fields can be regarded as satisfactory. Industrial harmonization will be considered in some details next week. On the trade liberalization programme, however, progress has been rather more limited. An Expert Group met in November 1964. The Group's report has been circulated to Governments and their comments were

⁷ Transcribed from the tape.

requested but we do not yet have before us any document setting out the joint considered views of the Governments. At this time, therefore, we are faced with the problem of reviewing the course of a programme which, in fact, is not yet a programme in the sense of mutually agreed proposals having been adopted by all countries in the region. We know our objectives; these are stated in the preamble of the Manila Resolution. The Expert Group has suggested some alternative measures aimed at providing the practical element for the programme of trade liberalization. What are lacking as yet are clear indications that Governments within the region are prepared to adopt even in a modified form the suggestion of the Expert Group. At the same time it is recognized that some Governments may have alternative proposals to put forward. The opportunity has not arisen as yet for full and detailed examination at the technical level of the elements of the trade liberalization programme called for in the Manila resolution. Of course in our deliberations on the subject of regional co-operation through trade liberalization, we are all mindful of the broad international activity in trade and development questions being undertaken in UNCTAD, GATT, FAO and other organizations. The UNCTAD bodies, having settled most of initial necessary administrative and procedural matters, are now beginning to get to grips with the real and present problems identified at the 1964 Conference and subsequent meetings. We expect the UNCTAD Committee to reach, within the coming year, conclusions and recommendations which will be of vital significance to each of us individually and jointly. In formulating new policies on trade matters, New Zealand, like other countries, will naturally wish to study the conclusions and recommendations of UNCTAD and its subsidiary bodies. Similarly, through our adherence to GATT we must, in formulating a policy, take cognizance of developments in the Kennedy Round of negotiations and the work of the GATT Committee on Trade and Development. Activity in FAO is also relevant in this context, particularly that of the FAO Study Groups on rice and jute and the new group on fats, oils and oilseeds. We suggest that, in the light of these many influences bearing upon the determination of national trade policies, it must be accepted that any regional programme for trade liberalization will not be developed overnight nor will its implementation achieve spectacular immediate results. We believe, however, that much progress can be made and that, if adopted, the suggestions in the report of the Expert Group could prove to be a useful first step. Of course, the implementation of any regional programme depends upon decisions of the separate Governments. Co-operative consideration of the problems provides simply the background and guidance upon which our individual decisions can be based. This is by no

means to underestimate the importance of the work of the various ECAFE committees and other groups which have met and, we hope, will continue to meet on the trade liberalization programme. We have some suggestions to make on how we think our joint consideration of proposals for future co-operation might proceed. I would emphasize however that there exists already, partly as a consequence of the past work in ECAFE, partly as a consequence of the Manila resolution and partly as a consequence of the discussions and work of other international bodies, a framework in which policy decisions can be taken which will contribute to the achievement of the objectives to which we all subscribe of increasing the economic growth and trade of the Asian region. We, in New Zealand, have this year taken certain steps which we believe are in accord with these objectives. Participants will be familiar with the continuing balance of payments problems New Zealand has faced in the last decade. We have determined however to proceed as quickly as possible to liberalize our import licencing procedures so as to permit free import of the exports of developing countries. In the 1965-1966 import licencing schedule, further categories of goods were exempted from quantitative control of import. Items figuring prominently on the list of exemptions included: bananas, jute, fibre, raw coffee, raw coffee beans, cotton yarn and a wide range of cotton piecegoods and refined copper.

On 1 August 1965, the New Zealand-Australia Free Trade Agreement was signed. The objectives of the member States in concluding this agreement included furthering the development of the area and the use of the resources of the area by promoting a sustained and mutual beneficial expansion of trade, and contributing to the harmonious development and expansion of world trade and to the progressive removal of barriers thereto. Article 14 of the Agreement provides for the possible association of other States with the Agreement. Recently a New Zealand economic and goodwill mission visited Japan and Taiwan, China, we are commencing exploratory discussions with the Republic of Korea on the terms of a possible bilateral trade agreement. New Zealand, in addition, has trade agreements with Japan and Malaysia. Bilateral agreements of this kind do not supersede the obligations countries share with members of such international organizations as GATT. However, bilateral agreements can provide a most worthwhile basis on which to cement closer trade relations between the parties, and experience demonstrates that they do lead to increased trade. It is necessary for this Conference to reach conclusions on the current state of our discussion on the regional trade liberalization programme and to give guidance as to how future action should proceed. In our view, the stage has been reached where real progress can

be attained only on the basis of firm commitments by Governments of member countries on an agreed course. We have mentioned that the opportunity has not arisen as yet for full and detailed joint examination at the technical level of the proposals put forward by the Expert Group. We feel that such an opportunity must be provided. However, we consider that discussions would be sterile and meaningless if they took place in circumstances other than one where the participants with the full backing of their Governments were prepared to reach decisions and goals for achievements in a future period. In other words, the meeting would have to take on the nature of a Conference at which agreements in principle would be reached in the knowledge that they could be followed by appropriate multilateral and bilateral negotiations. The most appropriate circumstances and the timing for such a meeting are of course most important. It may be considered premature to reach specific conclusions on these questions at this stage. Perhaps it would be more appropriate for the ECAFE Committee on Trade to deal with these questions at its meeting in January. We understand some Governments have yet to provide written replies to the secretariat giving their view on Expert Group's recommendations. Other Governments may wish to set down additional comments or possibly to submit alternative proposals. The secretariat or Governments may wish, however, to see the further background research and analysis undertaken to ensure that the meeting when held is not frustrated in its work by the lack of significant or adequate information. It would be better not to hold a meeting if preparations were incomplete, rather than run a risk of failure which could set back for years the prospect of achieving results from our endeavours. This is not a counsel for delay. Indeed delay on trade liberalization is an element which our total programme of regional economic development and co-operation cannot afford. The extensive work underway in the industrial sphere could be worthless and the hopes and expectations we have in that sector could be negated in the absence of accompanying action, on a regional and sub-regional basis, to remove trade barriers, to ensure outlets within the region for the products of expanding industries. The long term objectives of the Asian Development Bank equally, will be frustrated unless a substantial part of resulting production from the Bank's investments in industrial enterprises can be marketed within the region without undue hindrance from tariffs or non-tariff barriers. We have argued before the need to see all these aspects of regional development as part of the total scheme. Lack of progress in one sector could have severe repercussions on potential programmes in another. It is our hope therefore that Governments will recognize the need for early action on the trade

liberalization programme, possibly along the lines we have suggested.

Statement by the representative of Pakistan⁸

This Conference comes at a specially appropriate time when we are half-way through the Development Decade. Looking back for the past five years, perhaps the most significant point to emerge is that there has been the levelling of aid to the developing countries since 1961 at an all-inclusive figure ranging between 8 and 9 billion US dollars—this, in spite of the estimate the President of the World Bank that those countries could productively use an additional 3 to 4 billion dollars a year. This stagnation is all the most serious when one considers that an increasing proportion of the present level of aid funds is needed merely to repay past loans. Taking this fact into account, the net contribution by the advanced countries to those less fortunately placed is far below the one per cent per annum of their national income which was set as a fair goal.

It was generally hoped that, during the Development Decade, developing countries would be able to generate an annual growth rate of 5 per cent. How many of us have in fact reached that satisfactory position? Would it not be correct to say that, in the levelling of the growth process, one major constraint has been the lack of sufficient resources? It is not my intention to suggest that we should entirely rely on external assistance. Far from it, my own country indeed has been fortunate in maintaining a growth rate of between 5 and 6 per cent over the last five years and we achieved this not only with the help of external aid for which we are grateful but also by our domestic efforts which enabled us to finance 62 per cent of our second five-year plan expenditure from our own resources. This figure incidentally was nearly 15 per cent higher than we initially aimed at. But the development process, we think, generates its own momentum and this can only be maintained if the volume of external aid increases. We hope that the Asian Development Bank will soon be coming to our assistance and adding to the total resources available to the regional countries of ECAFE for development.

I have read with great interest the Executive Secretary's review of progress and implementation of the programme of regional economic co-operation since the last Ministerial Meeting. We note with satisfaction that the Executive Secretary and his staff have shown considerable initiative and vigour in helping us towards the achievement of the objectives set out in the resolution on Asian Economic Co-opera-

⁸ Transcribed from the tape.

tion adopted at the First Ministerial Conference. In one area at least we expect those initiatives to be productive at this very session. I am referring, of course, to the Asian Development Bank. We endorse the action taken by the Executive Secretary in other spheres and look forward to being equally satisfied with the results.

As regards the future, we are particularly appreciative of the trends to orientate the work programme of the Commission towards operational projects. I would like to pick out one or two of them for special mention here. As might be expected, the developing countries have still much leeway to make up in the field of statistics and we accordingly welcome the proposal to set up a regional statistical research and training centre to carry out training and methodological operation of research.

Next, I turn to the Asian Highway, the idea of which we have supported from the beginning, not only as the means of promoting trade and tourism in the region but also because of the potential effectiveness it can have in promoting mutual understanding among countries of the ECAFE area. In my country, much progress has been made in constructing and upgrading the highways particularly those included in the Asian Highway, in spite of our financial difficulties, so as to promote and coordinate the planning and implementation of this project on a regional basis. My Government supported the establishment of the Coordinating Committee at the Ministerial level at the twentieth session of the Economic Commission in 1964 and is now for effectively implementing the recommendations of that Committee.

My Government supports the proposal for the establishment of the technical bureau with the help and co-operation of the United Nations Special Fund. For the implementation of this project, outside aid and assistance will be needed to supplement our efforts. Consequently we are greatly appreciative of the good offices of the Executive Secretary in helping to obtain support and assistance from the Special Fund and also from donor and aid-giving countries for this project.

Another aspect I should like to stress is the early finalization of the Asian Highway development plan. This plan should estimate aid requirements for the various projects connected with the Highway. It should also provide a clear picture of the national funds available and of the assistance in the form of manpower, materials and equipment needed from outside sources. Very largely for the same reason, we are hopeful that more adequate telecommunications can be provided within the region and that this project will not languish for want of funds from friendly countries and organizations.

Another problem besetting us is the population explosion, as has been called. In recent years, largely through the widespread application of modern medical and health measures, developing countries of the area have experienced spectacular reductions in mortality unaccompanied by any reduction in birth rates. My country provides as good an example as any of the difficulty in which we find ourselves. Our annual growth rate is estimated at 2.6 per cent per annum and, if this continues, our population will double in 30 years. Actually, the situation could be much worse. According to a recent limited survey which we carried out, the rate may be as high as at 3.5 per cent in which case our population will double in a mere 20 years. It has been suggested that two approaches that seem to offer themselves as solutions to this situation are: deceleration of the birth rates and acceleration of the development plans including the development of skills and training in the region. I submit that these are not alternatives but that both programmes must go forward together, otherwise the population growth will be a severe drag on our development efforts. That is why we, in Pakistan, have felt compelled to launch a large-scale family planning programme side by side with our development plans. For the successful implementation of that programme, we shall need some external assistance and we feel that it will be forthcoming. The ECAFE secretariat is already co-operating with a view to assisting and integrating plans for education and training in the national plan for economic and social development. As regards the proposal of the Asian Population Conference to tackle the problem on a joint country or regional basis, we have some reservations. At the same time we do approve the proposal to exchange information at the departmental level among Governments in the region with a view to gaining from one another's experience and achieving the maximum impact from our own project.

The working paper indicates that it was intended to study ways and means of alleviating or preventing typhoon damage to ECAFE countries in the Pacific region. This proposal is of direct interest to us because the eastern part of my country suffers periodically from typhoon damage and destruction. It is only natural, therefore, that we should await with very great interest the report of the Working Group of Experts on this subject. In fact, our concern over this matter is so great that, if it be possible, we would welcome the prospect of this study being extended to such disasters originating in the Indian Ocean and affecting my country.

I have so far confined myself to the general subject of regional economic co-operation, which is not only desirable but essential if we are to carry forward the great task of development. However, I venture to submit that we must not regard this as

an end itself. It is only a part of the canvas and not the whole picture. While each developing country must make an individual contribution towards this development and also strive for the maximum advancement that is possible on regional basis, we cannot forget the world outside. Nowadays, it is usual to talk and think of regional economic co-operation whether it be in Europe, Latin America or Africa. In saying this, I do not intend to minimize the importance of regional co-operation. We are fully committed to that, and as a matter of fact we have already laid the foundations of fruitful collaboration with our closed neighbour and friend, Iran, which we are sure will expand still further in future. I am only concerned to ensure that we do not regard that as the end of our efforts; if we look further still, we very quickly find that all our own familiar enemies are still with us. They are adverse terms of trade, quantitative restrictions, tariff, internal levies, and other barriers to the expansion of our trade. As the Executive Secretary has rightly pointed out in this working paper, the early development efforts of the ECAFE countries have hitherto largely consisted of export promotion and import substitution. By this very fact there is a limit to which those efforts can be pushed within the region itself. Therefore, while doing all we can individually and on a regional basis, we must also continue to press both in this forum and others for our fair and rightful share of the world markets. It is not only that we want aid; we also need opportunities to help ourselves by expanding trade and, the more we can do this, the more we shall be self-reliant rather than directly dependent upon outside countries for our progress.

Statement by the representative of the Philippines

During the first Asian Ministerial Conference held here at Manila in 1963, not only was the unanimous approval of the idea of intensifying economic co-operation among countries of the ECAFE region reiterated with emphasis by the countries attending the Conference but also that meeting went further by outlining some possible areas where economic co-operation could be instituted. Since that meeting, some major projects of co-operation of vital significance have been implemented with a fair degree of success. These projects are designed to pave the way for further effective co-operation of countries in this region.

The Mekong Project has now benefited our brothers in the Mekong area, particularly Cambodia, Laos, Thailand and Vietnam. We feel that the improvement of the economies of the riparian countries in this area will directly or indirectly benefit other ECAFE member countries also through the

ability and effectiveness of the riparian countries in co-operating with other countries in other regional projects.

The Asian Highway once completed will have a tremendous impact on the economies of the Asian countries including our own country, we are sure. Trade and other economic activities in Asia will undoubtedly be accelerated by the facilities of the Asian Highway. President Macapagal has already mentioned our plans for our own Pan-Philippine Highway in harmony with the Asian Highway concept.

With the Asian Institute of Economic Development and Planning taking care of the improvement of planning techniques in the countries of the region, with such economic development projects as the Mekong River Project and the Asian Highway providing increased infrastructural facilities such as light, power, water and transportation, and with the Asian Development Bank providing the financial resources for development, one more area in which work can be done is effective co-ordination of development in the region to avoid the waste of resources resulting from avoidable unnecessary inter-country competition. This, therefore, calls for the effective harmonization of plans for development.

Ever since the idea of harmonization of plans came up as a subject for consideration in various ECAFE forums, the Philippines has been supporting the project. In this forum, as well as at the forthcoming Industrialization Conference, the Philippine delegation wishes to reiterate its support of the idea of harmonization of development plans of countries in the region.

We in the Philippines feel that economic co-operation, which is the theme to which all efforts of the countries in the ECAFE region have been dedicated throughout the Development Decade and particularly this year which is known as "Economic Co-operation Year", can be effectively attained if the development plans of countries in the region are harmonized.

In this connexion, my delegation wishes to point out to the Conference the need for considering the levels of economic development of countries involved in plan harmonization. We feel that harmonization of plans should start with countries having more or less equal levels of economic development. Secondly, it would be highly appreciated if the ECAFE secretariat could continue its present efforts to study the various aspects of plan harmonization and keep the member countries informed of developments, particularly in specific fields where harmonization of plans may be soundly effected by certain countries. This suggests, that harmonization of plans be undertaken

on a sub-regional basis first, and on specific sectors or areas rather than on over-all plans.

Further, it is hoped that harmonization of the development plans of countries in the region will be done without unnecessarily regulating the industrial growth within each of them and that specialization in industrial production will not militate against the development of an industrial structure within the technological capacity of individual countries.

Fourthly, it would also be appreciated if the ECAFE secretariat on its own initiative could bring together in a meeting such countries involved in plan harmonization as may be determined by the secretariat for closer consultation during the process of the plan harmonization.

Finally, in view of the adverse effects on the trade of the region of the present structure of shipping and ocean freight rates, we propose the formation of a shippers' council:

- (i) to study problems of movements of particular commodities, in order to facilitate their handling and thus provide a basis for the eventual reduction of freight rates;
- (ii) To provide a countervailing unified force against the shipping conferences and put the member shippers in a better bargaining position vis-a-vis conference.

This proposal is in consonance with the statements of the delegation of Australia, India, Iran and Thailand regarding furtherance of the efforts for the rationalization of ocean freight rates.

Once again may we repeat our firm support of the principle as well as practice of Asian economic co-operation.

Statement by the representative of Singapore⁹

At the outset, I wish to make it clear that my delegation supports all the actions proposed for regional economic co-operation, but we wish to make one specific comment. My delegation observes with surprise that the subject of shipping and ocean freight rates has been left out of the draft resolution. We feel this is an important subject which should be expressed in a separate paragraph in the resolution. We would therefore like to suggest with respect that a paragraph which could follow after paragraph B on trade liberalization be inserted as follows: "Under the heading 'Shipping and Ocean Freight Rates', expressing the hope that the Governments would give urgent and serious consideration to relevant recommendations of the Group of Experts on Shipping and Ocean Freight Rates, and bearing in mind the view, expressed and maintained by developing nations

at the United Nations Conference on Trade and Development at Geneva in 1964, urged the Governments to conduct further investigations and studies on various measures to improve shipping facilities within and without the region as well as to ensure the availability of equitable freight rates".

Statement by the representative of Thailand¹⁰

I think we can say to-day that the future of closer and more effective regional economic co-operation can be faced with growing confidence and optimism. Many of the principles embodied in the resolutions adopted at the first Ministerial Conference have been translated into action. We are indeed cognizant of new horizons and we aim for higher achievements. Thailand remains in support of these high and worthy principles and will endeavour to aid in any way possible in implementing them. The Asian Development Bank established at this Conference will become a beacon lighting the path of progress in this area. Its operation to provide additional capital will no doubt bring all of us closer towards the goal of providing prosperity for the peoples of Asia. However, more regional programmes such as trade liberalization and rationalization of shipping and ocean freight rates will have to be carefully considered. In the field of trade we have already made a positive contribution, as we have very few quantitative restrictions left. Since Thailand is an exporter of primary products, any reductions in freight rates or any other measures in this direction will be more than welcome. In this field, we have not remained idle but have actively tried to improve our port facilities to reduce handling costs. Any action taken in furtherance of rationalization of shipping and ocean freight rates will find Thailand a willing partner.

Industrial development is an area in which we all have a vital interest. The problems which are faced by all of us in this respect are quite similar, and closer co-operation will yield invaluable results for all. The establishment of the Asian Industrial Development Council demonstrates the willingness of all member countries to advance in harmony. However, if tools such as statistics are incomplete or inadequate our efforts may be seriously jeopardized. The establishment of a regional statistical centre is of great importance. The importance of trade statistics in development planning is enormous. Recognizing this fact, we shall co-operate with and encourage any steps or plans which ECAFE may generate in this field. Improvement of statistics will also contribute substantially to the harmonization of development plans. Regarding other areas of regional economic activities such as the Asian Highway, telecommunication projects, typhoon damage control and

⁹ Transcribed from the tape.

¹⁰ Transcribed from the tape.

demographic studies, we recognize the direct and indirect economic benefits which may result from them and promise our support and co-operation. Progress and stability require untiring efforts but I am sure that, with such a growing spirit of economic co-operation, they will be attained.

Statement by the representative of the Republic of Viet-Nam¹¹

With regard to the idea of *harmonizing development plans* of the countries of this region, we fully subscribe to the view that harmonization should be carried out as far as possible. The main obstacle which we often come across is the too widespread idea of self-sufficiency in economic growth. We think that this is an out-lived formula, and that no self-sufficiency can be absolute and complete, no matter how advanced a country may be.

From an international point of view, ideas of self-sufficiency are damaging to co-operation projects. We are not living in an era where everybody is convinced that co-operation between countries is the only possible way out in the present situation. We strongly urge that some sort of organization be established for the pooling of economic intelligence. The real stage of harmonization could begin when member countries make their growth plans known. Then we would suggest that each country asks for and, as far as possible, take into account suggestions made by other countries on the problems of growth. It is only at the last stage that actual harmonization can be achieved, if by harmonization we mean that each country will take into account the growth targets of others, and be willing to alter its own targets in consequence. We insist that careful and gradual steps be made, because we think that the success of the idea of harmonization entirely depends on them.

With regard to the problem of *trade liberalization*, we believe that the same sort of precaution should be taken, i.e. tariff walls should be gradually lowered and administrative restrictions should be gradually removed. A conference on Asian trade, not at the ministerial level, but at a highly technical level, could perhaps be held for different members to show the difficulties they will encounter. It is not quite impossible that such a technical meeting would pave the way for further trade agreements between countries. An ideal situation in our own view, would be one in which we go from present bilateral agreements to multi-lateral agreements, and then to absolutely free trade.

The question of *industrialization* is strongly related to that of trade. Obviously, there can be no industrialization without sufficient foreign exchange,

and there cannot be sufficient foreign exchange without export of raw materials and agricultural products. We are in the unhappy position of competing with one another to sell primary products to the developed region. The market is a buyer's market, not a seller's market, and so there are the well-known problems of terms of trade and instability in prices of primary products. We are fully aware that this is perhaps, the most difficult problem of all. A solution to it will be possible only when a better understanding on the part of the advanced nations is added to the efforts of developing countries. To solve the problems of stabilizing the market for primary products, the most important suggestion so far has been one of building up inventories. This, clearly, is beyond the capacity of the developing countries alone, because for this huge funds are necessary. Then there is a problem of opening the markets of the advanced countries to these industrial products of the developing area; at present, these encounter either import duties or regional groupings, such as the European Economic Community. Thus we suggest that this sort of problem has a worldwide scope and can be dealt with only on a worldwide basis.

As to the problem of birth control, we fully agree with the previous speakers on its absolute necessity to avoid nullification of the results of our economic efforts. I am very happy that the distinguished delegate from India has given us very valuable suggestions on that subject.

We whole-heartedly support the view that some way must be devised to control typhoons. Being no technicians in this matter, all we can suggest is that this is a multi-dimensional problem:

- (i) a technical problem (how to blast a bomb right in the eye of a typhoon);
- (ii) an administrative problem (how to pool information);
- (iii) an economic problem (the damages caused);
- (iv) a political problem (how countries can help each other when the damage is already done).

Finally, comes the subject of the Asian Highway: It is connected with the Mekong Project. Each time this project is brought up during a debate, the name of our country is mentioned as it is regarded as one of the beneficiaries. Actually, the distinguished Executive Secretary knows quite well that no dam is going to be built in Viet-Nam and also we do not even have a permanent representative in Bangkok to deal with problems which would arise.

We do hope that things will be changed in the future, to our benefit, at least to a certain extent.

¹¹ Translation of the French text.

Part II.

I. FINAL ACT OF THE CONFERENCE OF PLENIPOTENTIARIES ON THE ASIAN DEVELOPMENT BANK

I. In pursuance of resolution 62 (XXI) of the United Nations Economic Commission for Asia and the Far East, the Executive Secretary of ECAFE convened a Conference of Plenipotentiaries on the Asian Development Bank which met at Manila, Philippines from 2 to 4 December 1965.

II. The Governments of the following twenty-seven States were represented at the Conference: Afghanistan, Australia, Belgium, Cambodia, Canada, Ceylon, China, Denmark, Federal Republic of Germany, India, Iran, Italy, Japan, Republic of Korea, Laos, Malaysia, Nepal, Netherlands, New Zealand, Pakistan, the Philippines, Republic of Viet-Nam, Singapore, Thailand, the United Kingdom, the United States of America, and Western Samoa.

III. The Conference unanimously adopted the attached text of the Agreement Establishing the Asian Development Bank and opened it for signature on 4 December 1965.

The representatives listed in the Annex hereto, their powers having been found by the Conference in good and due form, signed this Final Act at the closing session of the Conference.

IV. The Conference took the following action:

It established a Committee on Preparatory Arrangements for the establishment of the Asian Development Bank composed of fourteen members, twelve from the regional countries and two from the non-regional members, namely, Australia, Ceylon, India, Iran, Japan, Korea, Malaysia, Nepal, Pakistan, Philippines, Republic of Viet-Nam, and Thailand, and Federal Republic of Germany and the United States of America, respectively.

This Final Act and the annexes thereto shall be deposited with the Secretary-General of the United Nations.

IN WITNESS WHEREOF, the duly authorized representatives of Governments have subscribed their names below.

DONE AT MANILA, this fourth day of December one thousand nine hundred and sixty-five, in a single copy in the English language.

S/d Cornelio Balmaceda
Chairman of the Conference

For AFGHANISTAN:
S/d Abdul Wahab Haider

For AUSTRALIA:
S/d Paul Hasluck

For BELGIUM:
S/d J. Van Caloen

For CAMBODIA:
S/d Chausau

For CANADA
S/d J. R. Nicholson

S/d U Nyun
Executive Secretary of ECAFE

For CEYLON:
S/d W. Tennekoon

For CHINA:
S/d P. Y. Hsu

For DENMARK:
S/d H. A. Djurhuns

For THE FEDERAL REPUBLIC OF GERMANY:
S/d Johann V. Stechow

For INDIA:
S/d Bali Ram Bhagat

For IRAN:
S/d Alinaghi Alikhani

For ITALY:
S/d Andrea Ferrero

For JAPAN:
S/d Aiichiro Fujiyama

For THE REPUBLIC OF KOREA:
S/d Se Ryun Kim

For LAOS:
S/d Inpeng Suryadhay

For MALAYSIA:
S/d Raja Mohar

For MONGOLIA

For NEPAL:
S/d Nagendra Prasad Rijal

For THE NETHERLANDS:
S/d J. van der Jwaal

For NEW ZEALAND:
S/d D. W. A. Barker

For PAKISTAN:
S/d S. Osman Ali

For THE PHILIPPINES:
S/d A. V. Fabella

For THE REPUBLIC OF VIET-NAM:
S/d Nguyur Cao Hach

For SINGAPORE:
S/d Lum Choong Wah

For THAILAND:
S/d Serm Vinichayakul

For THE UNITED KINGDOM OF GREAT BRITAIN
AND NORTHERN IRELAND:
S/d J. M. Addis

For THE UNITED STATES OF AMERICA:
S/d Eugene R. Black and Joseph W. Barr

For WESTERN SAMOA:
S/d D. W. A. Barker

II. DRAFT AGREEMENT ESTABLISHING THE ASIAN DEVELOPMENT BANK

The Draft Agreement Establishing the Asian Development Bank forms a part of the Report of the ECAFE Preparatory Committee on the Asian Development Bank convened at Bangkok in October/November 1965. It is included in Part III (pages 63-84). The Agreement was finally adopted by the Second Ministerial Conference on Asian Economic

Co-operation and signed by the Plenipotentiaries at the Conference of Plenipotentiaries on the Asian Development Bank. The various footnotes appearing in the Agreement indicate amendments and/or additions made subsequently to bring it to be final forms, as signed by the Plenipotentiaries up-to-date.

Part III

REPORT OF THE PREPARATORY COMMITTEE ON THE ASIAN DEVELOPMENT BANK

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I. INTRODUCTION

The Preparatory Committee on the Asian Development Bank¹ met at Bangkok, Thailand, from 21 October to 1 November 1965.

Attendance

The meeting of the Preparatory Committee was attended by representatives of twenty-one member countries of ECAFE, namely, Australia, Cambodia, Ceylon, China, India, Iran, Japan, the Republic of Korea, Laos, Malaysia, Nepal, Netherlands, New Zealand, Pakistan, the Philippines, the Republic of Viet-Nam, Singapore, Thailand, the Union of Soviet Socialist Republics, the United Kingdom of Great Britain and Northern Ireland, and the United States of America.

Ten other countries were also represented; Austria, Belgium, Canada, Denmark, Finland, the Federal Republic of Germany, Italy, Norway, Sweden and Switzerland.

A representative of the United Nations Special Fund and a legal counsel of the International Bank for Reconstruction and Development also attended. A list of participants is given in annex 6 to this report.

Statement by the Executive Secretary

U Nyun, Executive Secretary of the United Nations Economic Commission for Asia and the Far East, welcomed the representatives to the Preparatory Committee on the Asian Development Bank.

He observed that the establishment of the Bank would be the result of Asian initiative and international co-operation. The Bank, when established, would be able to accelerate the economic development of the developing Asian countries by mobilizing additional resources within the region and by attracting additional funds from outside the region. The Bank could provide additional financial resources for those projects which were either not financed or inadequately financed by existing institutions. It could also promote better understanding and co-operation among the Asian countries on the one hand and with the rest of the world on the other.

Referring to the preparatory work done on the proposed Bank within what was a comparatively short

period considering the complex and delicate problems involved, U Nyun drew attention to the important developments relating to the Asian Development Bank project that had taken place since 1963. The proposal for the establishment of the Bank had first been made by an ECAFE Expert Group on Regional Economic Co-operation convened by the Executive Secretary of ECAFE in September 1963. The proposal was subsequently endorsed by the Preparatory Meeting for the Ministerial Conference on Asian Economic Co-operation which met at Bangkok in October 1963 and by the ECAFE Ministerial Conference on Asian Economic Co-operation held at Manila in December 1963. As suggested by the Ministerial Conference, a Working Group of Experts on the Asian Development Bank was convened by the Executive Secretary at Bangkok in October 1964. The Group made detailed investigations of the institutional arrangements for, and various technical aspects of, the Bank and its report was circulated to Governments of member countries of ECAFE.

U Nyun further pointed out that, in pursuance of a resolution unanimously adopted by the Commission at its twenty-first session held at Wellington, in March 1965, he had convened a Consultative Committee on the Asian Development Bank at Bangkok in June and August 1965, to discuss various outstanding issues, to consult with Governments within and outside the region, to prepare a draft charter, and to assist in the formulation of a programme of preparatory arrangements for the establishment of the Bank. In the course of its consultations with officials and executives of various countries and executives and experts of national and international financial institutions, the Committee gained enthusiastic support for the project and received valuable suggestions which it took into account in formulating its recommendations and drafting the Charter of the Bank. He commended the excellent work done by the Consultative Committee on the Asian Development Bank under the able leadership of the Honourable Cornelio Balmaceda, Secretary of Commerce, Government of the Republic of the Philippines.

U Nyun was happy to announce that nine member countries of ECAFE, namely, Afghanistan, Cambodia, Ceylon, Japan, Iran, Malaysia, the Philippines, Singapore and Thailand had offered host facilities for the headquarters of the Bank.

¹ It was decided by the Special Preparatory Meeting of Officials on the Asian Development Bank that the meeting be known as the Preparatory Committee on the Asian Development Bank.

The Executive Secretary expressed his gratitude for the valuable assistance of U Thant, Secretary General of the United Nations, Mr. C. V. Narasimhan, Chef de Cabinet, and Mr. Philippe de Seynes, Under-Secretary for Economic and Social Affairs of the United Nations. He also expressed his appreciation of the assistance of the United Nations Bureau of Technical Assistance Operations and other members of the United Nations family.

U Nyun appealed to the non-regional developed countries to subscribe generously to the capital of the Bank and stated that the amounts suggested by the ECAFE secretariat as their subscription to the capital of the Bank should be considered minimal. He urged the small non-regional countries whose suggested share capital was less than US\$ 10 million to consider favourably the possibility of making a minimum contribution of US\$ 10 million to the share capital of the Bank.

He also requested the participants to consider the programme of interim arrangements for the establishment of the Bank which had been drawn up by the ECAFE secretariat in accordance with the recommendations of the Consultative Committee on the Asian Development Bank.

He emphasized that the Bank, in order to serve the developing Asian countries effectively, must be strong, independent and financially viable. It would then provide an outstanding example of Asian enterprise and international co-operation leading to the attainment of economic and social well-being by the people of the ECAFE region. The text of the

Executive Secretary's statement is given in annex 3 to this report.

Election of Chairman and Vice-Chairmen

Mr. Khodadad Farmanfarmaian (Iran) was elected Chairman.

Mr. Amado Castro (Philippines), Mrs. Suparb Yossundara (Thailand) and Mr. F. C. Pryor (Australia) were elected First, Second and Third Vice-Chairman, respectively.

Adoption of the agenda

The agenda as adopted is given in annex 2 to this report.

Adoption of the report and draft charter

The Preparatory Committee unanimously adopted the report of the meeting, including the draft Agreement Establishing the Asian Development Bank and the programme of preparatory arrangements for the establishment of the Bank, and recommended their adoption by the Second Ministerial Conference on Asian Economic Co-operation and the Conference of Plenipotentiaries on the Establishment of the Asian Development Bank.

Vote of thanks

The Committee recorded its thanks to the Consultative Committee on the Asian Development Bank, to the Government of Thailand, to the Chairman and Vice-Chairmen, to the legal consultants and to the ECAFE secretariat.

II. GENERAL STATEMENTS BY DELEGATIONS

The Committee heard general policy statements made by representatives of Australia, Cambodia, Ceylon, China, India, Iran, Japan, the Republic of Korea, Laos, Malaysia, Nepal, the Netherlands, New Zealand, Pakistan, Singapore, the United Kingdom,

the United States of America, the Union of Soviet Socialist Republics, Belgium, Canada and the Federal Republic of Germany. The texts of the statements are given in annex 4 to this report.

III. THE DRAFT AGREEMENT

The Preparatory Committee considered the draft agreement establishing the Asian Development Bank in conjunction with the report of the Consultative Committee (E/CN.11/TRADE/ADB/L.2). The Preparatory Committee also took into consideration comments and suggestions presented by Governments of member countries in written notes as well as those expressed during the discussions. The Preparatory Committee warmly commended the Consultative Committee for its work which had greatly facilitated its task.

The Preparatory Committee considered the draft agreement presented by the Consultative Committee thoroughly, article by article. The Preparatory Committee was in substantial agreement with the Consultative Committee on a large number of articles of the draft. At the same time the Preparatory Committee adopted substantial modifications of some articles and made a number of other changes. The draft agreement, as recommended by the Preparatory Committee is given in annex 1 to the report.

Substantive amendments made by the Preparatory Committee to the draft agreement prepared by the Consultative Committee and the major points discussed are stated briefly in the following paragraphs.

Article 1: Purpose

Article 1 was amended by adding the words "to foster economic growth and co-operation in the region of Asia and the Far East," in order to make it clear that the Bank was concerned with the whole region. The developed members of the region indicated, however, that they did not wish to take advantage of the Bank's facilities in respect of their metropolitan territories. The Preparatory Committee pointed out that the Terms of Reference of the United Nations Economic Commission for Asia and the Far East may be changed from time to time and that the scope of the term "region" would correspondingly change.

Article 2: Functions

An amendment was made in sub-paragraph (iii) in order to establish clearly that the Bank would not initiate any action to assist the member countries in the co-ordination of their development plans and policies in the absence of specific requests by the countries concerned.

The Preparatory Committee adopted a revised draft of sub-paragraph (v) as recommended by the Consultative Committee. It considered that the earlier draft did not specifically deal with the subject of co-operation between the Bank and the United Nations, its organs and subsidiary bodies. The special position of ECAFE in co-operating with the Bank was recognized, deriving from two circumstances, namely, ECAFE is the United Nations organ which has initiated and developed the project up to this stage, and secondly, it is the principal United Nations agency concerned with economic development in the region to be served by the Bank.

Article 3: Membership

On the question of admitting the associate members of ECAFE to membership of the Bank, the Committee made a positive recommendation. Consequent to this decision, a new paragraph (paragraph 3) was added to Article 3, in order to clarify the procedure for this admission.

Article 4: Authorized capital

Paragraph 2 of this Article was amended to clarify the intention that half of the original capital subscription shall be paid-in and the other half callable. In case of an increase of authorized capital stock, the Bank, may, if it deems appropriate, provide

for a different proportion of paid-in and callable shares.

In connexion with paragraph 3 relating to any general increase of the capital of the Bank, it was decided that no member of the Bank shall be obligated to subscribe to such increases. Article 5, paragraph 2, was amended accordingly.

Article 5: Subscription of shares

The Committee noted that the figures set out in part A of Annex 1 to the draft Charter reflected closely the Consultative Committee's recommendations regarding the allocation of subscriptions of regional members to the capital stock of the Bank.

Article 5 paragraph 1 was amended to incorporate the principle that the percentage of total capital stock held by regional members should not be reduced to less than 60 per cent of the total subscriptions because of the admission of new members.

Article 5 was also amended to provide that, in any general increase in authorized capital, each member would have the right to maintain its proportion of the subscribed capital stock, and to provide separately for special increases in the shares of individual members which special increases should not have the effect of reducing the stock subscription by regional members to less than 60 per cent of the total subscribed capital. In considering any request for a special increase, the Board of Governors would pay special regard to the Asian character of the Bank and to the desire of any regional member having less than six per cent of the subscribed capital stock to increase its proportionate share.

Article 6: Payment of subscriptions

Taking into account the differences in constitutional and legal procedures among member countries, paragraph 1 was amended so that the first instalment of subscriptions shall be paid either within thirty days after the entry into force of the agreement or on the day of deposit of the instrument of ratification or acceptance by the member countries concerned, whichever is later.

In connexion with the payment of the local currency portion of subscriptions of member countries whose local currencies are convertible, the meeting amended paragraph 3 to provide that demand on the notes covering this payment, if and when made, should be on a uniform percentage basis among the members concerned.

To clarify the question of valuation of currencies of member countries for payments to the Bank, particularly where there is no established per value,

the Committee decided that such payments should be in such amounts as the Bank itself, after such consultation with the IMF as the Bank may consider necessary and utilizing the par value established with the IMF if any, determines to be equivalent to the full value in terms of dollars of the portion of the subscription paid.

Article 11:

Recipients and methods of operations

In regard to guarantees on loans under Article 11 (iv), the meeting recognized that the loans under such guarantees could cover both social and economic development projects and programmes.

Article 12 (4):

Limitations of ordinary operations

The Preparatory Meeting decided that the Bank shall not have a controlling interest in any entity or enterprise, except where necessary to safeguard the investment of the Bank. The paragraph was amended accordingly.

Operating principles

Article 14 (iii)

During the discussion of this sub-paragraph, a question was raised as to whether the Bank should ask in all cases for a government guarantee or not. The Preparatory Committee decided to leave the article unchanged because an absolute requirement of a guarantee would result in less flexibility.

Article 14 (iv)

It was pointed out that, under the existing draft, too much authority was vested in the President and that decisions on loan applications should be made on advice wider than that of one individual. A suggestion was made that provision be made for the establishment of a loans committee, as had been done in IBRD. The Committee considered that, while it was not necessary to provide for a loans committee in the charter, it was desirable to reword the sub-paragraph, which was then suitably amended.

Article 14 (v)

The wording of this provision was amended so as to bring out clearly that, in considering an application for a loan or guarantee, the Bank shall pay due regard to the ability of the borrower to obtain the facilities elsewhere on terms considered reasonable by the Bank.

Article 14 (vii)

The Committee decided to substitute the word "loan" for the word "project" to indicate that consideration of the economic circumstances of the country concerned would not be inappropriate.

Article 14 (ix)

There was considerable discussion on this sub-paragraph, which relates to the utilization of the proceeds of a loan, investment or other financing undertaken in the ordinary operations of the Bank for the procurement of goods and services in the territories of member countries. It was argued that the provisions of the sub-paragraph could prevent the borrower from the Bank from buying in the most competitive market, particularly if some of the important industrialized countries did not become members of the Bank. It was stated in turn that there were already clear indications of several major industrial countries desiring to join the Bank and that those countries represented very considerable and major sources of supply of developmental goods. Moreover it was pointed out in support of a limitation of procurement to goods and services produced in member countries that such a provision would provide an incentive to the industrialized countries to become members of the Bank. It was also stressed that nominal subscriptions (offered) by non-regional countries in order to gain membership of the Bank should be discouraged. Finally, the Preparatory Committee decided to limit procurement generally to member countries.

Provision was made, however for exceptions in special circumstances, for example, in the case of a non-member country in which a significant amount of financing has been provided to the Bank. This example, however, was not intended to be exclusive.

The amended text of the sub-paragraph recommended by the Preparatory Committee departed from the draft of the Consultative Committee in some other respects also. In the first place, the revised text laid down that the decisions on exceptions were to be taken by the Board of Directors; whereas, according to the original draft, they were to be taken by the Board of Governors. Again, whereas the original draft laid down that a decision was to be taken in each case by a vote of two-thirds of the total number of Governors, representing three-fourths of the total voting power of the members, the draft recommended by the Preparatory Committee laid down that each decision was to be taken by a vote of two-thirds majority of the total voting power of the members.

Article 14 (xiii)

In order to be consistent with Article 12, paragraph 4, as revised the Preparatory Committee added the words "except where necessary to safeguard its investment".

Article 15: Terms and conditions for direct loans and guarantees

Article 15 was amended to permit exceptions to the general rule requiring repayment in the currency loaned only in the case of loans made out of special funds administered by the Bank under Article 19, paragraph 1 (ii).

Commission and fees

Article 16 (1)

A suggestion was made that the commission chargeable under this Article should be reduced to one-half per cent per annum. The Committee decided to retain the provision for a minimum commission of one per cent per annum, since it was open to the Bank to reduce it after the first five years of its operations.

Article 16 (2)

It was decided that a separate commission should not be charged by the Bank for guarantees, and that the guarantee fee chargeable could be more than one per cent.

Article 17: Special reserve

The Committee decided that both commissions and guarantee fees should be set aside by the Bank as a special reserve under this Article.

Article 18: Methods of meeting liabilities of the Bank

The Committee decided to amend the draft Charter to provide that, in cases of default on loans made or guarantees provided by the Bank in its ordinary operations, the Bank should take such action as it deemed appropriate to modify the terms of the loans other than those related to currency of repayment. It was also decided to provide that, in order to discharge the Bank's liabilities on borrowings and guarantees under sub-paragraph (ii) and (iv) of Article 11, the special and other reserves, surplus and capital of the Bank should be used as it considers appropriate before resort to the callable capital.

Article 19: Special funds

Article 19, paragraph 1 (i) was modified so as to make it clear that not more than 10 per cent of

the paid-in capital in gold or convertible currencies and not more than 10 per cent of the paid-in capital in the local currencies of members would be set aside for the establishment of one or more special funds.

Article 19 was also amended to make clear that special operations financed from any allocation of paid-in capital may be used to make or guarantee loans of high developmental priority although on terms and conditions more favourable to the borrower than in the Bank's ordinary operations. However, flexibility in terms and conditions would not extend to the currency of repayment. High developmental priority was understood to include projects of both economic and social development priority.

Article 20 (b): Special funds resources

Article 20 (b) was amended to make clear that borrowing by the Bank in capital markets for inclusion in special funds was not envisaged.

Article 21: General powers

This Article was amended to make it clear that, as a minimum requirement, the Bank must obtain the consent of the country in which or in whose currency borrowings are made to any exchange of the borrowed currency for that of any member. The Bank is not required to obtain the consent of the countries concerned to any exchange of the borrowed currency for that of any non-member as well.

21 (v)

The Preparatory Committee adopted an amendment of this sub-article which would limit the investment of funds not needed in the Bank's ordinary operations to the territories as well as to the securities of members and their nationals.

21 (vi)

The Preparatory Committee considered a suggestion to delete the 2 per cent limitation on the use by the Bank of its paid-in capital for technical advice and assistance on a non-reimbursable basis in the first five years of its operations. In support of this, it was pointed out that the provision of technical advice and assistance to the developing member countries of the Bank would be a very valuable function and that the precise extent to which the paid-in capital could be utilized for such services should be left to the discretion of the Bank management. The Preparatory Committee, however, came to the conclusion that a specific Charter limit was desirable. It pointed out that the lack of such a limit could adversely affect the credit standing of the Bank. There were various sources of finance for technical assistance and services. In connexion with

loans made by the Bank, technical services could be provided on a reimbursable basis. After the initial years, the Bank could draw on its current income for providing those services. Funds for technical assistance might also become available under Special Funds entrusted to the Bank's administration. Apart from these sources of finance from within the Bank, there were other external sources of technical assistance both bilateral and multilateral.

Article 23: Determination of convertibility of currencies

The Preparatory Committee considered this Article in conjunction with Article 24. A question was raised as to whether the terms of this Article would enable the Bank to determine that the currency of a country which was not convertible in terms of Article 14 of the Articles of Agreement of the International Monetary Fund was convertible for the purposes of the Bank's operations. It was agreed that the Bank would not make a determination on this question of convertibility different from that of the International Monetary Fund and that a specific amendment was not required.

Article 24

There was some discussion of the various criteria for determining whether a member country might be permitted to limit the use of its local currency subscription to the procurement of goods and services produced in its own territory. The Consultative Committee had in mind that the option to exercise any such procurement limitation should be confined to those member countries whose currencies were not freely convertible. It was suggested during the meeting, however, that the convertibility of currencies for current international payments might not provide an adequate criterion in all cases for determining whether the local currency subscriptions of members should be freely available for purposes of the Bank's operations. It was decided that developing member countries should be permitted, after consultation with the Bank and subject to periodic review, to restrict the use of their local currency subscriptions to payments for goods and services produced and intended for use in their territories. It was also decided that a more limited procurement option should be exercised by other regional countries whose subscriptions are determined on the basis of part A of annex 1 of the draft agreement and whose exports of industrial products do not represent a substantial proportion of their total exports. Any such restrictions by those latter countries should also be subject to periodic review and consultation with the Bank, while any purchases of goods and services from them should be subject to the usual consideration of competitive tendering and should be first charged against the

national currency portion of their subscriptions. The revised provisions relating to the use of the restrictions are set out in paragraph 2 (i) and (ii) of Article 24.

Paragraph 3 was amended to prevent the Bank from imposing the requirement that repayments of loans made in non-convertible currencies be usable for repayment of the Bank's obligations payable in other currencies.

With regard to paragraph 4, it was questioned whether the required two-thirds majority would be necessary. The Preparatory Committee decided to redraft this paragraph to provide that only a simple majority of the voting powers of the Board of Directors would be required for the purchase of currencies to meet its obligations in the ordinary course of the Bank's business. It was however decided to retain the requirement of two-thirds majority voting by the Board of Directors in respect of purchases of currencies done other than in the ordinary course of the Bank's business.

A new paragraph was added to allow the Bank to use currencies of the members for its administrative expenses in the territories of the members supplying the currencies.

Article 25: Maintenance of value of the currency holdings of the Bank

This article was amended to correspond with the amendment of Article 6, which is explained in paragraph 33 of this report.

It was proposed that special funds entrusted to the Bank should be excluded from the application of this Article requiring maintenance of value in order to give as much freedom and flexibility as possible in negotiating the terms and conditions of trust funds. It was pointed out that the agreements accepting the funds could always provide for maintaining the value of the currency involved. Article 25 was accordingly amended to this effect.

Article 29: Board of Governors: Procedure

During consideration of Article 29, the amendment suggested by some delegations that meetings of the Board of Governors be called by the Board of Directors whenever requested by at least five members of the Bank, instead of by one-tenth of the members of the Bank, was accepted by the Meeting.

Board of Directors

Article 30: Composition

The Consultative Committee had recommended that the Board of Directors should consist of 10 members, of which 7 should be from the region and

3 from outside the region. However, a large number of delegations felt that such an arrangement would not sufficiently provide for the interests of the smaller, less-developed region members. It was therefore proposed that the size of the Board of Directors should be increased by one or two members to permit additional representation of such members. Other delegations, while in sympathy with the position of the smaller regional members, questioned the desirability, at least at this stage, of the proposed enlargement above the level recommended by the Consultative Committee. As a result, it was agreed to include an additional provision in Article 29 instructing the Board of Governors to review the size and composition of the Board of Directors at their second annual meeting and to increase the number of directors as appropriate, giving special regard to the desirability of increasing the representation of the smaller developing countries on the Board.

Article 33: Voting

The Preparatory Committee had considerable discussions on the question of voting. It endorsed the proposition that there should be a balance between the principle of proportionality on the basis of the amount subscribed to the capital stock of the Bank and the desirability of providing some measure of equality in voting as between small and large countries.

Several proposals regarding the proportion of total votes that should be allocated equally among member countries of the Bank were presented to the Meeting. One delegation suggested a voting scheme on the basis of one vote for each member and another on the basis of 30 per cent of total voting power. A number of delegations suggested 15 per cent. Many delegations, however, favoured the recommendation of the Consultative Committee on the Asian Development Bank that 20 per cent of total voting power be allocated to members as equal basic votes.

The Preparatory Committee decided to adopt the voting scheme under which 20 per cent of the total voting power would be allocated as equal basic votes and, in addition, each member would have one vote for each share of stock held by it.

Article 34: The President

The Preparatory Committee agreed that, in the event of the incapacity or resignation of the President, causing the absence of the President or vacancy of the office for more than 180 days, a new President must be elected for the unexpired part of the term; where the absence or vacancy is for less than 180 days, a new President for the balance of the term may be elected. New clauses were inserted in paragraph 2 to include this decision.

A clarification was sought of the phrase "... pay due regard to the recruitment of personnel on as wide a regional geographical basis as possible" in paragraph 6. The Committee recorded its understanding that the phrase did not mean that the recruitment should be confined exclusively to the region.

Article 35: Vice-President(s)

There was considerable discussion on the possibility of the President and Vice-President having the same nationality. It was agreed that the President should not as a rule be of the same nationality as any of the Vice-Presidents; but it was pointed out that exceptions to this rule, however rare they might be, could arise unintentionally or temporarily, such as in the case of the appointment of a new President who happened to have the same nationality as one of the Vice-Presidents already in office. The Committee therefore agreed that it would be preferable not to make any provision on this subject in the Charter and that it should be left to the Board of Directors to exercise its good judgement.

Article 39: Working language and reports

The Committee examined the provision under Article 39, paragraph 2, of the draft charter submitted by the Consultative Committee, which read "Members shall furnish the Bank with all information it may request of them in order to facilitate the performance of its functions." It was felt that the provision could create difficulties for the members if the Bank requested classified information. This might lead to suspension of membership under Article 41 if the refusal by a member to give information should be regarded by the Bank as a failure to fulfil that member's obligation. It was agreed that, in practice, the Bank should not experience any difficulty in obtaining from its members information necessary for the normal operation of the Bank. It was therefore decided that the paragraph be deleted.

Article 44:

Temporary suspension of operations

Some delegations raised the question of whether or not it was desirable to decide temporary suspension of operations of the Bank by a simple majority. It was pointed out, however, that a simple majority would be appropriate since the decision involves only the temporary suspension of operations and covers only the interim period before the Board of Governors is able to consider and act on the matter. It was therefore decided to retain the original text of the Article.

Article 50: Immunity from judicial proceedings

Some delegations noted that the present article as drafted was a departure from a similar provision in the IBRD charter and expressed preference for the latter provision. It was pointed out, however, that the question of the Bank's immunity involved two categories of activity — firstly, those relating to its borrowing activities in the capital markets and, secondly, its other operations. While it was important that the Bank should not enjoy immunity in the former case lest its ability to raise money be impaired, it was however desirable in the latter case to provide it with an appropriate measure of immunity and thus prevent interference with its functions by, for example, "nuisance suits". It was noted that, in any particular case, where to assert immunity would result in obvious unfairness, the Bank could waive its immunity.

The words "political subdivision" were deleted from the second paragraph of Article 50 as being unnecessary, it being the intention of the Committee that the Bank shall be immune from legal process by all levels of government in the territories of member countries. It was understood that such members as might have particular problems would take measures in accordance with their constitutional policies and procedures to bring this about.

Article 56: Exemption from taxation

56 (1)

The Preparatory Committee agreed to delete the phrase "by national as well as local governments" on the understanding that this deletion did not mean any change in the substance of the paragraph. 'All taxation' was held to include taxation at all levels of government. It was understood that such members as might have particular problems would take measures in accordance with their constitutional policies and procedures to ensure full exemption.

56 (2)

A suggestion was made that this paragraph be amended to make it clear that members could tax their own citizens or nationals in line with similar provisions in the charters of the IBRD and IDA. After discussion, the Committee agreed instead to an amendment under which a member can tax its own citizens and nationals if it declares its intention of doing so at the time it deposits its instrument of ratification.

The words "experts or consultants" were deleted in favour of the words "experts performing missions" for the Bank.

Article 58: Waivers of immunities, exemptions and privileges

The Committee adopted an amendment to this article to clarify the authority of the Bank to waive any of the privileges, immunities and exemptions conferred upon it in specific cases or transactions in such manner and upon such conditions as it may determine to be appropriate in its best interest.

Article 59: Amendments

The Committee decided that, in order to accord with the revised provision of Article 5 paragraph 2, a provision should be inserted in paragraph 2 of Article 59 to require the unanimous agreement of the Board of Governors to any amendment of the Charter modifying the rights pertaining to the purchase of capital stock provided for in paragraph 2 of Article 5.

Article 63: Signature and deposit

Article 63 was amended to provide that the Secretary-General of the United Nations would be the Depository in accordance with the established practice of the United Nations. It was understood that the Agreement would remain open for signature at Bangkok until 31 January 1966 for those countries not in a position to sign it at the Conference of Plenipotentiaries at Manila.

Article 64: Ratification and acceptance

It was understood that the date inserted in Article 64 was a tentative one and subject to further consideration by the Ministerial Conference on Asian Economic Co-operation and the Conference of Plenipotentiaries at Manila, since some delegations felt that the period available might not constitute sufficient time for ratification or acceptance in accordance with the legislative procedures in their respective countries. A clarification was sought as to whether a signatory which signed the Agreement at the Conference of Plenipotentiaries in December 1965, but failed to deposit the instrument of ratification or acceptance within the date specified under paragraph 1 of this Article, would be considered a charter member. It was pointed out that such a country would not be a charter member under the provisions of this Article but could be admitted to membership under paragraph 2 of Article 3.

Article 65: Entry into force

In the draft of the Consultative Committee, it had been provided that the Agreement should enter into force when the instruments of ratification or acceptance had been deposited by at least twelve countries whose initial subscriptions comprised not less than

75 per cent of the authorized capital stock of the Bank. It was generally felt that it would be preferable to require ratification or acceptance by a larger number of countries but with a smaller percentage of authorized capital stock. Accordingly the Committee decided to amend the draft so that the entry

into force of the Agreement shall require the ratification of at least fifteen members of which at least ten must be regional members, subscribing to not less than 65 per cent of the authorized capital stock of the Bank.

IV. PROGRAMME OF PREPARATORY ARRANGEMENTS

The Preparatory Committee considered the Programme of Preparatory Arrangements for the Establishment of the Asian Development Bank recommended by the Consultative Committee as given in annex 5 to this report.

The Committee concurred with the view that a considerable amount of preparatory work should be undertaken during the interim period to facilitate and prepare for the organization of the Bank into an operating institution soon after it comes into legal existence. The Preparatory Committee stressed that such arrangements should not in any way commit, or prejudice the discretion of, the future management of the Bank. In this connexion, it endorsed the recommendation of the Consultative Committee that an inter-governmental body be established and charged with the preparatory arrangements and that this body be adequately representative of the membership of the Bank—both regional and non-regional—to enable it to function effectively. It was also felt that a Project Director vested with the necessary powers to enable him to carry out his responsibilities effectively should be appointed by the Executive Secretary of ECAFE, on recommendation of the Steering Committee, and that he should be provided with the necessary staff.

The Preparatory Committee endorsed the draft terms of reference for the Steering Committee which had been recommended by the Consultative Committee; these terms of reference direct the Steering Committee, *inter alia*, to establish, consult and maintain contact with signatories of the Agreement and with governments that have not signed the Agreement; devise and undertake appropriate initial steps for the establishment of the Bank; to undertake substantive preparations for the first meeting of the Board of Governors and the Board of Directors and such other activities as may be necessary for the establishment of the Asian Development Bank.

It was noted that the preparatory work would be within the sphere of ECAFE's activities.

The Preparatory Committee endorsed the scheme for financing the programme, the cost of which was estimated at \$200,000 to be financed from United Nations sources including the ECAFE budget. The Preparatory Committee recommended to the appropriate authorities of the United Nations that the funds for the programme be allocated on the basis of the highest priority.

Annex 1

DRAFT AGREEMENT ESTABLISHING THE ASIAN DEVELOPMENT BANK

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TEXT OF THE DRAFT AGREEMENT ESTABLISHING THE ASIAN DEVELOPMENT BANK¹

THE CONTRACTING PARTIES

CONSIDERING the importance of closer economic co-operation as a means for achieving the most efficient utilization of resources and for accelerating the economic development of Asia and the Far East;

REALIZING the significance of making additional development financing available for the region by mobilizing such funds and other resources both from within and outside the region, and by seeking to create and foster conditions conducive to increased domestic savings and greater flow of development funds into the region;

RECOGNIZING the desirability of promoting the harmonious growth of the economies of the region and the expansion of external trade of member countries;

CONVINCED that the establishment of a financial institution that is Asian in its basic character would serve these ends;

HAVE AGREED to establish hereby the Asian Development Bank (hereinafter called the Bank) which shall operate in accordance with the following

ARTICLES OF AGREEMENT

CHAPTER I

PURPOSE, FUNCTIONS AND MEMBERSHIP

Article I

PURPOSE

The purpose of the Bank shall be to foster economic growth and co-operation in the region of Asia and the Far East (hereinafter referred to as the region) and to contribute to the acceleration of the process of economic development of the developing member countries in the region, collectively and individually. Wherever used in this Agreement, the terms "region of Asia and the Far East" and "region" shall comprise the territories of Asia and the Far East included in the Terms of Reference of the United Nations Economic Commission for Asia and the Far East.

¹ Revised and updated in accordance with the Agreement adopted by the Conference of Plenipotentiaries on the Asian Development Bank Convened to Manila, Philippines from 2 to 4 December 1965.

Article 2

FUNCTIONS

To fulfil its purpose, the Bank shall have the following functions:

- (i) to promote investment in the region of public and private capital for development purposes;
- (ii) to utilize the resources at its disposal for financing development of the developing member countries in the region, giving priority to those regional, sub-regional as well as national projects and programmes which will contribute most effectively to the harmonious economic growth of the region as a whole, and having special regard to the needs of the smaller or less developed member countries in the region;
- (iii) to meet requests from members in the region to assist them in the co-ordination of their development policies and plans with a view to achieving better utilization of their resources, making their economies more complementary, and promoting the orderly expansion of their foreign trade, in particular, intra-regional trade;
- (iv) to provide technical assistance for the preparation, financing and execution of development projects and programmes, including the formulation of specific project proposals;
- (v) to co-operate, in such manner as the Bank may deem appropriate, within the terms of this Agreement, with the United Nations, its organs and subsidiary bodies including, in particular, the Economic Commission for Asia and the Far East, and with public international organizations and other international institutions, as well as national entities whether public or private, which are concerned with the investment of development funds in the region, and to interest such institutions and entities in new opportunities for investment and assistance; and
- (vi) to undertake such other activities and provide such other services as may advance its purpose.

Article 3 MEMBERSHIP

1. Membership in the Bank shall be open to: (i) members and associate members of the United Nations Economic Commission for Asia and the Far East; and (ii) other regional countries and non-regional developed countries which are members of the United Nations or of any of its specialized agencies.

2. Countries eligible for membership under paragraph 1 of this Article which do not become members in accordance with Article 64 of this Agreement may be admitted, under such terms and conditions as the Bank may determine, to membership in the Bank upon the affirmative vote of two-thirds of the total number of Governors, representing not less than three-fourths of the total voting power of the members.

3. In the case of associate members of the United Nations Economic Commission for Asia and the Far East which are not responsible for the conduct of their international relations, application for membership in the Bank shall be presented by the member of the Bank responsible for the international relations of the applicant and accompanied by an undertaking by such member that, until the applicant itself assumes such responsibility, the member shall be responsible for all obligations that may be incurred by the applicant by reason of admission to membership in the Bank and enjoyment of the benefits of such membership. "Country" as used in this Agreement shall include a territory which is an associate member of the United Nations Economic Commission for Asia and the Far East.

CHAPTER II CAPITAL

Article 4 AUTHORIZED CAPITAL

1. The authorized capital stock of the Bank shall be one billion dollars (\$1,000,000,000)² in terms of United States dollars of the weight and fineness in effect on [].³ The dollar wherever referred to in this Agreement shall be understood as being a United States dollar of the above value. The authorized capital stock shall be divided into one hundred thousand shares (100,000) having a par value of ten thousand dollars (\$10,000) each, which shall be available for subscription only by members in accordance with the provisions of Article 5 of this Agreement.

² The authorized capital of the Bank was raised from US\$1,000.00 million to US\$1,100.00 million under Resolution No.10 adopted at the Inaugural Meeting of the Board of Governors of the Asian Development Bank held at Tokyo, Japan in November 1966.

³ 31 January 1966.

2. The original authorized capital stock shall be divided into paid-in shares and callable shares. Shares having an aggregate par value of five hundred million dollars (\$500,000,000)⁴ shall be paid-in shares, and shares having an aggregate par value of five hundred million dollars (\$500,000,000)⁴ shall be callable shares.

3. The authorized capital stock of the Bank may be increased by the Board of Governors, at such time and under such terms and conditions as it may deem advisable, by a vote of two-thirds of the total number of Governors, representing not less than three-fourths of the total voting power of the members.

Article 5 SUBSCRIPTION OF SHARES

1. Each member shall subscribe to shares of the capital stock of the Bank. Each subscription to the original authorized capital stock shall be for paid-in shares and callable shares in equal parts. The initial number of shares to be subscribed by countries which become members in accordance with Article 64 of this Agreement shall be that set forth in Annex A hereof. The initial number of shares to be subscribed by countries which are admitted to membership in accordance with paragraph 2 of Article 3 of this Agreement shall be determined by the Board of Governors; provided, however, that no such subscription shall be authorized which would have the effect of reducing the percentage of capital stock held by regional members below sixty (60) per cent of the total subscribed capital stock.

2. The Board of Governors shall at intervals of not less than five (5) years review the capital stock of the Bank. In case of an increase in the authorized capital stock, each member shall have a reasonable opportunity to subscribe, under such terms and conditions as the Board of Governors shall determine, to a proportion of the increase of stock equivalent to the proportion which its stock theretofore subscribed bears to the total subscribed capital stock immediately prior to such increase; provided, however, that the foregoing provision shall not apply in respect of any increase or portion of an increase in the authorized capital stock intended solely to give effect to determinations of the Board of Governors under paragraphs 1 and 3 of this Article. No member shall be obligated to subscribe to any part of an increase of capital stock.

3. The Board of Governors may, at the request of a member, increase the subscription of such member on such terms and conditions as the Board may determine; provided, however, that no such increase in the subscription of any member shall be authorized which would have the effect of reducing the percentage of capital stock held by regional members below

⁴ Five hundred and fifty million dollars (\$550,000,000).

sixty (60) per cent of the total subscribed capital stock. The Board of Governors shall pay special regard to the request of any regional member having less than six (6) per cent of the subscribed capital stock to increase its proportionate share thereof.

4. Shares of stock initially subscribed by members shall be issued at par. Other shares shall be issued at par unless the Board of Governors by a vote of a majority of the total number of Governors, representing a majority of the total voting power of the members, decides in special circumstances to issue them on other terms.

5. Shares of stock shall not be pledged or encumbered in any manner whatsoever, and they shall not be transferable except to the Bank in accordance with Chapter VII of this Agreement.

6. The liability of the members on shares shall be limited to the unpaid portion of their issue price.

7. No member shall be liable, by reason of its membership, for obligations of the Bank.

Article 6

PAYMENT OF SUBSCRIPTIONS

1. Payment of the amount initially subscribed by each Signatory to this Agreement which becomes a member in accordance with Article 64 to the paid-in capital stock of the Bank shall be made in five (5) instalments, of twenty (20) per cent each of such amount. The first instalment shall be paid by each member within thirty (30) days after entry into force of this Agreement, or on or before the date of deposit on its behalf of its instrument of ratification or acceptance in accordance with paragraph 1 of Article 64, whichever is later. The second instalment shall become due one (1) year from the entry into force of this Agreement. The remaining three instalments shall each become due successively one (1) year from the date on which the preceding instalment becomes due.

2. Of each instalment for the payment of initial subscriptions to the original paid-in capital stock:

(a) fifty (50) per cent shall be paid in gold or convertible currency; and

(b) fifty (50) per cent in the currency of the member.

3. The Bank shall accept from any member promissory notes or other obligations issued by the government of the member, or by the depository designated by such member, in lieu of the amount to be paid in the currency of the member pursuant to paragraph 2 (b) of this Article, provided such

currency is not required by the Bank for the conduct of its operations. Such notes or obligations shall be non-negotiable, non-interest-bearing, and payable to the Bank at par value upon demand. Subject to the provisions of paragraph 2 (ii) of Article 24, demands upon such notes or obligations payable in convertible currencies shall, over reasonable periods of time, be uniform in percentage on all such notes or obligations.

4. Each payment of a member in its own currency under paragraph 2 (b) of this Article shall be in such amount as the Bank, after such consultation with the International Monetary Fund as the Bank may consider necessary and utilizing the par value established with the International Monetary Fund, if any, determines to be equivalent to the full value in terms of dollars of the portion of the subscription being paid. The initial payment shall be in such amount as the member considers appropriate hereunder but shall be subject to such adjustment, to be effected within ninety (90) days of the date on which such payment was due, as the Bank shall determine to be necessary to constitute the full dollar equivalent of such payment.

5. Payment of the amounts subscribed to the callable capital stock of the Bank shall be subject to call only as and when required by the Bank to meet its obligations incurred under sub-paragraphs (ii) and (iv) of Article 11 on borrowings of funds for inclusion in its ordinary capital resources or on guarantees chargeable to such resources.

6. In the event of the call referred to in paragraph 5 of this Article, payment may be made at the option of the member in gold, convertible currency or in the currency required to discharge the obligations of the Bank for the purpose of which the call is made. Calls on unpaid subscriptions shall be uniform in percentage on all callable shares.

7. The Bank shall determine the place for any payment under this Article, provided that, until the inaugural meeting of its Board of Governors, the payment of the first instalment referred to in paragraph 1 of this Article shall be made to the Executive Secretary⁵ of the United Nations Economic Commission for Asia and the Far East, as Trustee for the Bank.

Article 7

ORDINARY CAPITAL RESOURCES

As used in this Agreement, the term "ordinary capital resources" of the Bank shall include the following:

⁵ At the Second Ministerial Conference on Asian Economic Cooperation held at Manila, Philippines in November/December 1965, it was decided that the Secretary-General of the United Nations should be the Trustee for the Bank.

- (i) authorized capital stock of the Bank, including both paid-in and callable shares, subscribed pursuant to Article 5 of this Agreement, except such part thereof as may be set aside into one or more Special Funds in accordance with paragraph 1 (i) of Article 19 of this Agreement;
- (ii) funds raised by borrowings of the Bank by virtue of powers conferred by subparagraph (i) of Article 21 of this Agreement, to which the commitment to calls provided for in paragraph 5 of Article 6 of this Agreement is applicable;
- (iii) funds received in repayment of loans or guarantees made with the resources indicated in (i) and (ii) of this Article;
- (iv) income derived from loans made from the aforementioned funds or from guarantees to which the commitment to calls set forth in paragraph 5 of Article 6 of this Agreement is applicable; and
- (v) any other funds or income received by the Bank which do not form part of its Special Funds resources referred to in Article 20 of this Agreement.

CHAPTER III OPERATIONS

Article 8 USE OF RESOURCES

The resources and facilities of the Bank shall be used exclusively to implement the purpose and functions set forth respectively in Articles 1 and 2 of this Agreement.

Article 9 ORDINARY AND SPECIAL OPERATIONS

1. The operations of the Bank shall consist of ordinary operations and special operations.
2. Ordinary operations shall be those financed from the ordinary capital resources of the Bank.
3. Special operations shall be those financed from the Special Funds resources referred to in Article 20 of this Agreement.

Article 10 SEPARATION OF OPERATIONS

1. The ordinary capital resources and the Special Funds resources of the Bank shall at all times and

in all respects be held, used, committed, invested or otherwise disposed of entirely separate from each other. The financial statements of the Bank shall show the ordinary operations and special operations separately.

2. The ordinary capital resources of the Bank shall under no circumstances be charged with, or used to discharge, losses or liabilities arising out of special operations or other activities for which Special Funds resources were originally used or committed.

3. Expenses appertaining directly to ordinary operations shall be charged to the ordinary capital resources of the Bank. Expenses appertaining directly to special operations shall be charged to the Special Funds resources. Any other expenses shall be charged as the Bank shall determine.

Article 11 RECIPIENTS AND METHODS OF OPERATION

Subject to the conditions stipulated in this Agreement, the Bank may provide or facilitate financing to any member, or any agency, instrumentality or political subdivision thereof, or any entity or enterprise operating in the territory of a member, as well as to international or regional agencies or entities concerned with economic development of the region. The Bank may carry out its operations in any of the following ways:

- (i) by making or participating in direct loans with its unimpaired paid-in capital and, except as provided in Article 17 of this agreement, with its reserves and undistributed surplus; or with the unimpaired Special Funds resources;
- (ii) by making or participating in direct loans with funds raised by the Bank in capital markets or borrowed or otherwise acquired by the Bank for inclusion in its ordinary capital resources;
- (iii) by investment of funds referred to in (i) and (ii) of this Article in the equity capital of an institution or enterprise, provided no such investment shall be made until after the Board of Governors, by a vote of a majority of the total number of Governors, representing a majority of the total voting power of the members, shall have determined that the Bank is in a position to commence such type of operations; or
- (iv) by guaranteeing, whether as primary or secondary obligor, in whole or in part, loans for economic development participated in by the Bank.

Article 12

LIMITATIONS ON ORDINARY OPERATIONS

1. The total amount outstanding of loans, equity investments and guarantees made by the Bank in its ordinary operations shall not at any time exceed the total amount of its unimpaired subscribed capital, reserves and surplus included in its ordinary capital resources, exclusive of the special reserve provided for by Article 17 of this Agreement and other reserves not available for ordinary operations.

2. In the case of loans made with funds borrowed by the Bank to which the commitment to calls provided for by paragraph 5 of Article 6 of this Agreement is applicable, the total amount of principal outstanding and payable to the Bank in a specific currency shall not at any time exceed the total amount of the principal of outstanding borrowings by the Bank that are payable in the same currency.

3. In the case of funds invested in equity capital out of the ordinary capital resources of the Bank, the total amount invested shall not exceed ten per cent of the aggregate amount of the unimpaired paid-in capital stock of the Bank actually paid up at any given time together with the reserves and surplus included in its ordinary capital resources, exclusive of the special reserve provided for in Article 17 of this Agreement.

4. The amount of any equity investment shall not exceed such percentage of the equity capital of the entity or enterprise concerned as the Board of Directors shall in each specific case determine to be appropriate. The Bank shall not seek to obtain by such an investment a controlling interest in the entity or enterprise concerned, except where necessary to safeguard the investment of the Bank.

Article 13

PROVISION OF CURRENCIES FOR DIRECT LOANS

In making direct loans or participating in them, the Bank may provide financing in any of the following ways:

- (i) By furnishing the borrower with currencies other than the currency of the member in whose territory the project concerned is to be carried out (the latter currency hereinafter to be called "local currency"), which are necessary to meet the foreign exchange costs of such project;
- (ii) By providing financing to meet local expenditures on the project concerned,

where it can do so by supplying local currency without selling any of its holdings in gold or convertible currencies. In special cases when, in the opinion of the Bank, the project causes or is likely to cause undue loss or strain on the balance of payments of the member in whose territory the project is to be carried out, the financing granted by the Bank to meet local expenditures may be provided in currencies other than that of such member; in such cases, the amount of the financing granted by the Bank for this purpose shall not exceed a reasonable portion of the total local expenditure incurred by the borrower.

Article 14

OPERATING PRINCIPLES

The operations of the Bank shall be conducted in accordance with the following principles:

- (i) The operations of the Bank shall provide principally for the financing of specific projects, including those forming part of a national, sub-regional or regional development programme. They may, however, include loans to, or guarantees of loans made to, national development banks or other suitable entities, in order that the latter may finance specific development projects whose individual financing requirements are not, in the opinion of the Bank, large enough to warrant the direct supervision of the Bank;
- (ii) In selecting suitable projects, the Bank shall always be guided by the provisions of paragraph (ii) of Article 2 of this Agreement;
- (iii) The Bank shall not finance any undertaking in the territory of a member if that member objects to such financing;
- (iv) Before a loan is granted, the applicant shall have submitted an adequate loan proposal and the President of the Bank shall have presented to the Board of Directors a written report regarding the proposal, together with his recommendations, on the basis of a staff study;
- (v) In considering an application for a loan or guarantee, the Bank shall pay due regard to the ability of the borrower to obtain financing or facilities elsewhere on

terms and conditions that the Bank considers reasonable for the recipient, taking into account all pertinent factors;

- (vi) In making or guaranteeing a loan, the Bank shall pay due regard to the prospects that the borrower and its guarantor, if any, will be in a position to meet their obligations under the loan contract;
- (vii) In making or guaranteeing a loan, the rate of interest, other charges and the schedule for repayment of principal shall be such as are, in the opinion of the Bank, appropriate for the loan concerned;
- (viii) In guaranteeing a loan made by other investors, or in underwriting the sale of securities, the Bank shall receive suitable compensation for its risk;
- (ix) The proceeds of any loan, investment or other financing undertaken in the ordinary operations of the Bank or with Special Funds established by the Bank pursuant to paragraph 1 (i) of Article 19, shall be used only for procurement in member countries of goods and services produced in member countries, except in any case in which the Board of Directors, by a vote of the directors representing not less than two-thirds of the total voting power of the members, determines to permit procurement in a non-member country or of goods and services produced in a non-member country in special circumstances making such procurement appropriate, as in the case of a non-member country in which a significant amount of financing has been provided to the Bank;
- (x) In the case of a direct loan made by the Bank, the borrower shall be permitted by the Bank to draw its funds only to meet expenditures in connexion with the project as they are actually incurred;
- (xi) The Bank shall take the necessary measures to ensure that the proceeds of any loan made, guaranteed or participated in by the Bank are used only for the purposes for which the loan was granted and with due attention to considerations of economy and efficiency;
- (xii) The Bank shall pay due regard to the desirability of avoiding a disproportionate amount of its resources being used for the benefit of any member;

- (xiii) The Bank shall seek to maintain reasonable diversification in its investments in equity capital; it shall not assume responsibility for managing any entity or enterprise in which it has an investment, except where necessary to safeguard its investment; and
- (xiv) The Bank shall be guided by sound banking principles in its operations.

Article 15

TERMS AND CONDITIONS FOR DIRECT LOANS AND GUARANTEES

1. In the case of direct loans made or participated in or loans guaranteed by the Bank, the contract shall establish, in conformity with the operating principles set forth in Article 14 of this Agreement and subject to the other provisions of this Agreement, the terms and conditions for the loan or the guarantee concerned, including those relating to payment of principal, interest and other charges, maturities, and dates of payment in respect of the loan, or the fees and other charges in respect of the guarantee, respectively. In particular, the contract shall provide that, subject to paragraph 3 of this Article, all payments to the Bank under the contract shall be made in the currency loaned, unless, in the case of a direct loan made or a loan guaranteed as part of special operations with funds provided under paragraph 1 (ii) of Article 19, the rules and regulations of the Bank provide otherwise. Guarantees by the Bank shall also provide that the Bank may terminate its liability with respect to interest if, upon default by the borrower and the guarantor, if any, the Bank offers to purchase, at par and interest accrued to a date designated in the offer, the bonds or other obligations guaranteed.

2. Where the recipient of loans or guarantees of loans is not itself a member, the Bank may, when it deems it advisable, require that the member in whose territory the project concerned is to be carried out, or a public agency or any instrumentality of that member acceptable to the Bank, guarantee the repayment of the principal and the payment of interest and other charges on the loan in accordance with the terms thereof.

3. The loan or guarantee contract shall expressly state the currency in which all payments to the Bank thereunder shall be made. At the option of the borrower, however, such payments may always be made in gold or convertible currency.

Article 16

COMMISSION AND FEES

1. The Bank shall charge, in addition to interest, a commission on direct loans made or participated in as part of its ordinary operations. This commission, payable periodically, shall be computed on the amount outstanding on each loan or participation and shall be at the rate of not less than one per cent per annum, unless the Bank, after the first five years of its operations, decides to reduce this minimum rate by a two-thirds majority of its members, representing not less than three-fourths of the total voting power of the members.

2. In guaranteeing a loan as part of its ordinary operations, the Bank shall charge a guarantee fee, at a rate determined by the Board of Directors, payable periodically on the amount of the loan outstanding.

3. Other charges of the Bank in its ordinary operations and any commission, fees or other charges in its special operations shall be determined by the Board of Directors.

Article 17

SPECIAL RESERVE

The amount of commissions and guarantee fees received by the Bank pursuant to Article 16 of this Agreement shall be set aside as a special reserve which shall be kept for meeting liabilities of the Bank in accordance with Article 18 of this Agreement. The special reserve shall be held in such liquid form as the Board of Directors may decide.

Article 18

METHODS OF MEETING LIABILITIES OF THE BANK

1. In cases of default on loans made, participated in or guaranteed by the Bank in its ordinary operations, the Bank shall take such action as it deems appropriate with respect to modifying the terms of the loan, other than the currency of repayment.

2. The payments in discharge of the Bank's liabilities on borrowings or guarantees under sub-paragraphs (ii) and (iv) of Article 11 chargeable to the ordinary capital resources shall be charged:

- (i) First, against the special reserve provided for in Article 17;
- (ii) Then, to the extent necessary and at the discretion of the Bank, against the other

reserves, surplus and capital available to the Bank.

3. Whenever necessary to meet contractual payments of interest, other charges or amortization on borrowings of the Bank in its ordinary operations, or to meet its liabilities with respect to similar payments in respect of loans guaranteed by it, chargeable to its ordinary capital resources, the Bank may call an appropriate amount of the uncalled subscribed callable capital in accordance with paragraphs 6 and 7 of Article 6 of this Agreement.

4. In cases of default in respect of a loan made from borrowed funds or guaranteed by the Bank as part of its ordinary operations, the Bank may, if it believes that the default may be of long duration, call an additional amount of such callable capital not to exceed in any one year one per cent of the total subscriptions of the members to such capital, for the following purposes:

- (i) To redeem before maturity, or otherwise discharge, the Bank's liability on all or part of the outstanding principal of any loan guaranteed by it in respect of which the debtor is in default; and
- (ii) To repurchase, or otherwise discharge, the Bank's liability on all or part of its own outstanding borrowing.

5. If the Bank's subscribed callable capital stock shall be entirely called pursuant to paragraphs 3 and 4 of this Article, the Bank may, if necessary for the purposes specified in paragraph 3 of this Article, use or exchange the currency of any member without restriction, including any restriction imposed pursuant to paragraphs 2 (i) and (ii) of Article 24.

Article 19

SPECIAL FUNDS

1. The Bank may:

- (i) set aside, by a vote of two-thirds of the total number of Governors, representing at least three-fourths of the total voting power of the members, not more than ten (10) per cent each of the portion of the unimpaired paid-in capital of the Bank paid by members pursuant to paragraph 2 (a) of Article 6 and of the portion thereof paid pursuant to paragraph 2 (b) of Article 6, and establish therewith one or more Special Funds; and
- (ii) accept the administration of Special Funds which are designed to serve the purpose and come within the functions of the Bank.

2. Special Funds established by the Bank pursuant to paragraph 1 (i) of this Article may be used to guarantee or make loans of high developmental priority, with longer maturities, longer deferred commencement of repayment and lower interest rates than those established by the Bank for its ordinary operations. Such Funds may also be used on such other terms and conditions, not inconsistent with the applicable provisions of this Agreement nor with the character of such Funds as revolving funds, as the Bank in establishing such Funds may direct.

3. Special Funds accepted by the Bank under paragraph 1 (ii) of this Article may be used in any manner and on any terms and conditions not inconsistent with the purpose of the Bank and with the agreement relating to such Funds.

4. The Bank shall adopt such special rules and regulations as may be required for the establishment, administration and use of each Special Fund. Such rules and regulations shall be consistent with the provisions of this Agreement, excepting those provisions expressly applicable only to ordinary operations of the Bank.

Article 20

SPECIAL FUNDS RESOURCES

As used in this Agreement, the term "Special Funds resources" shall refer to the resources of any Special Fund and shall include:

- (a) resources set aside from the paid-in capital to a Special Fund or otherwise initially contributed to any Special Fund;
- (b) funds accepted by the Bank for inclusion in any Special Fund;
- (c) funds repaid in respect of loans or guarantees financed from the resources of any Special Fund which, under the rules and regulations of the Bank governing that Special Fund, are received by such Special Fund;
- (d) income derived from operations of the Bank in which any of the aforementioned resources or funds are used or committed if, under the rules and regulations of the Bank governing the Special Fund concerned, that income accrues to such Special Fund; and
- (e) any other resources placed at the disposal of any Special Fund.

CHAPTER IV

BORROWING AND OTHER MISCELLANEOUS POWERS

Article 21

GENERAL POWERS

In addition to the powers specified elsewhere in this Agreement, the Bank shall have the power to:

- (i) borrow funds in member countries or elsewhere, and in this connexion to furnish such collateral or other security therefor as the Bank shall determine, provided always that:
 - (a) before making a sale of its obligations in the territory of a country, the Bank shall have obtained its approval;
 - (b) where the obligations of the Bank are to be denominated in the currency of a member, the Bank shall have obtained its approval;
 - (c) the Bank shall obtain the approval of the countries referred to in subparagraphs (a) and (b) of this paragraph that the proceeds may be exchanged for the currency of any member without restriction; and
 - (d) before determining to sell its obligations in a particular country, the Bank shall consider the amount of previous borrowing in other countries, and the possible availability of funds in such other countries; and shall give due regard to the general principle that its borrowings should to the greatest extent possible be diversified as to country of borrowing;
- (ii) buy and sell securities the Bank has issued or guaranteed or in which it has invested, provided always that it shall have obtained the approval of any country in whose territory the securities are to be bought or sold;
- (iii) guarantee securities in which it has invested in order to facilitate their sale;
- (iv) underwrite, or participate in the underwriting of, securities issued by any entity or enterprise for purposes consistent with the purpose of the Bank;

- (v) invest funds, not needed in its operations, in the territories of members in such obligations of members or nationals thereof as it may determine, and invest funds held by the Bank for pensions or similar purposes in the territories of members in marketable securities issued by members or nationals thereof;
- (vi) provide technical advice and assistance which serve its purpose and come within its functions, and where expenditures incurred in furnishing such services are not reimbursable, charge the net income of the Bank therewith; in the first five years of its operations, the Bank may use up to two per cent of its paid-in capital for furnishing such services on a non-reimbursable basis; and
- (vii) exercise such other powers and establish such rules and regulations as may be necessary or appropriate in furtherance of its purpose and functions, consistent with the provisions of this Agreement.

Article 22

NOTICE TO BE PLACED ON SECURITIES

Every security issued or guaranteed by the Bank shall bear on its face a conspicuous statement to the effect that it is not an obligation of any Government, unless it is in fact the obligation of a particular Government, in which case it shall so state.

CHAPTER V CURRENCIES

Article 23

DETERMINATION OF CONVERTIBILITY

Whenever it shall become necessary under this Agreement to determine whether any currency is convertible, such determination shall be made by the Bank after consultation with the International Monetary Fund.

Article 24

USE OF CURRENCIES

1. Members may not maintain or impose any restrictions on the holding or use by the Bank or by any recipient from the Bank, for payments in any country, of the following:

- (i) gold or convertible currencies received by the Bank in payment of subscriptions to

its capital stock, other than that paid to the Bank by members pursuant to paragraph 2 (b) of Article 6 and restricted pursuant to paragraphs 2 (i) and (ii) of this Article;

- (ii) currencies of members purchased with the gold or convertible currencies referred to in the preceding sub-paragraph;
- (iii) currencies obtained by the Bank by borrowing, pursuant to sub-paragraph (i) of Article 21 of this Agreement, for inclusion in its ordinary capital resources;
- (iv) gold or currencies received by the Bank in payment on account of principal, interest, dividends or other charges in respect of loans or investments made out of any of the funds referred to in sub-paragraphs (i) to (iii) of this paragraph or in payment of fees in respect of guarantees made by the Bank; and
- (v) currencies, other than the member's own currency, received by the member from the Bank in distribution of the net income of the Bank in accordance with Article 40 of this Agreement.

2. Members may not maintain or impose any restriction on the holding or use by the Bank or by any recipient from the Bank, for payments in any country, of currency of a member received by the Bank which does not come within the provisions of the preceding paragraph, unless:

- (i) a developing member country, after consultation with and subject to periodic review by the Bank, restricts in whole or in part the use of such currency to payments for goods or services produced and intended for use in its territory; or
- (ii) any other member whose subscription has been determined in Part A of Annex A hereof and whose exports of industrial products do not represent a substantial proportion of its total exports, deposits with its instrument of ratification or acceptance a declaration that it desires the use of the portion of its subscription paid pursuant to paragraph 2 (b) of Article 6 to be restricted, in whole or in part, to payments for goods or services produced in its territory; provided that such restrictions be subject to periodic review by and consultation with the Bank and that any purchases of goods or services in the territory of that member,

subject to the usual consideration of competitive tendering, shall be first charged against the portion of its subscription paid pursuant to paragraph 2 (b) of Article 6; or

- (iii) such currency forms part of the Special Funds resources of the Bank available under paragraph 1 (ii) of Article 19 and its use is subject to special rules and regulations.

3. Members may not maintain or impose any restrictions on the holding or use by the Bank, for making amortization payments or anticipatory payments or for repurchasing in whole or in part the Bank's own obligations, of currencies received by the Bank in repayment of direct loans made out of its ordinary capital resources, provided, however, that until the Bank's subscribed callable capital stock has been entirely called, such holding or use shall be subject to any limitations imposed pursuant to paragraph 2 (i) of this Article except in respect of obligations payable in the currency of the member concerned.

4. Gold or currencies held by the Bank shall not be used by the Bank to purchase other currencies of members or non-members except:

- (i) in order to meet its obligations in the ordinary course of its business; or
- (ii) pursuant to a decision of the Board of Directors adopted by a vote of the directors representing not less than two-thirds of the total voting power of the members.

5. Nothing herein contained shall prevent the Bank from using the currency of any member for administrative expenses incurred by the Bank in the territory of such member.

Article 25

MAINTENANCE OF VALUE OF THE CURRENCY HOLDINGS OF THE BANK

1. Whenever (a) the par value in the International Monetary Fund of the currency of a member is reduced in terms of the dollar defined in Article 4 of this Agreement, or (b) in the opinion of the Bank, after consultation with the International Monetary Fund, the foreign exchange value of a member's currency has depreciated to a significant extent, that member shall pay to the Bank within a reasonable time an additional amount of its currency required to maintain the value of all such currency held by

the Bank, excepting (a) currency derived by the Bank from its borrowings and (b) unless otherwise provided in the agreement establishing such Funds, Special Funds resources accepted by the Bank under paragraph 1 (ii) of Article 19.

2. Whenever (a) the par value in the International Monetary Fund of the currency of a member is increased in terms of the said dollar, or (b) in the opinion of the Bank, after consultation with the International Monetary Fund, the foreign exchange value of a member's currency has appreciated to a significant extent, the Bank shall pay to that member within a reasonable time an amount of that currency required to adjust the value of all such currency held by the Bank excepting (a) currency derived by the Bank from its borrowings, and (b) unless otherwise provided in the agreement establishing such Funds, Special Funds resources accepted by the Bank under paragraph 1 (ii) of Article 19.

3. The Bank may waive the provisions of this Article when a uniform proportionate change in the par value of the currencies of all its members takes place.

CHAPTER VI

ORGANIZATION AND MANAGEMENT

Article 26

STRUCTURE

The Bank shall have a Board of Governors, a Board of Directors, a President, one or more Vice-Presidents and such other officers and staff as may be considered necessary.

Article 27

BOARD OF GOVERNORS: COMPOSITION

1. Each member shall be represented on the Board of Governors and shall appoint one Governor and one alternate. Each Governor and alternate shall serve at the pleasure of the appointing member. No alternate may vote except in the absence of his principal. At its annual meeting, the Board shall designate one of the Governors as Chairman who shall hold office until the election of the next Chairman and the next annual meeting of the Board.

2. Governors and alternates shall serve as such without remuneration from the Bank, but the Bank may pay them reasonable expenses incurred in attending meetings.

Article 28

BOARD OF GOVERNORS: POWERS

1. All the powers of the Bank shall be vested in the Board of Governors.
2. The Board of Governors may delegate to the Board of Directors any or all its powers, except the power to:
 - (i) admit new members and determine the conditions of their admission;
 - (ii) increase or decrease the authorized capital stock of the Bank;
 - (iii) suspend a member;
 - (iv) decide appeals from interpretations or applications of this Agreement given by the Board of Directors;
 - (v) authorize the conclusion of general agreements for co-operation with other international organizations;
 - (vi) elect the directors and the President of the Bank;
 - (vii) determine the remuneration of the directors and their alternates and the salary and other terms of the contract of service of the President;
 - (viii) approve, after reviewing the auditors' report, the general balance sheet and the statement of profit and loss of the Bank;
 - (ix) determine the reserves and the distribution of the net profits of the Bank;
 - (x) amend this Agreement;
 - (xi) decide to terminate the operations of the Bank and to distribute its assets; and
 - (xii) exercise such other powers as are expressly assigned to the Board of Governors in this Agreement.
3. The Board of Governors shall retain full power to exercise authority over any matter delegated to the Board of Directors under paragraph 2 of this Article.
4. For the purposes of this Agreement, the Board of Governors may, by a vote of two-thirds of the total number of Governors, representing not less than three-fourths of the total voting power of the members, from time to time determine which countries or members of the Bank are to be regarded as developed or developing countries or members, taking into account appropriate economic considerations.

Article 29

BOARD OF GOVERNORS: PROCEDURE

1. The Board of Governors shall hold an annual meeting and such other meetings as may be provided for by the Board or called by the Board of Directors. Meetings of the Board of Governors shall be called, by the Board of Directors, whenever requested by five (5) members of the Bank.
2. A majority of the Governors shall constitute a quorum for any meeting of the Board of Governors, provided such majority represents not less than two-thirds of the total voting power of the members.
3. The Board of Governors may by regulation establish a procedure whereby the Board of Directors may, when the latter deems such action advisable, obtain a vote of the Governors on a specific question without calling a meeting of the Board of Governors.
4. The Board of Governors, and the Board of Directors to the extent authorized, may establish such subsidiary bodies as may be necessary or appropriate to conduct the business of the Bank.

Article 30

BOARD OF DIRECTORS: COMPOSITION

1. (i) The Board of Directors shall be composed of ten (10) members who shall not be members of the Board of Governors, and of whom;
 - (a) seven (7) shall be elected by the Governors representing regional members; and
 - (b) three (3) by the Governors representing members.

Directors shall be persons of high competence in economic and financial matters and shall be elected in accordance with ANNEX B hereof.

(ii) At the Second Annual Meeting of the Board of Governors after its inaugural meeting, the Board of Governors shall review the size and composition of the Board of Directors, and shall increase the number of directors as appropriate, paying special regard to the desirability, in the circumstances at that time, of increasing representation in the Board of Directors of smaller less developed member countries. Decisions under this paragraph should be made by a vote of a majority of the total number of Governors, representing not less than two-thirds of the total voting power of the members.

2. Each director shall appoint an alternate with full power to act for him when he is not present. Directors and alternates shall be nationals of member

countries. No two or more directors may be of the same nationality nor may any two or more alternates be of the same nationality. An alternate may participate in meetings of the Board but may vote only when he is acting in place of his principal.

3. Directors shall hold office for a term of two (2) years and may be re-elected. They shall continue in office until their successors shall have been chosen and qualified. If the office of a director becomes vacant more than one hundred and eighty (180) days before the end of his term, a successor shall be chosen in accordance with Annex B hereof, for the remainder of the term, by the Governors who elected the former director. A majority of the votes cast by such Governors shall be required for such election. If the office of a director becomes vacant less than one hundred and eighty (180) days before the end of his term, a successor may similarly be chosen for the remainder of the term, by the Governors who elected the former director, in which election a majority of the votes cast by such Governors shall be required. While the office remains vacant, the alternate of the former director shall exercise the powers of the latter, except that of appointing an alternate.

Article 31

BOARD OF DIRECTORS: POWERS

The Board of Directors shall be responsible for the direction of the general operations of the Bank and, for this purpose, shall, in addition to the powers assigned to it expressly by this Agreement, exercise all the powers delegated to it by the Board of Governors, and in particular:

- (i) prepare the work of the Board of Governors;
- (ii) in conformity with the general directions of the Board of Governors, take decisions concerning loans, guarantees, investment in equity capital, borrowing by the Bank, furnishing of technical assistance and other operations of the Bank;
- (iii) submit the accounts for each financial year for approval of the Board of Governors at each annual meeting; and
- (iv) approve the budget of the Bank.

Article 32

BOARD OF DIRECTORS: PROCEDURE

1. The Board of Directors shall normally function at the principal office of the Bank and shall meet as often as the business of the Bank may require.

2. A majority of the directors shall constitute a quorum for any meeting of the Board of Directors, provided such majority represents not less than two-thirds of the total voting power of the members.

3. The Board of Governors shall adopt regulations under which, if there is no director of its nationality, a member may send a representative to attend, without right to vote, any meeting of the Board of Directors when a matter particularly affecting that member is under consideration.

Article 33

VOTING

1. The total voting power of each member shall consist of the sum of its basic votes and proportional votes.

- (i) The basic votes of each member shall consist of such number of votes as results from the equal distribution among all the members of twenty (20) per cent of the aggregate sum of the basic votes and proportional votes of all the members.
- (ii) The number of the proportional votes of each member shall be equal to the number of shares of the capital stock of the Bank held by that member.

2. In voting in the Board of Governors, each Governor shall be entitled to cast the votes of the member he represents. Except as otherwise expressly provided in this Agreement, all matters before the Board of Governors shall be decided by a majority of the voting power represented at the meeting.

3. In voting in the Board of Directors, each director shall be entitled to cast the number of votes that counted towards his election which votes need not be cast as a unit. Except as otherwise expressly provided in this Agreement, all matters before the Board of Directors shall be decided by a majority of the voting power represented at the meeting.

Article 34

THE PRESIDENT

1. The Board of Governors, by a vote of a majority of the total number of Governors, representing not less than a majority of the total voting power of the members, shall elect a President of the Bank. He shall be a national of a regional member country. The President, while holding office, shall not be a Governor or a director or an alternate for either.

2. The term of office of the President shall be five (5) years. He may be re-elected. He shall, however, cease to hold office when the Board of Governors so decides by a vote of two-thirds of the total number of Governors, representing not less than two-thirds of the total voting power of the members. If the office of the President for any reason becomes vacant more than one hundred and eighty (180) days before the end of his term, a successor shall be elected for the unexpired portion of such term by the Board of Governors in accordance with the provisions of paragraph 1 of this Article. If such office for any reason becomes vacant less than one hundred and eighty (180) days before the end of the term, a successor may similarly be elected for the unexpired portion of such term by the Board of Governors.

3. The President shall be Chairman of the Board of Directors but shall have no vote, except a deciding vote in case of an equal division. He may participate in meetings of the Board of Governors but shall not vote.

4. The President shall be the legal representative of the Bank.

5. The President shall be chief of the staff of the Bank and shall conduct, under the direction of the Board of Directors, the current business of the Bank. He shall be responsible for the organization, appointment and dismissal of the officers and staff in accordance with regulations adopted by the Board of Directors.

6. In appointing the officers and staff, the President shall, subject to the paramount importance of securing the highest standards of efficiency and technical competence, pay due regard to the recruitment of personnel on as wide a regional geographical basis as possible.

Article 35

VICE-PRESIDENT(S)

1. One or more Vice-Presidents shall be appointed by the Board of Directors on the recommendation of the President. Vice-President(s) shall hold office for such term, exercise such authority and perform such functions in the administration of the Bank, as may be determined by the Board of Directors. In the absence or incapacity of the President, the Vice-President or, if there be more than one, the ranking Vice-President, shall exercise the authority and perform the functions of the President.

2. Vice-President(s) may participate in meetings of the Board of Directors but shall have no vote at such

meetings, except that the Vice-President or ranking Vice-President, as the case may be, shall cast the deciding vote when acting in place of the President.

Article 36

PROHIBITION OF POLITICAL ACTIVITY: THE INTERNATIONAL CHARACTER OF THE BANK

1. The Bank shall not accept loans or assistance that may in any way prejudice, limit, deflect or otherwise alter its purpose or functions.

2. The Bank, its President, Vice-President(s), officers and staff shall not interfere in the political affairs of any member, nor shall they be influenced in their decisions by the political character of the member concerned. Only economic considerations shall be relevant to their decisions. Such considerations shall be weighed impartially in order to achieve and carry out the purpose and functions of the Bank.

3. The President, Vice-President(s), officers and staff of the Bank, in the discharge of their offices, owe their duty entirely to the Bank and to no other authority. Each member of the Bank shall respect the international character of this duty and shall refrain from all attempts to influence any of them in the discharge of their duties.

Article 37

OFFICE OF THE BANK

1. The principal office of the Bank shall be located in [].⁶

2. The Bank may establish agencies or branch offices elsewhere.

Article 38

CHANNEL OF COMMUNICATIONS, DEPOSITORIES

1. Each member shall designate an appropriate official entity with which the Bank may communicate in connexion with any matter arising under this Agreement.

2. Each member shall designate its central bank, or such other agency as may be agreed upon with the Bank, as a depository with which the Bank may keep its holdings of currency of that member as well as other assets of the Bank.

⁶ Manila, Philippines as decided by the Second Ministerial Conference on Asian Economic Co-operation.

Article 39

WORKING LANGUAGE, REPORTS

1. The working language of the Bank shall be English.
2. The Bank shall transmit to its members an Annual Report containing an audited statement of its accounts and shall publish such Report. It shall also transmit quarterly to its members a summary statement of its financial position and a profit and loss statement showing the results of its operations.
3. The Bank may also publish such other reports as it deems desirable in the carrying out of its purpose and functions. Such reports shall be transmitted to the members of the Bank.

Article 40

ALLOCATION OF NET INCOME

1. The Board of Governors shall determine annually what part of the net income of the Bank, including the net income accruing to Special Funds, shall be allocated, after making provision for reserves, to surplus and what part, if any, shall be distributed to the members.
2. The distribution referred to in the preceding paragraph shall be made in proportion to the number of shares held by each member.
3. Payments shall be made in such manner and in such currency as the Board of Governors shall determine.

CHAPTER VII

WITHDRAWAL AND SUSPENSION OF MEMBERS, TEMPORARY SUSPENSION AND TERMINATION OF OPERATIONS OF THE BANK

Article 41

WITHDRAWAL

1. Any member may withdraw from the Bank at any time by delivering a notice in writing to the Bank at its principal office.
2. Withdrawal by a member shall become effective, and its membership shall cease, on the date specified in its notice but in no event less than six (6) months after the date that notice has been received by the Bank. However, at any time before the withdrawal becomes finally effective, the member may notify the Bank in writing of the cancellation of its notice of intention to withdraw.

3. A withdrawing member shall remain liable for all direct and contingent obligations to the Bank to which it was subject at the date of delivery of the withdrawal notice. If the withdrawal becomes finally effective, the member shall not incur any liability for obligations resulting from operations of the Bank effected after the date on which the withdrawal notice was received by the Bank.

Article 42

SUSPENSION OF MEMBERSHIP

1. If a member fails to fulfil any of its obligations to the Bank, the Board of Governors may suspend such member by a vote of two-thirds of the total number of Governors, representing not less than three-fourths of the total voting power of the members.
2. The member so suspended shall automatically cease to be a member of the Bank one year from the date of its suspension unless the Board of Governors, during that one-year period, decides by the same majority necessary for suspension to restore the member to good standing.
3. While under suspension, a member shall not be entitled to exercise any rights under this Agreement, except the right of withdrawal, but shall remain subject to all its obligations.

Article 43

SETTLEMENT OF ACCOUNTS

1. After the date on which a country ceases to be a member, it shall remain liable for its direct obligations to the Bank and for its contingent liabilities to the Bank so long as any part of the loans or guarantees contracted before it ceased to be a member is outstanding; but it shall not incur liabilities with respect to loans and guarantees entered into thereafter by the Bank nor share either in the income or the expenses of the Bank.
2. At the time a country ceases to be a member, the Bank shall arrange for the repurchase of such country's shares by the Bank as a part of the settlement of accounts with such country in accordance with the provisions of paragraphs 3 and 4 of this Article. For this purpose, the repurchase price of the shares shall be the value shown by the books of the Bank on the date the country ceases to be a member.
3. The payment for shares repurchased by the Bank under this Article shall be governed by the following conditions:

(i) Any amount due to the country concerned for its shares shall be withheld so long as that country, its central bank or any of its agencies, instrumentalities or political subdivisions remains liable, as borrower or guarantor, to the Bank and such amount may, at the option of the Bank, be applied on any such liability as it matures. No amount shall be withheld on account of the contingent liability of the country for future calls on its subscription for shares in accordance with paragraph 5 of Article 6 of this Agreement. In any event, no amount due to a member for its shares shall be paid until six (6) months after the date on which the country ceases to be a member.

(ii) Payments for shares may be made from time to time, upon surrender of the corresponding stock certificates by the country concerned, to the extent by which the amount due as the repurchase price in accordance with paragraph 2 of this Article exceeds the aggregate amount of liabilities on loans and guarantees referred to in sub-paragraph (i) of this paragraph, until the former member has received the full repurchase price.

(iii) Payments shall be made in such available currencies as the Bank determines, taking into account its financial position.

(iv) If losses are sustained by the Bank on any guarantees or loans which were outstanding on the date when a country ceased to be a member and the amount of such losses exceeds the amount of the reserve provided against losses on that date, the country concerned shall repay, upon demand, the amount by which the repurchase price of its shares would have been reduced if the losses had been taken into account when the repurchase price was determined. In addition, the former member shall remain liable on any call for unpaid subscriptions in accordance with paragraph 5 of Article 6 of this Agreement, to the same extent that it would have been required to respond if the impairment of capital had occurred and the call had been made at the time the repurchase price of its shares was determined.

4. If the Bank terminates its operations pursuant to Article 45 of this Agreement within six (6) months of the date upon which any country ceases to be a

member, all rights of the country concerned shall be determined in accordance with the provisions of Articles 45 to 47 of this Agreement. Such country shall be considered as still a member for purposes of such articles but shall have no voting rights.

Article 44

TEMPORARY SUSPENSION OF OPERATIONS

In an emergency, the Board of Directors may temporarily suspend operations in respect of new loans and guarantees, pending an opportunity for further consideration and action by the Board of Governors.

Article 45

TERMINATION OF OPERATIONS

1. The Bank may terminate its operations by a resolution of the Board of Governors approved by a vote of two-thirds of the total number of Governors, representing not less than three-fourths of the total voting power of the members.

2. After such termination, the Bank shall forthwith cease all activities, except those incident to the orderly realization, conservation and preservation of its assets and settlement of its obligations.

Article 46

LIABILITY OF MEMBERS AND PAYMENT OF CLAIMS

1. In the event of termination of the operations of the Bank, the liability of all members for uncalled subscriptions to the capital stock of the Bank and in respect of the depreciation of their currencies shall continue until all claims of creditors, including all contingent claims, shall have been discharged.

2. All creditors holding direct claims shall first be paid out of the assets of the Bank and then out of payments to the Bank on unpaid or callable subscriptions. Before making any payments to creditors holding direct claims, the Board of Directors shall make such arrangements as are necessary, in its judgment, to ensure a *pro rata* distribution among holders of direct and contingent claims.

Article 47

DISTRIBUTION OF ASSETS

1. No distribution of assets shall be made to members on account of their subscriptions to the capital stock of the Bank until all liabilities to

creditors shall have been discharged or provided for. Moreover, such distribution must be approved by the Board of Governors by a vote of two-thirds of the total number of Governors, representing not less than three-fourths of the total voting power of the members.

2. Any distribution of the assets of the Bank to the members shall be in proportion to the capital stock held by each member and shall be effected at such times and under such conditions as the Bank shall deem fair and equitable. The shares of assets distributed need not be uniform as to type of asset. No member shall be entitled to receive its share in such a distribution of assets until it has settled all of its obligations to the Bank.

3. Any member receiving assets distributed pursuant to this Article shall enjoy the same rights with respect to such assets as the Bank enjoyed prior to their distribution.

CHAPTER VIII

STATUS, IMMUNITIES, EXEMPTIONS AND PRIVILEGES

Article 48

PURPOSE OF CHAPTER

To enable the Bank effectively to fulfil its purpose and carry out the functions entrusted to it, the status, immunities, exemptions and privileges set forth in this Chapter shall be accorded to the Bank in the territory of each member.

Article 49

LEGAL STATUS

The Bank shall possess full juridical personality and, in particular, full capacity:

- (i) to contract;
- (ii) to acquire, and dispose of, immovable and movable property; and
- (iii) to institute legal proceedings.

Article 50

IMMUNITY FROM JUDICIAL PROCEEDINGS

1. The Bank shall enjoy immunity from every form of legal process, except in cases arising out of or in connexion with the exercise of its powers to borrow money, to guarantee obligations, or to buy and sell or underwrite the sale of securities, in which cases actions may be brought against the Bank in a court

of competent jurisdiction in the territory of a country in which the Bank has its principal or a branch office, or has appointed an agent for the purpose of accepting service or notice of process, or has issued or guaranteed securities.

2. Notwithstanding the provisions of paragraph 1 of this Article, no action shall be brought against the Bank by any member, or by any agency or instrumentality of a member, or by any entity or person directly or indirectly acting for or deriving claims from a member or from any agency or instrumentality of a member. Members shall have recourse to such special procedures for the settlement of controversies between the Bank and its members as may be prescribed in this Agreement, in the by-laws and regulations of the Bank, or in contracts entered into with the Bank.

3. Property and assets of the Bank shall, wherever located and by whomsoever held, be immune from all forms of seizure, attachment or execution before the delivery of final judgment against the Bank.

Article 51

IMMUNITY OF ASSETS

Property and assets of the Bank, wherever located and by whomsoever held, shall be immune from search, requisition, confiscation, expropriation or any other form of taking or foreclosure by executive or legislative action.

Article 52

IMMUNITY OF ARCHIVES

The archives of the Bank and, in general, all documents belonging to it, or held by it, shall be inviolable, wherever located.

Article 53

FREEDOM OF ASSETS FROM RESTRICTIONS

To the extent necessary to carry out the purpose and functions of the Bank effectively, and subject to the provisions of this Agreement, all property and assets of the Bank shall be free from restrictions, regulations, controls and moratoria of any nature.

Article 54

PRIVILEGE FOR COMMUNICATIONS

Official communications of the Bank shall be accorded by each member treatment not less favourable than that it accords to the official communications of any other member.

Article 55

IMMUNITIES AND PRIVILEGES OF BANK PERSONNEL

All Governors, directors, alternates, officers and employees of the Bank, including experts performing missions for the Bank:

- (i) shall be immune from legal process with respect to acts performed by them in their official capacity, except when the Bank waives the immunity;
- (ii) where they are not local citizens or nationals, shall be accorded the same immunities from immigration restrictions, alien registration requirements and national service obligations, and the same facilities as regards exchange regulations, as are accorded by members to the representatives, officials and employees of comparable rank of other members;
- (iii) shall be granted the same treatment in respect of travelling facilities as is accorded by members to representatives, officials and employees of comparable rank of other members.

Article 56

EXEMPTION FROM TAXATION

1. The Bank, its assets, property, income and its operations and transactions, shall be exempt from all taxation and from all customs duties. The Bank shall also be exempt from any obligation for the payment, withholding or collection of any tax or duty.
2. No tax shall be levied on or in respect of salaries and emoluments paid by the Bank to directors, alternates, officers or employees of the Bank, including experts performing missions for the Bank, except where a member deposits with its instrument of ratification or acceptance a declaration that such member retains for itself and its political subdivisions the right to tax salaries and emoluments paid by the Bank to citizens or nationals of such member.
3. No tax of any kind shall be levied on any obligation or security issued by the Bank, including any dividend or interest thereon, by whomsoever held:

- (i) which discriminates against such obligation or security solely because it is issued by the Bank; or
- (ii) if the sole jurisdictional basis for such taxation is the place of currency in which it is issued, made payable or paid, or the

location of any office or place of business maintained by the Bank.

4. No tax of any kind shall be levied on any obligation or security guaranteed by the Bank, including any dividend or interest thereon, by whomsoever held:

- (i) which discriminates against such obligation or security solely because it is guaranteed by the Bank, or
- (ii) if the sole jurisdictional basis for such taxation is the location of any office or place of business maintained by the Bank.

Article 57

IMPLEMENTATION

Each member, in accordance with its juridical system, shall promptly take such action as is necessary to make effective in its own territory the provisions set forth in this Chapter and shall inform the Bank of the action which it has taken on the matter.

Article 58

WAIVER OF IMMUNITIES, EXEMPTIONS AND PRIVILEGES

The Bank at its discretion may waive any of the privileges, immunities and exemptions conferred under this Chapter in any case or instance, in such manner and upon such conditions as it may determine to be appropriate in the best interests of the Bank.

CHAPTER IX

AMENDMENTS, INTERPRETATION, ARBITRATION

Article 59

AMENDMENTS

1. This Agreement may be amended only by a resolution of the Board of Governors approved by a vote of two-thirds of the total number of Governors, representing not less than three-fourths of the total voting power of the members.
2. Notwithstanding the provisions of paragraph 1 of this Article, the unanimous agreement of the Board of Governors shall be required for the approval of any amendment modifying:
 - (i) the right to withdraw from the Bank;
 - (ii) the limitations on liability provided in paragraphs 6 and 7 of Articles 5; and
 - (iii) the rights pertaining to purchase of capital stock provided in paragraph 2 of Article 5.

3. Any proposal to amend this Agreement, whether emanating from a member or the Board of Directors, shall be communicated to the Chairman of the Board of Governors, who shall bring the proposal before the Board of Governors. When an amendment has been adopted, the Bank shall so certify in an official communication addressed to all members. Amendments shall enter into force for all members three (3) months after the date of the official communication unless the Board of Governors specifies therein a different period.

Article 60

INTERPRETATION OR APPLICATION

1. Any question of interpretation or application of the provisions of this Agreement arising between any member and the Bank, or between two or more members of the Bank, shall be submitted to the Board of Directors for decision. If there is no director of its nationality on that Board, a member particularly affected by the question under consideration shall be entitled to direct representation in the Board of Directors during such consideration; the representative of such member shall, however, have no vote. Such right of representation shall be regulated by the Board of Governors.

2. In any case where the Board of Directors has given a decision under paragraph 1 of this Article, any member may require that the question be referred to the Board of Governors, whose decision shall be final. Pending the decision of the Board of Governors, the Bank may, so far as it deems it necessary, act on the basis of the decision of the Board of Directors.

Article 61

ARBITRATION

If a disagreement should arise between the Bank and a country which has ceased to be a member, or between the Bank and any member, after adoption of a resolution to terminate the operations of the Bank, such disagreement shall be submitted to arbitration by a tribunal of three arbitrators. One of the arbitrators shall be appointed by the Bank, another by the country concerned, and the third, unless the parties otherwise agree, by the President of the International Court of Justice or such other authority as may have been prescribed by regulations adopted by the Board of Governors. A majority vote of the arbitrators shall be sufficient to reach a decision which shall be final and binding upon the parties. The third arbitrator shall be empowered to settle all questions of procedure in any case where the parties are in disagreement with respect thereto.

Article 62 **APPROVAL DEEMED GIVEN**

Whenever the approval of any member is required before any act may be done by the Bank, approval shall be deemed to have been given unless the member presents an objection within such reasonable period as the Bank may fix in notifying the member of the proposed act.

CHAPTER X **FINAL PROVISIONS**

Article 63 **SIGNATURE AND DEPOSIT**

1. The original of this Agreement in a single copy in the English language shall remain open for signature at the United Nations Economic Commission for Asia and the Far East, in Bangkok, until 31 January 1966 by Governments of countries listed in Annex A⁷ to this Agreement. This document shall thereafter be deposited with the Secretary-General of the United Nations (hereinafter called the "Depository").

2. The Depository shall send certified copies of this Agreement to all the Signatories and other countries which become members of the Bank.

Article 64 **RATIFICATION OR ACCEPTANCE**

1. This Agreement shall be subject to ratification or acceptance by the Signatories. Instruments of ratification or acceptance shall be deposited with the Depository not later than 30 September 1966. The Depository shall duly notify the other Signatories of each deposit and the date thereof.

2. A Signatory whose instrument of ratification or acceptance is deposited before the date on which this Agreement enters into force, shall become a member of the Bank on that date. Any other Signatory which complies with the provisions of the preceding paragraph, shall become a member of the Bank on the date on which its instrument of ratification or acceptance is deposited.

Article 65 **ENTRY INTO FORCE**

This Agreement shall enter into force when instruments of ratification or acceptance have been deposited by at least fifteen (15) Signatories (including not less than ten [10] regional countries) whose

⁷ As of 31 January 1966, all the countries (except Indonesia) which are shown in Annex A had signed the Agreement. Indonesia was admitted to the membership of the Bank at the Inaugural Meeting of the Board of Governors of the Asian Development Bank held at Tokyo in November 1966.

initial subscriptions, as set forth in Annex A to this Agreement, in the aggregate comprise not less than sixty-five (65) per cent of the authorized capital stock of the Bank.

Article 66

COMMENCEMENT OF OPERATIONS

1. As soon as this Agreement enters into force, each member shall appoint a Governor, and the Executive Secretary of the United Nations Economic Commission for Asia and the Far East shall call the inaugural meeting of the Board of Governors.⁸

⁸ The Inaugural Meeting of the Board of Governors of the Bank was held at Tokyo, Japan from 24 to 26 November 1966.

2. At its inaugural meeting, the Board of Governors:

(i) shall make arrangements for the election of directors of the Bank in accordance with paragraph 1 of Article 30 of this Agreement; and

(ii) shall make arrangements for the determination of the date on which the Bank shall commence its operations.⁹

3. The Bank shall notify its members of the date of the commencement of its operations.

⁹ The Bank commenced its operation on 19 December 1966.

Annex A^a

MEMBERS OF THE ASIAN DEVELOPMENT BANK AND AMOUNT OF THEIR SUBSCRIPTIONS TO THE CAPITAL STOCK OF THE BANK

<i>Regional Countries^b</i>		<i>Non-Regional Countries</i>	
	<i>Amount of Subscription (in million US dollars)</i>		<i>Amount of Subscription (in million US dollars)</i>
1. Afghanistan	4.78	1. Austria	5.00
2. Australia	85.00	2. Belgium	5.00
3. Cambodia	3.50	3. Canada	25.00
4. Ceylon	8.52	4. Denmark	5.00
5. China	16.00	5. Finland	5.00
6. India	93.00	6. Germany, Fed. Rep. of	34.00
7. Indonesia	25.00	7. Italy	20.00
8. Japan	200.00	8. Netherlands	11.00
9. Korea, Rep. of	30.00	9. Norway	5.00
10. Laos	0.42	10. Sweden	5.00
11. Malaysia	20.00	11. United Kingdom	30.00
12. Nepal	2.16	12. United States	200.00
13. New Zealand	22.56		
14. Pakistan	32.00		
15. Philippines	35.00		
16. Viet-Nam, Rep. of	12.00	Sub-Total	350.00
17. Singapore	5.00		
18. Thailand	20.00	GRAND TOTAL	965.00
19. Western Samoa	0.06		
Sub-Total	615.00		

^a E/CN.11/TRADE/L.100, 27 December 1966 (Annex 1).

^b Indonesia was admitted to membership of the Bank at the Inaugural Meeting of the Board of Governors held at Tokyo in November 1966. Although the Government of Iran signed the Agreement establishing ADB, the Government did not ratify it.

Annex B^a

ELECTION OF DIRECTORS

Section A. Election of Directors by Governors representing regional members

(1) Each Governor representing a regional member shall cast all votes of the member he represents for

a single person.

^a Agreement Establishing the Asian Development Bank, United Nations, pp.39-40, as approved by the Conference of Plenipotentiaries on the Asian Development Bank, held at Manila, Philippines from 2 to 4 December 1965.

(2) The seven (7) persons receiving the highest number of votes shall be Directors, except that no person who receives less than ten (10) per cent of the total voting power of regional members shall be considered as elected.

(3) If seven (7) persons are not elected at the first ballot, a second ballot shall be held in which the person who received the lowest number of votes in the preceding ballot shall be ineligible and in which votes shall be cast only by:

- (a) Governors who voted in the preceding ballot for a person who is not elected; and
- (b) Governors whose votes for a person who is elected are deemed, in accordance with paragraph 4 of this Section, to have raised the votes cast for that person above eleven (11) per cent of the total voting power of regional members.

(4) (a) In determining whether the votes cast by a Governor shall be deemed to have raised the total number of votes for any person above eleven (11) per cent, the said eleven (11) per cent shall be deemed to include, first, the votes of the Governor casting the highest number of votes for that person, and then, in diminishing order, the votes of each Governor casting the next highest number until eleven (11) per cent is attained.

(b) Any Governor, part of whose votes must be counted in order to raise the votes cast for any person above ten (10) per cent, shall be considered as casting all his votes for that person even if the total number of votes cast for that person thereby exceeds eleven (11) per cent.

(5) If, after the second ballot, seven (7) persons are not elected, further ballots shall be held in conformity with the principles and procedures laid down in this Section, except that after six (6) persons are elected, the seventh may be elected—notwithstanding the provisions of paragraph (2) of this Section—by a simple majority of the remaining votes of regional members. All such remaining votes shall be deemed to have counted towards the election of the seventh Director.

(6) In case of an increase in the number of Directors to be elected by Governors representing regional members, the minimum and maximum percentages specified in paragraphs (2), (3), and (4) of Section A of this Annex shall be correspondingly adjusted by the Board of Governors.

Section B. Election of Directors by Governors representing non-regional members

(1) Each Governor representing a non-regional member shall cast all votes of the member he represents for a single person.

(2) The three (3) persons receiving the highest number of votes shall be Directors, except that no person who receives less than twenty-five (25) per cent of the total voting power of non-regional members shall be considered as elected.

(3) If three (3) persons are not elected at the first ballot, a second ballot shall be held in which the person who received the lowest number of votes in the preceding ballot shall be ineligible and in which votes shall be cast only by:

- (a) Governors who voted in the preceding ballot for a person who is not elected; and
- (b) Governors whose votes for a person who is elected are deemed in accordance with paragraph (4) of this Section, to have raised the votes cast for that person above twenty-six (26) per cent of the total voting power of non-regional members.

(4) (a) In determining whether the votes cast by a Governor shall be deemed to have raised the total number of votes for any person above twenty-six (26) per cent the said twenty-six (26) per cent shall be deemed to include, first, the votes of the Governor casting the highest number of votes for that person, and then, in diminishing order, the votes of each Governor casting the next highest number until twenty-six (26) per cent is attained.

(b) Any Governor, part of whose votes must be counted in order to raise the votes cast for any person above twenty-six (26) per cent, shall be considered as casting all his votes for that person even if the total number of votes cast for that person thereby exceeds twenty-six (26) per cent.

(5) If, after the second ballot, three (3) persons are not elected, further ballots shall be held in conformity with the principles and procedures laid down in this Section, except that after two (2) persons are elected, a third may be elected—provided that subscriptions from non-regional members shall have reached a minimum total of \$345 million, and notwithstanding the provisions of paragraph (2) of this Section—by a simple majority of the remaining votes. All such remaining votes shall be deemed to have counted towards the election of the third Director.

(6) In case of an increase in the number of directors to be elected by Governors representing non-regional members, the minimum and maximum per-

centages specified in paragraphs (2), (3) and (4) of Section B of this Annex shall be correspondingly adjusted by the Board of Governors.

Annex 2

AGENDA

1. Statement by the Executive Secretary.
2. Election of the chairman and vice-chairmen.
3. Adoption of the agenda.
4. Consideration of the draft Charter of the Bank, taking into account the Report of the Consultative Committee on the Asian Development Bank.
5. Report of the Meeting to the Ministerial Conference on Asian Economic Co-operation and to the Conference of Plenipotentiaries: Establishment of the Asian Development Bank.
6. Other matters.

Annex 3

STATEMENT BY U NYUN, EXECUTIVE SECRETARY OF THE UNITED NATIONS ECONOMIC COMMISSION FOR ASIA AND THE FAR EAST

On behalf of the Secretary General of the United Nations and on my own behalf, I have great pleasure in welcoming you all to this Special Preparatory Meeting of Officials on the Asian Development Bank. I am particularly happy to see that the meeting is very well attended by distinguished and high-ranking representatives of ECAFE member and non-member countries. This is evidence of the very keen interest of the Governments and the importance they attach to the Asian Development Bank project which is of vital importance to Asian economic co-operation and development.

The establishment of the Asian Development Bank is a great step forward in the United Nations Development Decade, a step that is bound to accelerate the economic development of the developing countries of Asia. The Bank when established will be able to mobilize additional resources within the region and also attract additional funds from outside the region and will finance various projects either not financed or only inadequately financed by existing institutions. The whole emphasis of the project is on additionality in terms of both resources and projects to be financed. The Bank will constitute an organization through which better understanding and relations among the Asian countries will be fostered; and, most important of all, its establishment will be the result to Asian initiative and international co-operation. The Bank will also do much to promote closer co-operation between Asian countries on the one hand and the rest of the world on the other, as the capital subscription will not come only from Asian sources, although Asian countries will provide the larger part. I believe this is the only right approach, since the responsibility to develop the depressed areas of the

world belongs not to any particular group of countries or to any particular region, but to the world at large. For this reason, I am most gratified to note that this Asian-initiated project has gained wide support not only from countries in the ECAFE region, but also from developed countries elsewhere. This makes it quite certain that conditions are now favourable for the early establishment of the Bank.

As you know, the preparatory work leading to the present stage of the establishment of the Bank was undertaken within a span of time that was very short in relation to the complex and delicate nature of the work. After the Expert Group on Regional Economic Co-operation, which met in the summer of 1963, had proposed that a regional development bank be established as one of the measures for accelerating economic development in this region, the Preparatory Meeting for the Ministerial Conference on Asian Economic Co-operation examined and endorsed the proposal in October 1963. In December of the same year, at Manila, this proposal was incorporated in the action programme for Asian economic co-operation which was embodied in a resolution unanimously adopted at the first Ministerial Conference on Asian Economic Co-operation. In October 1964, a group of banking experts made detailed investigations of the institutional arrangements for, and various technical aspects of, the proposed Bank; the results confirmed the need and economic justification for the establishment of the Bank. The Expert Group, in formulating its recommendations, was guided by the views of Governments of member countries and took into consideration suggestions of officials from international financial institutions, such as the World Bank.

At the twenty-first session of the ECAFE Commission held at Wellington early this year, representatives of all Asian member countries gave their enthusiastic support to the scheme, thus demonstrating their serious determination to establish the Bank. The Commission unanimously passed a resolution requesting me as Executive Secretary of ECAFE to give top priority to the implementation of this important project and, at the same time, creating a consultative committee of high-level experts from nine member countries to consult further with governments within and outside the region and with appropriate international institutions, to prepare a draft charter of the Bank and to assist in every way in the formulation of measures for the early establishment of the Bank.

The scheme gained new momentum in April 1965 when the United Nations Secretary General, H.E. U Thant, held consultations with important member states of the United Nations, regarding the support they could extend to this important regional project of Asia. The Secretary General's Chef de Cabinet, Mr. C. V. Narasimhan, and the Under-Secretary for Economic and Social Affairs, Mr. Philippe de Seynes, also gave valuable assistance by holding discussions with many important officials of governments and financial institutions, thus paving the way for further progress and work. The Consultative Committee of experts from nine countries, under the able and distinguished leadership of His Excellency Secretary Cornelio Balmaceda of the Philippines, started its work in June this year at Bangkok by holding intensive discussions on various outstanding issues. The Consultative Committee then divided itself into two groups which visited 18 countries of the region and 13 countries outside the region. I was able to join the Committee in their visits to some of the countries. Much to the Committee's regret, the extremely limited time at its disposal made it impossible for visits to be paid to all the member countries and other countries interested in the economic development of Asia. The Committee re-assembled at Bangkok in August for final discussions and to prepare a draft charter for the proposed Bank. I am sure you will agree with me that the Consultative Committee have done excellent work and that they have admirably accomplished a great deal in so short a time. These outstanding experts, at great personal sacrifice, worked and travelled most strenuously day and night for seven consecutive weeks without sufficient rest. They have accomplished their inspiring mission with great success and with a keen sense of dedication and firm conviction as to the soundness of this important regional project. I am sure I am expressing the feelings of all of you when I say that we are most grateful to the Chairman and members of the Consultative Committee for performing this difficult task and carrying the work forward to the

present stage of completion. We are also most grateful for the co-operation of the nine Governments of member countries which designated such prominent experts for the purpose to assist me in the implementation of this project.

In the course of the Committee's visits to various countries, the Asian Governments, one and all, confirmed their keen support for the project and made valuable suggestions which the Committee took into account in formulating its recommendations and drafting the charter of the Bank. They also made formal and informal pledges to contribute their shares of the capital subscription. Some Governments of developing Asian countries are prepared even to increase their contributions over and above the amounts determined under an agreed formula, now known as the Asian Development Bank formula. The Asian Governments' enthusiasm has further been demonstrated by the offers they have made of their capitals and various facilities for the location of the headquarters of the Bank: nine countries, namely, Afghanistan, Cambodia, Ceylon, Japan, Iran, Malaysia, the Philippines, Singapore and Thailand, have made these generous offers.

On the basis of the resolute determination shown by the Asian countries, the Committee conducted consultations with the developed countries outside the ECAFE region, the results of which were also most inspiring and encouraging. As some governments of developed countries outside the region had hitherto not been familiar with the scheme, the Consultative Committee was given valuable opportunities to explain and clarify various issues relating to the purposes, field of operation and other aspects of the Bank, without expecting that at that stage those countries would make definite pledges. However, many governments made an encouraging response by agreeing to give the project their favourable consideration. The Committee and myself also had useful discussions with the President of the International Bank for Reconstruction and Development, the President of the Inter-American Development Bank and other officials of these institutions.

I should now like to take this opportunity to address myself to the non-regional participants in this meeting. They are advanced countries, and, what is more, they are countries that have been helpful to the economic development of the under-developed areas of the world, particularly those of Asia. This, they have been doing, both by direct bilateral loans and by subscriptions to existing international financial institutions. I would strongly appeal to them to subscribe generously to the capital of the Asian Development Bank also. The ECAFE secretariat, in addressing these countries, has indicated what, in the total complex of capital subscription so far discussed

by the Consultative Committee, would be appropriate figures for their subscription. I should, however, like respectfully to urge that the figures that we have suggested should be considered minimal and further that non-regional participants whose subscription figures are comparatively small consider favourably the possibilities of treating a figure, say of ten million dollars, as a minimum subscription to the Asian Bank. The need for funds is large and even in the case of the relatively smaller non-regional countries a figure of ten million dollars over a five-year period cannot be regarded as too high.

The Report of the Consultative Committee, which contains its recommendations and the draft charter of the Asian Development Bank, was transmitted to the governments concerned about two months ago for their comments and suggestions. I fully realize that the governments have had extremely short time to consider such an important project, but I am very glad to note that several of them have been able to complete their consideration and have already sent in their comments to the ECAFE secretariat, while others have expressed the wish to make their comments known during the course of this present meeting. I trust that, at this important meeting, the official views of all governments on substantive matters relating to the charter of the Asian Bank will be exchanged and carefully examined. Naturally, in order to reach agreement on certain difficult questions, mutual concessions governed by a spirit of give and take will have to be made. As the meeting is expected to prepare the ground for the Ministerial Conference on Asian Economic Co-operation which is to be held at Manila from 29 November to 1 December this year and followed immediately by the Conference of Plenipotentiaries by which it is expected that the agreement establishing the Asian Development Bank will be initialled, you have a very arduous task before you. But I am sure that at a meeting such as this one, which is constituted by men of goodwill who have come with the definite purpose of establishing an institution—a lasting institution, I would say—for the benefit of Asia, there will be no confrontation of any kind and that the various problems relating to the establishment of the Bank, which is of vital importance to the development of the countries of Asia, will be discussed and solved in the true ECAFE spirit of friendly understanding, conciliation and co-operation on the part of all concerned. With the high degree of cultural development and political maturity which distinguish the countries represented at this meeting I am sure that compromises on various difficult issues can be reached and that we shall be able to complete our task satisfactorily.

Before closing, I wish to express my gratitude to other United Nations offices that have given us continued assistance and support in the implementation of this great project. They include the United Nations Bureau of Technical Assistance Operations, which has provided the necessary funds for carrying out the preparatory work, and the Legal Office of the United Nations Headquarters, which has provided valuable assistance in the legal field. Further support by these offices and by the United Nations Special Fund will be needed before the Bank can be finally established.

In accordance with the recommendations of the Consultative Committee, I have drawn up for your consideration a programme of preparatory work or interim arrangements for the establishment of the Bank covering the period after the signature of the Agreement establishing the Bank and its coming into legal existence, and I have made representations with appropriate United Nations authorities for financing the programme. The programme was drawn up in the light of the experience of similar existing financial institutions. Copies of it will be circulated to you during the course of this meeting. I am confident that ECAFE, despite its limited resources, will be able to assist increasingly in the final realization of this important Asian project with the support of other United Nations agencies.

In conclusion, I wish to say that the United Nations and ECAFE in particular has taken great pride in being instrumental in the establishment of the very much needed Asian Development Bank. This institution, in order to serve the Asian countries effectively, must be strong, independent and financially viable. It will then provide an outstanding example of international co-operation leading to the attainment by the Asian peoples of decent living conditions—a breakthrough in the struggle of the Asian nations for economic and social well-being. It will also constitute a great achievement in the United Nations Development Decade I fervently hope that the members of this Preparatory Meeting, with their sound judgment constructive approach, will succeed in laying firm foundations for the prompt establishment of the Asian Development Bank, which will accelerate Asian economic development and will open up new opportunities for more fruitful and concerted work among the countries of Asia in fulfilling the peoples' rising expectations of a better life.

I wish you every success in your deliberations.

Annex 4

GENERAL STATEMENTS BY DELEGATIONS TO THE SPECIAL PREPARATORY COMMITTEE OF OFFICIALS ON THE ASIAN DEVELOPMENT BANK

Member countries of ECAFE

Australia
Cambodia
Ceylon
China
India
Iran
Japan
Republic of Korea
Laos
Malaysia
Nepal
Netherlands
New Zealand
Pakistan
Singapore
United Kingdom
United States of America
Union of Soviet Socialist Republics

Non-member countries of ECAFE

Belgium
Canada
Federal Republic of Germany

On behalf of my delegation, let me say how glad we are to be taking part in this meeting which is designed to carry a stage further the plans for the establishment of the Asian Development Bank.

The importance of this meeting is appreciated by us all. It is true that, as it is a meeting at the official level, we are not in a position to commit our Governments to the results of our deliberations. Nevertheless, it is obviously of the greatest importance that we succeed in reaching a consensus at this meeting which will render it possible for our Ministers later this year to set their stamp of approval on the report and Articles of Agreement which we propose to remit to them.

It is, I am confident, the hope of all of us that, in the years to come, this meeting—and the subsequent meeting at Manila—will be viewed, in our region of the world, as rivalling in importance the meeting

held over twenty years ago at Bretton Woods which led to the establishment of the World Bank and the International Monetary Fund.

On this occasion, we are indeed fortunate to have before us the report—and draft articles of agreement—prepared by the Consultative Committee under the able chairmanship of our esteemed colleague, Mr. Balmaceda. I am sure, that all of us would wish to pay tribute to the work done by this Committee which will obviously render very much easier the task now before us.

Although the views of my Government on the main issues connected with the establishment and successful operation of the Asian Development Bank have already been circulated to the meeting in the form of a Conference document, ADB/4, I should like to refer to certain paragraphs of that document which will serve to indicate the nature of our general approach to the main issues.

We agree that membership of the Bank should be open to regional and non-regional members of ECAFE and to developed countries outside the region which are members of the United Nations or any of its specialized agencies. The question of whether members' dependent territories in the Asian region should have access to the Bank's facilities is a matter of some interest to us, and in considering Australia's approach to the proposals—including the amount of our subscription—we had in mind that Papua and New Guinea would be eligible for Bank loans.

We concur in the suggestion that the authorized capital of the Bank be \$1,000 million and we are prepared to go along with the proposal that, to preserve the Asian character of the Bank, about \$600 million be subscribed from within the region and \$400 million from non-regional countries. Nevertheless, as recognized by the Committee, it is important from the standpoint of economic development to attract as much capital as possible from outside the region.

We concur in the Committee's proposals that half of the authorized capital should be paid in (probably in five instalments spread over five years or so), that the remainder should be callable only to meet obligations arising from default of loans and that, of the paid-in portion, 50 per cent be in gold or convertible currency and the remainder in local currency. At the same time, we welcome the fact the Committee has not adopted the proposals relating

to terms and conditions which were based on a distinction between developed and developing countries. We attach particular importance to the provision that 50 per cent of the paid-in capital should be in local currency, the use of which could be restricted to goods and services purchased from the country concerned for bank-financed projects. For reasons explained to members of the Consultative Committee who visited Australia in July the foreign exchange implications have an important bearing on the amount of the subscription which Australia would feel able to contribute.

So far as the allocation of subscriptions is concerned, we appreciate that there is a very strong case for adopting a formula to determine the manner in which subscriptions should be allocated among those members of the region who would expect to be net recipients of Bank assistance. We do not consider, however, that the figures produced by any formula are necessarily appropriate in the case of a country such as Australia which needs to consider the amount of its subscription in the context of its total aid effort and maintain an appropriate balance between competing requests for Australian aid. Our thinking on this matter has already been explained in detail to members of the committee.

After giving the matter very careful consideration, our Government feels that on the basis of the terms and conditions proposed in the Committee's report, an Australian subscription of \$75 million towards a total initial capital of \$1,000 million would be appropriate. You will appreciate, of course, that a commitment to make a contribution of this magnitude could not be entered into until the draft Charter which is to be worked out at this meeting has been considered as a whole by the Government and a decision has been made regarding Australian membership.

With respect to voting arrangements, we believe it to be a sound principle that in a banking institution, voting should normally be in proportion to capital subscribed. We recognize, nevertheless, that this principle will need to be modified to some extent to ensure that the Bank is substantially Asian in character.

We agree generally with the proposals made by the Committee regarding management. A board of directors of approximately ten members would seem to be appropriate, of whom seven might be regional and three non-regional directors.

In conclusion, Mr. Chairman, I do not propose to dilate on the significance which a well-constituted and soundly-run bank could have for the economic development of the region. Nor is it necessary for

me at this learned gathering to discuss the wider implications of economic development for the peace and prosperity of our whole region. These broader considerations are clearly of the greatest importance and we would be foolish to lose sight of them. Our immediate task, however,—and I speak as one of the many present today who have been brought up in the hard world of public finance and banking—is to satisfy ourselves that each of the Articles of Agreement of this proposed Bank is drafted in a way which will lay a firm foundation for its successful operations.

We in the Australian Delegation approach this task in a positive spirit, and I am confident that this will be the spirit in which this meeting will be conducted.

Statement by the delegation of Cambodia

We should like to express our full support for this project, which is one of ECAFE's most valuable undertakings. The countries of the region will, as a result, have their own institution to which they can turn for assistance in their development. We congratulate the Executive Secretary, the Consultative Committee and the Expert Group on the excellent working documents they have prepared, for example, the preliminary report and the draft Charter and Agreement for the Bank.

Statement by the delegation of Ceylon

At the early stages of this meeting, I expressed confidence that, this committee would reach very successful agreements. So far we have reason to be glad of the progress we have made, in spite of setting aside some of the more difficult problems to be tackled later on, under the dynamic chairmanship of yourself and the three vice-chairmen. We can now be optimistic about reaching agreement on the remaining articles.

We believe that it is widely agreed that the proposed Asian Development Bank can play a significant role in the economic development of the region and can also be of benefit indirectly to non-regional members. The funds that will be at the disposal of the Bank will be used to finance projects and programmes that will be of lasting benefit to the countries of the region.

Since the Bank will be in operation only in the second half of the United Nations Development Decade it will be necessary to make available to the Bank substantial funds so that it will be in a position to make a real impact on the countries of the region during the rest of the Development Decade. The capital of the Bank and any Special and Trust Funds will have to be depended on in the early years for lending and other investment operations. However,

when the Bank is well established and sound management policies have been followed it should be possible to raise funds in the money markets of the world. For this purpose, the size of capital resources will be one of the important factors. We should, therefore, endeavour to reach the goal of a one billion dollar capital subscription for this Bank. No doubt several prospective members are now having difficulties in their balance of payments but since the raising of this capital is so important for the success of the Bank, member countries should make every effort to subscribe their share capital so as to be able to make up the billion dollar subscription. My own country—Ceylon—has experienced serious balance of payment difficulties over the last few years and our foreign exchange reserves are at a very low level. Nevertheless, my Government has agreed to contribute \$8.52 million which is the amount indicated against Ceylon in Annex “A” as the amount of capital contribution. So, Mr. Chairman, others should likewise co-operate in this matter of raising the required capital and show our sincere desire to make this Bank a success. We look particularly to the non-regional countries which have indicated their willingness to become members and to others which are still giving consideration to this matter to make substantial contributions to make up \$400 million. That will encourage the regional countries which have balances of payments problems to come forward with their shares to make up \$600 million. It is indeed a very good gesture on the part of some countries which do not have long historical associations with the countries of Asia to express their willingness to participate as non-regional members of the Bank.

Another matter on which I wish to say a few words, is maintaining the Asian character of the Asian Development Bank and giving adequate representation on the Board of Directors to the smaller Asian nations. The non-regional members which have agreed very generously to assist will, I believe, agree that the Bank should maintain its Asian character. They have already expressed sympathy for the point of view put forward that smaller Asian countries may not have a sufficient voice in the Board of Directors. If my understanding is correct, they did appreciate that there was a problem of a large number of smaller Asian countries having to share three or four directorships. Some reasons that were expressed for not approving the increase of the number of regional directors from seven to nine were not very convincing. However, there was one good argument, as I stated the other day. I agreed then that on the grounds of economy it may be difficult to support a larger Board. No doubt the expenses would be increased if the Board was increased by two additional directors. It is for this reason, Mr. Chairman, that I suggested that instead of a full time

Board, we approve that the Board should meet periodically, say once a month. If that were agreed to, the costs would be reduced considerably and the objection to two additional directors could be removed. If necessary, the alternates who would be paid less, can be on a full time residential basis. In the early years of the IBRD, before the IFC and IDA came into operation, the directors did not have much work. A regional development bank, at least in the initial years, need not have a full time Board. This policy will also enable the member countries to appoint top officials or businessmen of high calibre and with the best experience in banking, finance, industry, commerce and economic development, which will be so useful to the Bank.

To sum up, Mr. Chairman, I wish to make two urgent appeals. The problems of Asia are immense. They need to be faced and faced quickly. We do appreciate the assistance already being made; but, as you know from the figures, an investment of about \$500 million a year is necessary to help Asia to conquer poverty. We in Asia are, through this Bank, attempting to help ourselves but the scale of operations is too big for us alone. Besides we also think of the past historical associations over centuries that Europe had with Asia. I think particularly of Great Britain and France. There was a time not long ago when the savings and assets of the people in these lands were invested in the western world for development of that area. Is it too much, to ask for a reverse investment? This is not aid but an investment from more than one angle—grants, loans and aid are an investment when they help to achieve a higher standard of living, as they can provide markets for the donor countries too. Purchase of shares in a Bank is also an investment. The second point is that, for historic reasons, the countries of Asia may be fearful that this Bank, the fruit of their strenuous efforts will be dominated by few great powers. I can only make an appeal to them in these words “please do not give room for such fears”.

Statement by the delegation of China

The Chinese Government welcomed the idea of forming a regional development bank for Asian countries from the beginning of its inception and has since watched its progress with great interest. We warmly welcomed in Taipei first the arrival of Dr. Castro for consultation with the Chinese Government on this matter, and later, for more discussion, four members of the Consultative Committee, among whom were the distinguished delegates from India, Mr. Krishnamoorthi, the distinguished delegate from Vietnam, Prof. Hach and the distinguished delegate from Iran, Dr. Agah. My Government has a record of supporting Asian regional economic, financial, as well

as technical co-operation. We believe the establishment of Asian Development Bank is a large step forward in the direction of multilateral economic co-operation.

We are in general agreement with the Committee report and its draft charter. We like its general tone of hardline thinking, which I am happy to find, is also in accord with the general thinking of my colleagues. We agree with the report's reasoning, for instance, that no more than 10 per cent of the share capital should be devoted to soft loans so that the Bank may build up its credit standing. For the same reason, the Bank should not embark on ambitious social projects especially during its early stages. With the same logic we believe that, for this new institution to be successful, all participating members, whether regional or non-regional, must first of all be genuinely interested in the economic well-being of this region, and that, for the Bank to be effective in its operation, the members must be of like mind and subject themselves to the monetary and financial self-discipline that is universally required of all nations. This is why we suggested that, like IBRD, membership in the International Monetary Fund be a requirement for all members of Asian Development Bank. Incidentally, this would also absolve this Bank of the burden of having to decide the par values of member's currencies.

Most of the countries in this area, like my own, are capital-importing countries, and are limited in their own investible resources; we therefore think that this charter should not set a rigid quota for the contributions to the capital funds of the Bank by the non-regional developed countries. We think some flexibility, more or less on the lines suggested by the distinguished delegations of Japan and Australia, would be beneficial to the future operation of the Bank without being harmful to its regional character.

Mr. Chairman, my delegation's mind is still open on many issues of importance. We are willing to listen to what our distinguished colleagues in this room have to say in the coming session. We firmly believe that whatever will be decided in this meeting will be of lasting value to the future of the Asian Development Bank.

Statement by the delegation of India

My Government has warmly welcomed the idea of the Bank and, subject to the Charter being as a whole and in material details eventually satisfactory and subject to due parliamentary approval, has decided to participate in it in an appropriate role. In so doing, it has had in mind the reasons that the Consultative Committee has mentioned as underlying

the institution of the Asian Bank. We are aware that an international spirit of goodwill and, even more, of co-operation has to be assiduously cultivated in the region; and we are also aware that international goodwill and co-operation, to be lasting, have to be based on the satisfaction, at least to a reasonable degree, of the legitimate national aspirations towards a better life and a better exploitation of the God-given resources of each area. We regard the Asian Bank not only as an end in itself but, also, as a means to a growing and diversified pattern of economic (and perhaps other) "togetherness" in this region; and would emphasise in this context the concept of the Bank as truly non-political in nature. Freedom from political prejudice and from political motivation is absolutely necessary if the Bank is to be formed and is to survive.

Secondly, we pay full homage to the view taken in earlier deliberations that the Bank should be Asian in its conception, in its management, in its outlook, in its operation and in the bulk of its resources. We subscribe to the idea that, to an extent that does not impair the Asian character of the Bank, outside resources should be welcomed not merely because a substantial proportion of the developmental imports of this region come from outside but also because the growth of economic co-operation in this region should appropriately be against a background of growing co-operation over the globe.

Thirdly, we believe it necessary to promote the flow of development funds, within this region and from outside, so as to escalate the rate of growth in the region; and we subscribe to the proposal to set up this Bank since we believe it will increase that flow. It will also bring capital into developing countries which should be as multilateralized as possible. Then this Bank, Asian in its nature, understanding and sympathies, will become a legitimate, and indeed preferred, source of such multilateralization. Further, we note that there is a sense of fatigue with what is called foreign aid; and we are convinced that, sooner rather than later, we should, as a region, develop collective contacts with sources of funds that are not necessarily governmental; this the Bank should be able to do.

My Government has noted with pleasure that the Consultative Committee has adopted in its work the motto "Realism for Growth". We believe that many of its recommendations — indeed most — are characterized by absence of wishful thinking and by a forward look. Of course, like many others present here, my delegation may be presenting in the course of discussions some suggestions for improving the Charter devised by the Consultative Committee, but, at this stage, we view its report as a whole with some satisfaction.

It is perhaps too much to expect that the Charter, as drafted by the Consultative Committee, will emerge unchanged through this Preparatory Committee. It is at this juncture important to remember that, while we have had a consensus of views with many of the Governments represented here during earlier discussions, every Government has to determine its role finally in light of what the Committee could evolve in its deliberations. It is important, I believe, to observe that, in the process of refining the draft Charter, while endeavouring to maintain flexibility and versatility in its approach, we should avoid, what I may call, "upsetting the apple cart". Ultimately, it will be the totality that emerges from this Committee that will mould the final decision of all and everyone of our Governments; and to the extent that totality fundamentally sustains the major tenets underlying the draft before us, to that extent, in our view, which may be no more than wishful thinking, acceptance perhaps can be more readily forthcoming. It is from this point of view that my delegation will, to the maximum of possibility, approach the task of this Committee.

Before I close, it only remains for me to urge on this body, and perhaps on other Governments that have not come here today, that the essence of the Bank as it has so far evolved is its multinational composition. In the eventual charter, they may be a point here, a point there, that individual Governments outside the area may not quite agree with. But this is only inevitable. And my delegation would respectfully urge that the matter will be dealt with so thoroughly that, when it comes into being, the Bank will represent a genuine attempt at co-operative growth with nations participating in it—in more than nominal fashion—that represent many cultures, many forms of economic and political organization, many stages of growth and many talents. Human life has been enriched by the crossflow of many labours, many experiences and many thoughts regardless of national boundaries; and so my country hopes, will this institution.

Further statement by the delegation of India

In the draft Charter as we have evolved it there is evidence of a maximum attempt to realize the purposes with which we started out. We have in the main sustained, in material respects, the thoughts of the Consultative Committee which were shared with the Governments of the many countries that the Consultative Missions visited. We have also in some respects refined and improved some of the basic thoughts that that Committee had. The resulting draft is one, I believe, which not only potential members in all parts of the world, but also a wider circle of banking, commercial and developmental bodies, will

come to regard as pre-eminently satisfactory. The thorny issues of voting powers, composition of the Board of Directors, use of local currency subscriptions and Special Funds have been dealt with on the basis of consensus; as such consensus has operated not merely on the need for compromise but also—equally—on the need for a sound answer, the results have been welcome.

The Conference of Ministers, and subsequently of Plenipotentiaries, at Manila in a few weeks, will, I am sure, be able to proceed with their business with despatch. The question of the location of the Bank, it is true, has yet to be decided; and that, I expect, will be the most important single bit of work that our Ministers will face at Manila. I do hope that the spirit of consensus that has dominated our work so far will similarly guide the decision of the location issue at Manila.

Certain other issues will also face those Ministers. First is the question of finalizing the Annexes A and B to the draft charter. By that time, we must, and will, have a fairly definitive picture of the individual subscriptions of all potential participants. In this connexion, so far as India is concerned, I need only refer to our statements circulated as TRADE/ADB/11 and the clarifications thereto. There will obviously be need for marginal adjustments, but this should be not a great difficulty particularly in the case of the regional countries.

Another task will be to authorize the beginning of appropriate preparatory work. We have endorsed a paper relating to these arrangements which would be possible with United Nations financial assistance. In view of the need to save as much time as possible in the Bank becoming operative, it is but right that we should ask our Ministers to authorize such action. Our Executive Secretary has indeed been most enterprising in suggesting to us not only what should be done in this regard but also where we could find the necessary resources. My delegation would hope that there will be no delay in authorizing such action. We would also hope that, pending such authorization by our Ministers, ECAFE will tentatively process the matter with the United Nations authorities for the reservation of adequate funds.

Some time between the time of the Manila meeting and the calling of the first Board of Governors meeting (say in another six months' time) we have to locate and identify the first President of the Bank. No single issue that has become before us, no single decision that we have taken, no single consensus that we have reached, is, in practice, likely to be of more far-reaching importance than in respect of the first President. To that individual will fall much of the responsibility for the whole future of the

Bank. Its first five years will largely determine its next fifty years. The President that we first choose will have an uneasy throne, a crown of thorns. He will have to take many unpopular decisions, at any rate many hard decisions. He will have to decide upon the first setting of the rudder on this ship that we have been building. Our delegation hopes that his choosing will be as efficient, as smooth and as dedicated a task as all that we have faced so far.

Before I conclude, let me address myself for a moment to our non-regional colleagues. Their presence here has been a matter of public notice and of personal gratification to one and all of us from the region. Asia can truly feel it has friends in its labours. We from India are in no position to say how friendship is to be measured in terms of quantifications; but we believe, both from our own experience in India and from what we have seen and heard at this meeting, that both the ability to contribute substantially and the spirit moving to such contributions are present in abundant measure.

We identify, and are happy to identify, such a spirit of helpfulness and responsiveness in the working here of our esteemed friends from the United States. They have displayed willingness to understand points of view put forward by the Asian representatives; they have contributed massively to the success of this meeting by the positiveness of their response to Asian initiatives. To them we owe thanks, many thanks.

We identify, and are happy to identify, a similar spirit of helpfulness in our colleagues from the Soviet Union. It is, I believe, the first time that the Soviet Union has participated in a meeting of this type since the days of Bretton Woods. It is always the first step that is the most difficult and my delegation is confident that, having taken this first step to participate in the meeting, the Soviet Union will have no hesitation in taking appropriate subsequent steps that will make that country a material participant in the Asian Bank.

We identify, and are happy to identify, such a spirit of responsiveness in the presence here of friends from other non-regional countries. We in India have had their acquaintance and friendship in developmental matters relating to my country. I can speak with truth and with warmth about the quality and the quantity of their contribution to growth in my country. I am sure that the Bank will also have the same experience of their support.

Statement by the delegation of Iran

It is gratifying to see that one of the aspirations of the Asian peoples is going to be realized. The significance of this project surpasses the financial

implications of it. It represents the determination of the Asian countries to help themselves and mobilize all the potential resources at their disposal. The need and justification for the establishment of a development bank in Asia are too evident to need elaboration. We also have valuable documents before us wherein the subject has been elaborately dealt with. I may only stress here that the Government of Iran has taken a very keen interest in the project since the very inception of the idea and our representatives in the *ad hoc* Working Group and the Consultative Committee have done their utmost to promote the cause of the Bank. We shall continue to lend our fullest support to the Bank in future.

The Iranian delegation trusts that the Governments of the region, while considering the long-term benefits to be derived from the Bank, shall be guided by a broad outlook, unimpaired by immediate considerations. There can be doubt that the creation of ADB is a positive step forward towards the acceleration of the economic development of the region and is, therefore, worthy of receiving immediate and favourable attention of all Governments in the region.

We, the delegates of the Asian countries, are gathered here to achieve an important mission which requires a great deal of a clairvoyance and sense of sacrifice for the sake of bringing into existence this stimulating machinery for our economic and social progress. We must do our best in order to reach a conclusion that will permit us to realize our goals. In this way we should pay as much attention as it must to the supra-national aspect of such undertaking.

An aspect of the Bank needs special mention. It is encouraging to note that the Consultative Committee has stressed the necessity of giving and maintaining the Asian character of the Bank. In our opinion it is this aspect which will distinguish the Bank from other international financial agencies already existing.

We hope that the Bank's establishment will materialize as soon as possible.

Statement by the delegation of Japan

The establishment in Asia of a regional financing institution has long been the cherished hope of the countries in the ECAFE region; and, as the Executive Secretary U Nyun declared in his inspiring statement this morning, it is a step that is bound to accelerate the economic development of the developing countries of Asia. That hope is now about to be realized and we are rejoiced with this bright prospect. At the same time, however, we must be fully cognizant of the common responsibility entrusted to all of us to enable this great project to be a success.

One of the most salient features of the Asian Development Bank lies in its Asian character. The proposal for establishing the Bank was initially conceived by the Asian countries and the preparations for the establishment of the Bank have been advanced by these countries with the co-operation of the ECAFE secretariat, under the able and wise guidance of its Executive Secretary U Nyun. Equally, it merits our sincere appreciation that the developed countries outside the region have warmly extended liberal hands of co-operation to this Asian initiatives. In short, the establishment of this Bank will be the result of Asian initiative and international co-operation.

Having said this, my delegation believes that, if the Bank is to be a viable project, sound management and co-operation based on the goodwill and confidence between all the participating countries within and without the region are essential. The distinguished Executive Secretary emphasized this point in his opening statement this morning, which my delegation endorses wholeheartedly.

My delegation has a keen interest in and a strong expectation for the successful results to be achieved at the present meeting. We have before us the draft Charter formulated by the Consultative Committee presided over by the distinguished Chairman of the Committee, the Honourable Cornelio Balmaceda. It is hoped that this draft will be carefully examined and discussed from all aspects during the present meeting of government representatives, so that it may be further perfected to serve as a solid ground on which the Asian Development Bank will be founded.

In this connexion, and for the sake of efficient and effective dispatch of the considerations of the Charter, I would venture to make the following suggestions on the organization of work.

First, that one or more sessional committees be set up for the purpose of expediting the deliberations on the draft Charter. It would be particularly useful to set up a drafting committee whose task it would be (i) to assist the legal adviser to formulate in legal terms consensuses arrived at in this plenary meeting, and (ii) in case there arises divergence of the views on certain issues to try to thresh out such divergent views and produce agreed versions for further consideration and approval by the plenary meeting. The composition of such a committee should be, as far as possible, small in size, while at the same time broad representation of the countries interested in the Bank should be ensured.

Secondly, that records of the discussions be kept and explanatory notes prepared for certain provisions of the draft Charter which are likely to be subject to different interpretations.

Our views and suggestions regarding the draft Charter itself have already been submitted to the ECAFE secretariat. Therefore, I shall not dwell on these points here, since we shall have occasions to do so at a later and more appropriate stage.

Still another task demanding our attention at this meeting is to arrive at a fairly firm agreement on various aspects relating to the establishment of the Bank, including such important issues as the location of the headquarters and the interim arrangements pending the establishment of the Bank. By coming to a general consensus on these matters of vital importance in good time, we would be able to prepare a successful ground for the work of the Ministerial Conference and the Conference of Plenipotentiaries to be held at Manila.

With regard to the question of the interim arrangements, the report of the Consultative Committee refers to the creation of a Steering Committee as well as the appointment of the Project Director. My Government has no basic objection to this suggestion, although there are in our view a number of points yet to be thrashed out. Among other things, my delegation believes it important that, in adopting the terms of reference of the Steering Committee, prudence and care should be taken not to prejudice the future independent management and operations of the Bank.

As the distinguished representatives are fully aware, my country has officially expressed its sincere hope that the headquarters of the Bank will be located at Tokyo. It goes without saying that, for the Bank to develop in the long run, it is essential to give to the Bank a suitable environment for this purpose. We firmly believe that Tokyo meets fully all the criteria suggested by the Group of Experts. It is because of this firm belief and conviction that we have dared to commend Tokyo as the site for the Asian Development Bank. My Government is ready to offer all necessary facilities for the setting-up of the headquarters of the Bank, including its provisional office. I should like to take this opportunity to emphasize that our candidature of Tokyo as the site of the Bank has been made in accordance with the earnest hope of the Government and the people of Japan for the sound and effective operation of the Bank, and to express our hope that our position will be well understood by the Governments of participating countries.

It was on the occasion of U Nyun's visit to Japan last May that H.E. Mr. Sato, our Prime Minister, announced the intention of the Japanese Government to subscribe up to 200 million dollars to the Bank. On behalf of my Government, I would like to reaffirm once again the position of my Government in this regard.

It is earnestly hoped that the early establishment of the Bank will be further assured at this meeting by the positive responses from the countries that have not yet indicated the amount of their subscription to the Bank.

Statement by the delegation of the Republic of Korea

I wish to review briefly the significance of the proposed Asian Development Bank and its future prospects in the light of regional economic development. In doing so, several characteristics seem worthy of observation.

Within the last few years the world has given a great deal of attention to the development of the regional economy, and there has been a wide acceptance of the proposition that the Twenty Century concept of humanity requires that all the peoples of the world have the opportunity to secure a decent standard of living. There has been also the recognition of the fact that, until this goal is secured, the world will not attain the stability essential to the maintenance of peace.

In this connexion, it is the firm belief of the Korean Delegation that the proposed Asian Development Bank will not only contribute a great deal to the development of Asian economy but also constitute a giant step towards regional economic co-operation.

As we are well aware, the present inflow of external capital into the ECAFE region is yet far short of its needs. The proposed Bank, therefore, could be a satisfactory channel to mobilize extra-regional supplies of capital into the region and also to effect some intra-regional transfers of capital from developed to developing areas, which in turn would be of long-term benefit for the entire countries in the region.

Now, the Korean Delegation, like other delegations of the region, has a strong feeling that the aspirations and efforts of the Asian countries to achieve greater intra-regional economic co-operation, which they have keenly and steadily pursued in the past few years through ECAFE, will take concrete and fruitful shape in the Asian Development Bank. The proposed Bank, I am sure, could be a positive instrument which would help solve a number of difficulties that lie ahead in the course of Asian economic development.

Now let me explain briefly the progress of Korean economic development and Korea's basic attitude towards the Asian Development Bank. Korea's first five-year economic development plan was inaugurated in 1962 and is now in its fourth year of implementa-

tion. It was initiated as a major effort to achieve the modernization rapid growth of the Korean economy and, through its implementation significant advances have been made in power, cement, coal and oil production. Particularly remarkable achievements have been made in exports. Gross National Product increased by 8.6 per cent in 1963 and 8 per cent in 1964.

The Korean delegation recognizes that there is still much to be done for the development of our economy, especially in the field of international economic co-operation. In this context, my delegation strongly supports the establishment of the Asian Development Bank and the positive measures to be taken towards regional economic development and co-operation. Through the Asian Development Bank, we are looking forward to a continued strengthening of the existing ties among the ECAFE member countries and their supporters.

I would like to conclude my statement by saying that the Korean Delegation will take an active part in this very important meeting and hope that it will come to a successful conclusion.

Statement by the delegation of Laos

The establishment of a regional development bank undoubtedly offers advantages for all the countries of the region, as it is one of the best means of speeding up economic and social development, uniting interests and strengthening solidarity in the region. The Government of Laos, therefore, attaches particular importance to its establishment and hopes that it will become a reality as soon as possible. It has an important role to play in the promotion of harmonious economic development throughout a large part of the world, within the framework of clearly formulated plans designed to facilitate the creation of a new, homogeneous and viable economic unit in whose expansion intraregional and interregional trade will play a major role. It is also a delicate matter, since it brings into play the interests of widely differing countries at different stages of economic and political development and with unequal natural potentialities and resources. The Government of Laos, therefore, hopes that, at least during the first ten or twenty years following the Bank's establishment, serious efforts will be made to give priority to economically depressed areas in order to establish a balance favourable to self-sustained development.

The delegation of Laos is glad to note that the Expert Group considers it essential for the Bank to give particular attention to the needs of the smallest developing countries of the region. It would like to emphasise the imperative need for immediate assistance to those countries. For instance, it would be

useful, without duly straining the Bank's capital resources, to include either in article 19 (the establishment of Special Funds by the Bank) or in article 11, provision for 10 per cent of the registered capital to be allocated to a Special Fund for soft loans granted on interest and repayment terms specially favourable to small countries.

The Bank should also try to eliminate political and economic obstacles hindering trade between the landlocked countries of the region and the rest of the world.

While recognizing that the Bank must have sufficient funds to be able to provide financing for useful projects with minimum delay, my delegation considers it necessary to limit participation because of the risk of non-liquidity detrimental to development finance in the region, and agrees that the Bank's capital should be fixed at \$1,000 million. It hopes that, in the event of a subsequent increase in the Bank's stock, priority in subscription will be given to countries initially poorly endowed, but wishing, in view of their subsequent economic development, to contribute more substantially to the Bank's capital.

My delegation approves the convertible currency proportion of the cash payments proposed (in article 6 of the draft Charter), and favours the use of immediately callable treasury bonds for the local currency portion to avoid immobilization of a large amount of local currency for variable and possibly long periods.

My delegation also agrees with the Consultative Committee on the adoption of the principle of an Asian majority in the Bank and the maintenance of a 6:4 ratio of regional to non-regional participation.

It attaches particular importance to voting, and does not consider the principle of the representation proportional to capital stock subscribed to be the best method of reaching decisions. There is a danger that considerations of profitable banking alone, favouring projects or countries in the strongest economic and geographical position, will lead to tacit agreements benefiting industrialized countries and setting the seal on the destitution of the undeveloped countries. It cannot be denied that the undeveloped countries are still numerous and that their development should not be allowed to suffer because of their economic dependence. The system of voting rights in the Bank's governing bodies should be revised to give those countries the fair and balanced share of voting power to which they are entitled. The example of the African Development Bank offers a solution to this delicate but vital problem: when that Bank was established, it was decided that the total number of fixed votes should equal the sum of the pro-

portionate votes. We consider this to be the only principle which can ensure fair representation for every member country.

Lastly, we agree with the Consultative Committee on the composition of the Bank's Board of Directors and on the stipulation that not two Board members or alternates should be of the same nationality. This will associate the greatest possible number of countries with the Bank's administration.

Statement by the delegation of Malaysia

My Government recognizes the important role of the proposed Bank in promoting the economic development of this region and entertains great hopes that it will prove to be an effective medium to translate the aspirations of the people for economic betterment to real meaningful achievements. Accordingly, I wish to take this opportunity to reaffirm my Government's whole-hearted support for the early establishment of the Asian Development Bank. The Government of Malaysia is prepared to participate fully in the activities of the proposed Bank and is willing to subscribe its full share to the capital of the Bank.

We are indeed very happy to have been given the honour and privilege of being represented on the Consultative Committee, which has produced an excellent report. We are particularly pleased to note that the Consultative Committee has recommended that, in its operations and activities, the Bank should give special attention to the needs and problems of the smaller or less developed countries in the region.

We consider that this report, together with the draft Charter, provides a useful framework for our deliberations during the next few days. My Government is generally in agreement with the provisions of the draft Charter. Our delegation would, however, like to make known its views and comments on certain specific provisions of the draft Charter and we intend to do this in the course of the detailed examination of the Articles of the Charter.

Statement by the delegation of Nepal

The justification for an Asian Development Bank is that it would be a means of attracting additional funds to the region particularly to finance those projects and facilities for social and economic development which at present cannot obtain backing through existing sources or agencies. Such a bank could act as a focal point for, and a stimulus to, other measures for regional economic co-operation. In this opinion of the Consultative Committee, it is through regional co-operative efforts such as the proposed Bank that the concept could be translated into reality.

At ECAFE's last annual session, which was held at Wellington, U Nu, the Commission's Executive Secretary, held out hopes that proposals for the establishment of an Asian Development Bank would be submitted to an ECAFE ministerial meeting in November or December of this year. He emphasized that, without in any way duplicating any existing effort, the proposed Bank would operate additionally to what has already been done internationally or bilaterally and would co-operate with existing institutions. He added that it would mobilize additional capital and support new schemes or projects which could not now be taken up due to lack of funds in the region. Rightly, such a regional Bank will have to concentrate its lending and technical assistance activities in areas which are insufficiently covered by existing institutions. Our deliberations in this meeting will take us to the final stage of the establishment of the proposed Bank.

No doubt, the setting up of the Bank may involve some sacrifice on the part of a few member countries, particularly those such as Nepal whose financial resources are somewhat strained. But my delegation has a feeling that an initial sacrifice on their part will be worthwhile, as it will ultimately lead to the development of their own export trade and production. The success of this project, therefore, depends upon the co-operation of the member countries, which should, in assessing benefits, rise above national considerations and develop a regional outlook. At the same time, may I mention that, given the elements of co-operation among the countries of the region, the considerable help by the developed countries, as evidently testified by the participation of a number of developed countries in this meeting, will do much in ensuring the maximum mobilization of resources in promoting economic development within Asia itself.

Nepal has shown keen interest right from the very beginning when the idea of establishing the proposed Bank started getting a definite shape. It was one of the co-sponsors of the resolution on Asian Economic Co-operation which formed part of a six-point programme unanimously adopted at the Manila ECAFE session in March 1963. At the annual meeting in March 1965 at Wellington, Nepal was again one of the eleven co-sponsors of the resolution which called upon the Governments of the member countries to give urgent consideration to the proposal to establish an Asian Development Bank and urged them to present their specific views and suggestions to the Executive Secretary of ECAFE.

While the members of the Consultative Committee deserve high praise for the production of such an excellent report, on behalf of my delegation I would like to make broad comments on a two aspects. In

its reaction to the subject of voting power of the member countries, His Majesty's Government of Nepal in the course of discussions with the Consultative Group, suggested that the voting power should be given to all member countries irrespective of their subscriptions alone. This was based on the fact that one of the considerations for establishing the proposed Bank, as mentioned in the draft report, is to pay more attention to meeting the needs of development of the smaller countries and relatively less developed areas of the region.

It is stated in the report before us that, in the discharge of its functions, the proposed Bank would be able to pay more attention than has apparently been the case so far to the needs of development in the smaller countries. However, unless the smaller countries have an effective voice in the working of the proposed Bank, the above objectives will possibly not be adequately fulfilled. Again, in the opinion of the Consultative Committee, the other consideration in establishing the proposed Bank is to translate the concept of the Asian solidarity into reality and to promote regional solidarity. This, in the opinion of my delegation, however, cannot be achieved, so long as there exist the concept of bigness and smallness.

My next comment relates to the subject of the election of the President of the proposed Bank. I agree with the Consultative Committee that the success of the proposed Bank depends in large measure on the person to be appointed President, and so the President should be a person of highest competence with necessary power and prestige. Accordingly, my delegation feels that the Board of Directors, which is composed of persons of high competence in economic and financial matters, is thereby in a position to select and judge the competence of the person to be appointed President. On the other hand, if the President is to be appointed by the Board of Governors, the Governors, who meet just once a year might prefer political and other similar considerations to purely technical competence of the person concerned. Therefore, what my delegation would like to suggest is that, even if the President is endowed with the prestige and power that could be attained if he is appointed by the Board of Governors, this should be done only on the recommendation of the Board of Directors.

Statement by the delegation of the Netherlands

The Netherlands delegation would, with your permission, like to take this opportunity to express the general views of the Netherlands Government on the very important initiative for the establishment of the Asian Development Bank. My Government attaches great importance to the successful conclusion

of the discussions which started here yesterday. We consider the ADB as an instrument *par excellence* to channel additional capital for ensuring a more rapid economic progress of the Asian peoples. In accordance with our traditional policy, we welcome every effort for more effective aid for that purpose. If, as in the case of the ADB, a multilateral enterprise is based on regional co-operation and thus focussed on a special region of the world, we see as an additional advantage that a framework is construed within which effective "self-help" will be forthcoming from the receiving countries. The Netherlands Government takes, in conformity with its traditional interest in this part of the world and the traditional bonds of friendship with the ECAFE countries, a particular interest in the Asian Development Bank. We are sure that, with the co-operation of all countries concerned, the Bank will greatly contribute to the ever-increasing economic development of this region.

I may recall that my Government, inspired by these considerations, decided in July of this year that it would be prepared to contribute \$11 million (Dfl 40,000,000) to the Bank, once it had been satisfactorily established, and subject to parliamentary approval.

Allow me Mr. Chairman to draw your attention to the traditional policy the Netherlands authorities follow in respect of emissions from international institutions of which it is a member, in the Dutch capital market. In accordance therewith, the Netherlands authorities will certainly grant priority to the future ADB, if it seeks access to the Dutch capital market, on the same footing as the World Bank, the European Investment Bank and the European Coal and Steel Community.

We have taken note of the report of the Consultative Committee and the draft Charter of the Bank with great interest and are in general agreement with the substance of these documents.

Statement by the delegation of New Zealand

I am very happy as New Zealand's representative to say a few words at this early stage of our discussion. Since the decisive meeting of the ECAFE Commission at Wellington earlier this year, considerable progress has been made towards the establishment of the Asian Development Bank. It is a particular privilege to be able to participate in an ECAFE meeting which will lead almost certainly, in the very near future, to an organization which will undoubtedly make a major contribution to the development of the developing countries of the region. I would like to pay a tribute, a very sincere tribute, to the Executive Secretary whose inspiration and whose vision has done

so much to bring the establishment of the Bank near to completion. I was very pleased to read the considerable consensus of an opinion which has emerged as the result of the very hard work done by the Consultative Committee during the last few months.

Statement by the delegation of Pakistan

I should, at the outset, wish to apologize for my late appearance at our meetings, which was due to circumstances not entirely within my control. I have, nevertheless, kept myself fully informed of the excellent progress that the Committee has so far made.

I shall now venture to make a few general comments on the task that is before us. The drive for economic growth by the developing countries of the region is comparatively recent, and, indeed, serious economic planning only took concrete shape during the 1950s. As most countries started from a low level of economic development, the initial achievements in increasing growth rates were fairly significant. It is, nonetheless, discouraging that, in the current decade of the sixties, many developing countries of the region have failed to achieve the modest rate of growth of 5 per cent in aggregate national income, which was envisaged by the United Nations for this particular period.

It is now, I think, generally recognized that the slow rate of growth in various developing ECAFE countries was, to a very large extent, the result of inadequate foreign and domestic resources together with shortages of skilled manpower, even though many of the developed countries, especially the United States of America, have provided, over a considerable period of time, generous financial and technical assistance to the countries of the region. My delegation would wish to take this opportunity to express our deep appreciation for the help we have received from many countries represented around this table. I am glad to say that my country, so we think, was able to put this assistance to good use and this was reflected in our average rate of growth of 5.6 per cent during the preceding five years. We are hopeful that we shall achieve still higher rates of growth in the future, providing external assistance is continued until we can carry our economic development to what is now generally described as the "take off" stage.

We are proposing to start the Asian Development Bank with an initial capital of \$1,000 million. For a start this is an encouraging figure, but, in the opinion of my delegation, this sum may eventually prove to be inadequate. The ECAFE region has more than half the population of the world and has also unfortunately the unenviable distinction of being the poorest region. The development requirements of

Asia are enormous and the need for foreign exchange resources will be correspondingly large. I should, therefore, like to suggest that the capital of \$1,000 million should be increased substantially, if we hope to raise the Asian masses from conditions of abject poverty. The developed countries from outside the region have both a challenge and an opportunity to assist in raising the human values of Asian peoples by improving their economic prosperity. The United States and Japan have each offered \$200 million for the Bank, for which we are grateful. But much more money will be required if the Asian Development Bank is to have a significant impact on the economic development of the region. The West European countries and other developed countries, within and without the region, could also play a significant role in creating conditions of economic prosperity in Asian countries. The whole of the developing ECAFE region in an open market for their products, but low-income countries can hardly be good customers. Let them help us raise our income levels, and we shall help them absorb their expanding production and thus increase our mutual prosperity and well being.

In asking developed countries for increased foreign aid, I should like to emphasize that the developing countries of the ECAFE region would appreciate it far more if economic assistance were offered without political strings. Since most of them have lived under foreign domination for a long time, the developing countries of Asia are naturally apprehensive of any overt or covert political or economic controls. Development assistance, in our view, must be based on good faith uncomplicated by political overtones. My delegation hopes that the problem of voting will be settled in this spirit. Let the generosity of the developed countries remain uncompromised by insistence on weighted voting rights.

My delegation notes with satisfaction the recommendation to establish Trust Funds, with contributions from developed countries, which will be in addition to their normal contributions to the Bank. My delegation hopes that the terms and conditions for the use of the Special Funds will be suitably devised to meet the real needs of the developing countries. My delegation would, therefore, request the Preparatory Committee particularly to address itself to this problem and formulate satisfactory procedures for this purpose.

My delegation would also like to stress the importance of a wide and evenly balanced geographical representation in the secretariat of the Bank. Irrespective of where the Bank may finally be located, it would be desirable to draw professional staff for the secretariat from as many Asian countries as possible and to avoid undue concentration from any particular country.

Finally, I would like to express the full support of my Government for the establishment of the Asian Development Bank. We trust that the financial resources and operations of the Bank will be in addition to existing aid arrangements, whether institutionalized or on a bilateral basis. We expect the Bank to supplement existing resources, and *not* to substitute them under a different form or label.

Statement by the delegation of Singapore

Singapore has only recently been admitted to full membership of the United Nations and ECAFE. It is our intention nevertheless to participate fully in the work and activities of the United Nations and its specialized agencies. Thus it was that, within 24 hours of my country's independence, my Government conveyed to the Executive Secretary of ECAFE its intention to participate in the proposed ADB. It also offered to make the considerable facilities and amenities in Singapore available to the proposed Bank should the regional members of ECAFE wish to locate its Headquarters in Singapore.

My delegation does not wish to comment now on details of the draft Charter. My delegation however submits that the success of this Bank will depend eventually on the spirit in which the huge problems of development in Asia are approached, particularly by the developed countries of the rich north-west of the world.

The target of authorized capital set for the Bank may appear ambitious at \$1 billion. Measured however against the developmental needs of this region, it is modest. It is reliably estimated that the total volume of public and private developmental aid flowing from the developed to the developing countries of the world amounted in 1964 to \$9 billion gross, that is before deducting debt servicing payments. This volume of aid has unfortunately remained virtually stagnant over the last three or four years, even though the national wealth of the rich countries has been increasing at the rate of \$4 billion per annum. No less a personality than the President of the World Bank has estimated that the developing regions of the world could productively use another \$3 to \$4 billion a year. Undoubtedly the greater part of this increase is required in Asia. It is against such almost astronomical figures that the effort put in by the developed countries of the world in this Bank will be compared.

The importance therefore of the term "additionality", which has been stressed by the Consultative Committee in its report, is the ultimate justification for this Bank. No purpose will be served if developed countries should curtail the aid they are generously giving through other channels because of their

participation in this Bank. Considerations of political and commercial advantage should be rejected and any tendency to acquire cheap membership, as our distinguished Executive Secretary has foreshadowed, should be effectively and swiftly checked.

My delegation believes that, in keeping with the modern trend towards democratic control of national and international institutions and entities, the Bank's affairs should be so arranged that the smaller countries of this region possess, and feel that they possess, a voice in the running of this institution.

Statement by the delegation of the United Kingdom

I am authorized to announce that the British Government will subscribe US\$10 million to the Bank's capital, but on rather more favourable terms than those recommended by the Consultative Committee. That is to say that my Government will not take advantage of the suggestion that half of the called capital should be paid in promissory notes or local currency. Instead of that, the whole of the British subscription to the called capital will be paid in five annual instalments in convertible sterling. This will amount to one million dollars a year. The immediate value of a \$10 million subscription on these terms is thus doubled. This will be of particular help to the Bank at the initial stages, when it will be most in need of resources.

We consider that such a contribution is realistic and reasonable for a European country such as ours, faced as we are, and as everyone knows, with severe balance of payments difficulties, and, I might add, bearing as we do quite a large burden already in this part of the world such as no other European country has to bear.

But I should like to add that this offer is without prejudice to the possibility that it might be improved upon later.

Further statement by the delegation of the United Kingdom

I am afraid that the British delegation have only taken a modest part in these debates. But you may think that this was appropriate in view of the relatively modest contribution which the British Government are proposing to make to the Bank.

I myself have unfortunately no knowledge of banking, although my colleague Mr. Everard has. But what I do pride myself on knowing something about my own country and my own Government and the way in which they work. And at the risk of being repetitions and boring the meeting I might

perhaps be allowed to describe once more what our position is and why it is what it is.

When the project was first mooted, the British Government was full of warm feelings towards it. It seemed to them exactly the sort of co-operative enterprise which was needed in the interests of the developing countries in Asia. The fact that it was launched under the auspices of ECAFE further commended it, the British Government being as you know a particularly ardent supporter of the United Nations and in fact the second largest contributor to its economic and social activities. What therefore they would instinctively have liked to do would have been to provide a really big contribution in the same spirit as for example they recently made a large voluntary payment in order to help rescue the Assembly of the United Nations from ceasing to function.

However, their number one objective at the present moment is to put the British economy on its feet. They think that, until this is done, there can be no assurance that Great Britain will be of much use either to itself or to anybody else in the world in the future. Their reckoning is that our international payments account will be in balance by the end of next year as a result of the fairly ruthless measures that are now being taken. And thereafter there will be two or three years during which some of the indebtedness that has piled up will have to be discharged. During this period of retrenchment and reorganization, all appeals for new overseas expenditure must be ruthlessly resisted and existing commitments (excluding aid commitments) must where possible be cut. And I might mention here that our flow of aid and investments to the developing countries is now about 1 per cent of our GNP.

What therefore were the British Government to do about the Asian Development Bank? They were in a dilemma. There were two possible courses for them, one at each extreme. They could have thrown ruthlessness and consistency to the winds and produced a whacking great contribution, or they could have said "We wish you well but we are not going to give you anything at all until we are in a better position because everything must be subordinated to the settlement of our accounts." In fact they took neither of these courses but in characteristic fashion plumped for a compromise. Hence the offer I made the other day of a modest contribution of ten million dollars accompanied by the vague promise of a possible improvement later. This was how it happened. It had nothing whatever to do with buying membership on the cheap. If anybody doubts me on this point, of course I cannot prove what I am saying. But they can take it from me that this sort of inducement did not enter into it.

But, as is always the way with compromises, even when right they please nobody. And I have sensed that this has been the case with our offer. It may not appear more pleasing having it explained in this way, though at least it is possible that the British Government's motives may be better understood.

Though it is rather a trite thing to say, it is of course every country's duty to try to understand the motives of other countries and even if it does not approve of them at least to have regard for them. Moreover no country's motives or attitudes or interests are the same as any other's. And yet a country's decision on a practical matter such as its contribution to a Bank of this kind is simply a function of its attitudes and its interests as it itself determines them.

The idea that there can be a right and proper contribution for each country which can be settled by some sort of divine and omniscient computer system is really rather absurd. And yet, in some of the things that I have heard during this meeting and even in some of the documents which I have seen, I have detected the prevalence of this error.

Now my country is a European country. This is a fact that sometimes tends to be overlooked, which may not be so surprising in a part of the world in which we carry commitments which no other European country dreams of carrying. And we think incidentally that, by fulfilling these commitments, we are contributing to the stability of the area without which there would be little development and probably no Bank.

Our biggest and nearest neighbour, France, has decided not even to attend this meeting and to have nothing to do with the Bank. The decision was taken, I am told, as a matter of principle; and, whether one agrees with it or not, one has to respect it. The largest country in Europe, the great Soviet Union, has on the other hand been represented at the meeting, and in a very able and distinguished manner if I may say so. But it has not yet chosen to make it known in public whether it is going to make a contribution to the Bank and, if so, how much. Nobody should complain about this, as it no doubt has some excellent reasons of its own for remaining discreet. The distinguished representative from Germany has held out hopes of a substantial contribution from his Government. But he has also not told us what it is, on the perfectly understandable ground that the new German Government has only just come into power. Perhaps he will shortly lift the veil. The distinguished representative of Belgium has offered a contribution on behalf of his country. It does not seem to me that it is anybody's business to quibble with the amount. We have also heard

about a fine contribution from the Netherlands. Other European representatives here have remained silent. It is not for anyone to blame them.

My point is that each country's case differs from that of every other one. My own country happens at this moment to be passing through a period of adjustment and of re-examination of its place in the world. It is in the light of this fact that its contribution to the Bank was settled at the figure I have named. It will ill become anyone in matters of this sort to sit in judgment and to say that such a one should do this and such another should do that.

I apologize for the length of my intervention but I thought it worth making in the light of what I have detected to be a certain disappointment with my earlier announcement to which, however, I have nothing now of substance to add.

Statement by the delegation of the United States

It is always a great pleasure to be able to reserve a general comment until the end of the meeting when that meeting represents a very substantial accomplishment, and I think that the past ten days have, in fact, represented a very substantial achievement. While working here with our fellow delegates from various countries we have found an immeasurable degree of co-operation and of understanding and it is with particular pleasure that the United States delegation has been able to participate in this proceeding. I think that now, as we look forward to the next big stride for putting this Bank in operation at the meeting in Manila, we can all feel this deep sense of dedication, interest and gratification. During this meeting, I have listened with great interest to many comments made by many of my colleagues. Two of them particularly, I think, stand out in my mind; one the distinguished representative of Ceylon, who very graciously called our attention to the fact that this is an Asian Development Bank. I think it important that we keep this always continually in our view. The second comment that seemed to me for great significance was made by the distinguished representative of the Philippines, in which he pointed the way towards ensuring that this Bank would, in fact, be an Asian Development Bank fully Asian in character; and this fact, as will inevitably emerge from the interest and deep dedication shown by the members of this meeting, must indelibly stamp upon the institution itself its essential character. We have also to keep in mind the objectives of the Bank, which have been expressed so well by the distinguished Executive Secretary and others, namely that it is for the purpose of economic development of the region and of its growing co-operation. These objectives to us will mean that we are talking about employment and income and jobs and higher living standards for

the people of this region, of this area. We have been proud to play a part in these proceedings; this morning a report was brought before us which I myself frankly and personally thought would be impossible to achieve. The group that laboured so diligently through most of the night is deserving of our deepest gratitude and so, as we conclude these meetings, we leave with a sense of gratification, a sense of deeply co-operative spirit and with the view in sight of the final establishment of an institution, the value of which can be immeasurable.

Statement by the delegation of the Soviet Union

The Asian Development Bank, as we understand it, is being established for the purpose of promoting the economic and social progress of the developing countries in this region, i.e. those which for a number of reasons have lagged behind in their development and which need assistance in order to achieve more rapidly an advanced and modern economy. The independent economic development of countries which have attained national independence comparatively recently is not possible without such assistance.

The Soviet Union is a steadfast supporter of the economic independence of developing countries. In making its contribution to international economic co-operation, the Soviet Union extends various forms of economic assistance to developing countries, including those in Asia and the Far East, mainly on a bilateral basis.

This aid is given on favourable terms and it is primarily directed towards the state sector of principal branches of the economy in developing countries. We are firmly convinced that it is the priority development of the state sector which makes possible the establishment of an advanced and diversified national economy, a fact confirmed by our own country's experience and that of many other countries. These principles for assistance to developing countries have entirely justified themselves and the Soviet Union intends to continue this practice in the future.

We should like to emphasize, however, that the Soviet Union also uses other forms of international economic co-operation, including collective ones. For instance, it participates in a number of multilateral arrangements in operation between socialist countries. The Soviet Union also takes part in certain multilateral aid programmes administered under United Nations auspices. However, the Soviet Union only supports those forms of co-operation which genuinely serve the economic interests of developing countries and take account of their real needs and potentialities.

The Soviet Union views favourably and with understanding the idea of establishing the Asian Development Bank as a form of regional economic co-operation offering certain additional opportunities for developing the economies of countries in the region. It was this fundamental purpose of the Asian Development Bank that the Soviet Union had in mind when it supported the resolution concerning its establishment at the twenty-first session of ECAFE. The appropriate Soviet Union authorities have carefully studied the Consultative Committee's report, the draft Charter for the Bank and other documents circulated by the ECAFE secretariat. We should like to make the following comments.

First of all, we are not sure that the true interests of the developing countries of the region will be safeguarded with such an extensive membership of developed countries, especially non-Asian ones, as proposed in these documents. We believe that the true purpose of the Bank would be better served by confining membership to developing countries of the region, which would themselves direct the Bank's operations without external influence. In making this suggestion, we do not, of course, mean that developed countries should be excluded. They could assist the developing countries of the region through other forms of co-operation with the Bank, for instance by extending loans, participating in the Bank's Special Funds and giving technical assistance.

The Consultative Committee's report and the draft agreement express a different view and purpose inviting developed Asian and non-Asian countries to participate in the Bank as members. We feel that, under such conditions, it would be wise to ensure that the influence of those countries is not decisive, otherwise it is quite possible that the Bank will not be used in the interests of the developing countries of the region. Such a safeguard could, in fact, be provided by equal distribution of votes between the members of the Bank. Unfortunately, the proposed measures would not achieve this aim. All the alternative systems of vote distribution mentioned in the report would operate to the disadvantage of the developing countries of the region. As a result, they would always be in a minority.

To avoid this, we consider it would be more fair to base the distribution of votes among members of the Bank not on the size of contribution to the Bank's capital stock, but on the principle of an equal number of votes for every member. On such a basis of equality, every country would be able to play its due part in the Bank's operation. This is all the more important since the draft Agreement contains no practical basis for fixing a quantitative maximum

for the contribution of each non-Asian country, which could also result in the domination of the Bank's operations by a small group of developed countries.

The Soviet delegation is also concerned that these documents make no distinction between the use of the Bank's resources for financing projects in the public and private sectors in developing countries of the region. Thus, a situation could arise in which the Bank's resources would be predominantly used for financing the private sector at the expense of the public sector. We believe that this could have a most unfavourable effect on the economy of those countries of the region which regard development of the public sector as the best means of overcoming backwardness and speeding up economic and social progress.

The report and the draft Agreement suggest that the Bank should, among other things, help to create favourable conditions for attracting foreign capital to countries in the region. We fear that this might be followed by undue strengthening of the position of private foreign concerns within the economies of certain countries, especially as the draft before us contains no safeguarding provisions. We believe it would be desirable to orientate the Bank's operations in such a way as to prevent any possible harm to the economic interests of developing countries in the region from private foreign corporations. The activities of the Bank must be based principally on co-operation with national governmental and international institutions and with governments.

We should also like to point out that the provision in the draft Agreement for developing countries to pay 50 per cent of their contributions to the Bank's stock in convertible currency places them at a disadvantage *vis-à-vis* the developed countries. These contributions will obviously impose an additional burden on the developing countries.

The comments I have just made were submitted to the Consultative Committee's mission at Moscow, but I regret to say that they are not reflected in the documents before us. That is why I have repeated them here. I hope the honourable representatives will keep in mind the views expressed by the Soviet delegation.

In conclusion I should like to comment also on the article of the draft Agreement dealing with membership of the Bank. The present version, unlike the original draft of the Charter, excludes from possible membership of the Bank certain countries within and outside the region which for various reasons are not members of the United Nations or its specialized agencies. We consider that the original wording was more appropriate as it did not provide for their exclusion, but offered all countries interested

in economic co-operation with the countries of Asia and the Far East an opportunity to participate in the Bank.

Further statement by the delegation of the Soviet Union

In the process of the Preparatory Meeting, the Soviet delegation had the opportunity to express its points of views concerning the main problems of the Asian Development Bank.

At the same time, in the process of discussion, we have got clearer understanding about the positions of different delegations concerning the organizational principles, character of Asian Development Bank and future activity of Bank.

We consider the developing countries of the region must play the main role in establishment, management and activity of the Bank, inasmuch as the very idea of this institution is directed to render economic assistance to these countries.

That is why we are in full accord with those nations which manifested at the present meeting the same approach to the establishment of Asian Development Bank.

The results of this meeting require, from our side, the further consideration of a number of questions connected with the peculiarities of the establishment and activities of Asian Development Bank. We intend to study and consider carefully the proceedings of the Preparatory Meeting, taking into account all aspects and all details appearing in the process of discussion.

At the same time, the Soviet delegation would like it to be recorded that, whatever decision is taken about the membership in Asian Development Bank, the Soviet Union will consider under appropriate concrete circumstances the question about co-operation with Asian Development Bank, such as economic and technical assistance in the promotion of appropriate projects in developing countries of Asia and the Far East, if such a desire be expressed, and it could also help in the establishment and activity of Asian Development Bank by sending its experts and by training specialists for the Bank.

Statement by the delegation of the Soviet Union on Article 32 of the Draft Charter

The Soviet delegation considers vote distribution to be the most important and fundamental organizational principle of the Bank. The solution adopted will determine to a large extent whether the concepts proposed as a basis for the Bank can become a reality.

In our opinion, vote distribution based on the size of capital contribution will not give countries equal rights in the Bank's administration. The system specified in the draft Charter will obviously place most of the decisions regarding the Bank's operations in the hands of the countries contributing most capital, which of course will not be the developing countries of the region. With voting rights based on size of contribution, the orientation of the Bank's activities will ultimately depend on the interests of a small group of developed countries controlling most of the votes. Insofar as the interests of the Bank's proposed participants do not coincide, there can be no guarantee that, under the suggested voting system, the needs of the region's developing countries will always be met in the manner most acceptable to them.

We believe, on the other hand, that, with proper organization based on equal rights for all members in its administration, the Bank could most effectively promote the economic progress of the region's developing countries and help to strengthen their independence. It would be more appropriate and fairer to divide all the votes equally among the Bank's members, irrespective of their individual contributions to the capital stock.

I might mention as an example the success of the International Economic Co-operation Bank, of which every member country, irrespective of its capital contribution, has only one vote in administrative decisions. Thus all its members have absolutely equal rights and opportunities in directing the Bank's activities.

In conclusion, I should like to state that our views regarding the principle of vote distribution apply equally to all articles of the draft Charter which deal in one way or another with voting procedure.

Statement by the delegation of Belgium

The Belgian Government has sent a representative to this meeting because of its interest in the development problems of Asian and Far Eastern countries and in ECAFE projects, especially the Asian Development Bank. My Government has carefully studied the Bank's proposed role, which seems to be threefold:

- (i) To attract capital to the region.
- (ii) To finance undertakings connected with the economic and social development of the region which at present receive inadequate or no financial assistance from existing sources or institutions.
- (iii) To serve as a channel for and stimulus to other co-operation measures now under consideration.

Its first function, as a catalyst to attract new capital, is of particular interest to developed countries such as Belgium, whose financial institutions hope to be able to collaborate with the Bank by financing exports of capital goods for development projects. This could initially be based on reliable information supplied by the Bank about clearly formulated development projects and subsequently on the Bank's guarantee in respect of certain financing operations or on a system of parallel or simultaneous financing. Other forms of collaboration can be studied when the Bank begins its operations. With these possibilities in mind, and in the context of our Government's development aid policy, our Minister of Finance and the Secretary of State for Development Co-operation intend, subject to the approval of the Council of Ministers and eventually the Belgium Parliament, to contribute to the Bank's capital stock US\$5 million (250 million Belgian francs). I realize that this figure does not come up to the expectations voiced by the Executive Secretary in his statement at the opening of this session and repeated last Saturday. However, the question of minimum subscription for membership is a delicate though very important one, not only for Belgium, but for several other small developed countries. I should like to give an assurance that, in wishing to subscribe to the Bank's capital, the Belgian Government is motivated purely by a spirit of co-operation and not by hopes of benefiting under article 14 (ix), which was extensively discussed here last Saturday when the representative of Malaysia expressed reservations on economic grounds and the provision was supported by the representatives of the United States and Japan as a considerable incentive for developed countries to join the Bank.

Speakers also emphasized the importance of knowing how much developed countries would contribute, and I believe that this appeal was also addressed to countries in the region. I realize that accurate information on the contributions of potential members of the Bank is important for further discussion of certain articles of the Bank's Charter dealing with relations between countries in the region and outside it and also for the successful establishment of the Bank, as the Executive Secretary pointed out. I feel we should not lose sight of the fact that the Charter embodies two fundamental principles which have to be taken into account; that there should be an authorized capital stock of \$1,000 million and that the capital stock should be subscribed. However, in the various existing international financing institutions, those established at Bretton Woods as well as the IDB and the ADB, the subscribed capital stock did not reach the authorized level from the outset. For instance, the ADB with an authorized capital of \$250 million has a subscribed capital of \$211.2

million, the IBRD with an authorized capital of \$18,000 million has a subscribed capital of \$9,100 million. It is almost certain that, in the case of the proposed bank, some member countries which sign the Agreement Establishing the Bank within the prescribed time-limit will not, for various reasons, deposit the instruments of ratification immediately or even within the first few months following the Agreement's entry into force.

Statement by the delegation of Canada

The Canadian Delegation is extremely pleased to be at Bangkok for these discussions. We are not regional members but I want to assert and emphasize from the outset our vital and pacific interest in the area to be served by the proposed Asian Development Bank. Some months ago—I believe it was last April—our Prime Minister spoke of the need to accelerate (and I quote him) “in a dramatic way” the development of this region. A little later we were privileged to receive in Ottawa a number of the members of your Consultative Committee under the distinguished leadership of Dr. Balmaceda of the Philippines. We liked what we heard from that mission, and I can tell you now that we intend to play our full part in the establishment and operation of this promising new institution.

Our response to the invitation to participate in these meetings has therefore been an enthusiastic one. I am confident we shall be able to reach the right decisions about the shape and character of the new institution we are setting out to create. I am sure also that the warmth of Thai hospitality—already as evident to us as the warmth of their sun—creates exactly the right setting for the important business before us.

For these meetings are important to all our countries, regional and non-regional alike. For us this is the first opportunity to participate in discussions of the proposed Charter. We find the text before us to be largely satisfactory; I think those able officials who worked so hard on it deserve our commendation and gratitude. For our part, although we will have certain comments to make, we will try to limit our interventions to those matters on which we have particular problems and, as newcomers, we know we will be able to count on your sympathetic understanding.

It may assist the Conference in understanding the Canadian approach if I mention several matters virtually seriatim:

Firstly, as you may already know, the Secretary of State for External Affairs has already announced the Canadian Government's willingness in principle

to subscribe up to 25 million United States dollars to the capital stock of the Bank.

Secondly, it would be our hope as well to attempt to work out with the management of the Bank when it is established arrangements or procedures which would ensure the most effective use of a part of our expanding resources for bilateral development assistance.

Thirdly, as the documentation before us makes clear, the proposed ADB is Asian in initiative, and it will be Asian in character and orientation. Canada believes that is as it should be. We welcome wholeheartedly this Asian initiative for an Asian Bank, not only for what it promises to do for the region, but also as a healthy indication of the regional approach in action.

Fourthly, it is our conviction that the interests of the developing countries of the region will be served best by an institution which will create the confidence necessary to stimulate a flow of financial resources into the area well in excess of the level of the Bank's initial capitalization. We seek to create an institution which will be soundly based in financial terms, protecting and investing wisely its initial capital resources, but which will at the same time be endowed with sufficient flexibility to enable it to help solve a wide range of development problems. A good deal will depend on the wisdom of the management, who will, I am sure, wish to proceed cautiously in extending the Bank's areas of operation. It is clear that high developmental priority must be a basic criterion of the Bank's operations, whether in its ordinary or in its special operations.

Fifthly, we hope that an appropriate link will be forged between the Bank and the United Nations, and that arrangements can be made to permit the participation in the Bank's activities of others in a position to contribute.

Finally, I should like to underline the fact that the proposed Charter has been in our hands only some two weeks. As now drafted, it would seem designed to meet the legal and constitutional requirements of those countries which participated actively in its preparation. From our vantage point, however, the timetable which has been set is ambitious when one considers that in a very few weeks it is proposed that country representatives re-assemble to approve the Charter. We shall learn more as we proceed on an article-by-article examination of the document. But I hope others more familiar with the terms of the proposed Charter will bear with us as we seek clarification and offer comment where our interests seem to be particularly involved.

Statement by the delegation of the Federal Republic of Germany

This meeting is concerned with a work of great importance. It has to discuss the draft Charter for the new Asian Development Bank and thus to form the shape for a new institution which will, as we all hope, bring about a lasting benefit to the nations of this part of the world.

The German Government has followed with interest the initiative taken by the Asian countries to establish a regional development Bank which will devote itself to assisting the economic development in Asia through regional co-operation. My Government welcomes the fact that the Asian countries themselves have taken the initiative to form the new Bank. It noted that developed countries from outside the region are called upon also to participate in this organization. Germany has already for quite some years taken part actively in the development efforts of Asia. Our development aid to a great number of countries of Asia bears witness of our endeavours. I am glad to report that, notwithstanding its large bilateral and multilateral aid for a great number of countries in Asia and despite its great actual budget problems, Germany is prepared—subject, of course, to parliamentary approval—to participate in the share capital of the Bank. However, I am not yet in a position to indicate the amount of our intended participation. We have had an election year in Germany—the Federal elections are just behind us—and the establishment of the new Government is still in process.

Mr. Chairman, as far as the draft Charter and the report of the Consultative Committee are concerned, I can state that we are in general agreement with most of the conclusions. The Committee has done an excellent job and I wish to congratulate it on the thoroughness and thoughtfulness of its deliberations. I welcome in particular that the activities of the new institution will be based on sound banking principles and I find myself in agreement with the basic ideas embodied in Articles 1, 2 and 3 of the draft Charter. Indeed, the success of the Bank will depend on its ability to contribute to an optimum utilization of the resources available to the countries of Asia. Those points in respect of which I have to make observations and comments on the wording of the draft Charter I will mention in the course of our discussions.

There is one further remark I would like to make at this stage. We have noted with concern that the intended meeting of Plenipotentiaries is to be scheduled immediately after the Ministerial Conference at Manila. This would not only mean that the final conclusions of the Ministerial Conference would be unknown to the non-regional countries until their delegates arrive at Manila—a very difficult situation if delegates are expected to carry with them the full powers of their Governments to initial the Charter. It would also leave only a few weeks for the final review of the findings of this Special Meeting in the capitals. A postponement of the meeting of Plenipotentiaries for some weeks should, therefore, be seriously considered.

Annex 5

PROPOSED PROGRAMME OF PREPARATORY ARRANGEMENTS FOR THE ESTABLISHMENT OF THE ASIAN DEVELOPMENT BANK

The Consultative Committee on the Asian Development Bank at its meeting held at Bangkok on 27 October 1965, considered a programme of preparatory arrangements for the establishment of the Asian Development Bank. The Committee decided to recommend for consideration by the Special Preparatory Meeting on the Asian Development Bank the preparatory arrangements set forth in the succeeding paragraphs.

Introduction

1. Upon the signing of the Agreement at the Conference of Plenipotentiaries at Manila in December 1965 establishing the Asian Development Bank, a period of approximately six months will elapse before the Bank becomes a legal entity, that is, before the

Agreement enters into force. During this time, a great deal of preliminary or preparatory work could usefully be undertaken, which would pave the way for the Bank to commence operations as soon as it comes into legal existence.

2. The practical value of having a programme of preparatory work prior to the establishment of the Bank is demonstrated by the experience of existing regional financial institutions. It took more than one year of preparatory work before the Inter-American Development Bank began its initial lending operations. It appears likely that similar work for the African Development Bank will take not less than two years.

3. In its report, the Consultative Committee on the Asian Development Bank recommended that a programme of interim arrangements be formulated as

soon as possible for consideration by the Ministerial Conference on Asian Economic Co-operation and the Conference of Plenipotentiaries scheduled to be held at Manila from 29 November to 1 December and 2-4 December, respectively.

4. The arrangements proposed below are intended to cover only the period immediately after the signing of the Agreement establishing the Bank and its inauguration, which is estimated at approximately six months. It must be stressed that the arrangements should be such that the discretion of the future management of the Bank is not in any way prejudiced. Arrangements for the Bank's subsequent activities may be considered at a later date by the *ad hoc* Committee and the Project Director in consultation with the Executive Secretary of ECAFE, in case the entry into force of the Agreement is delayed.

Objectives of the programme of preparatory arrangements

5. In the interim period, it is desirable that an inter-governmental body be organized and a Project Director appointed to undertake the various activities relating to the ratification of the Agreement establishing the Bank, to initiate and supervise the preparations for the physical facilities for the headquarters of the Bank at the site selected, to undertake substantive preparations for the first meeting of the Board of Governors and the Board of Directors, to study the manpower requirements of the Bank and the preparation of training schemes for its future staff, and to devise, initiate, prepare and implement such other arrangements and measures as may be necessary or desirable for the Bank's establishment.

6. The preparatory arrangements would not only serve to facilitate the task of bringing the Agreement into force and thereby reduce the period between the signing of the Agreement and the coming into legal existence of the Bank; they would also allow for the preparation of the necessary groundwork for the Asian Development Bank, which would reduce the interval between the Bank's opening and the beginning of its lending operations.

Organization of an *ad hoc* Committee on the Asian Development Bank

7. The *ad hoc* Committee should be an inter-governmental body charged with undertaking the preparatory arrangements relating to the establishment of the Bank. Both regional and non-regional countries should be represented on it. The terms of reference proposed for it are given on the following page.

8. The Committee could be established by the Conference of Plenipotentiaries. It should be of an appropriate size, with perhaps a maximum of nine members, but adequately representative of the membership of the Bank to enable it to function effectively. It might be necessary for the Committee to meet from time to time to review the progress made with the preparatory arrangements and to recommend further measures for the establishment of the Bank.

9. This programme of preparatory arrangements may be regarded as generally within the sphere of ECAFE activities. The Project Director will be under the policy guidance of the *ad hoc* Committee in consultation with the ECAFE Executive Secretary.

Structure and staffing

10. A Project Director should be appointed by the ECAFE Executive Secretary on the recommendation of the *ad hoc* Committee. The Project Director should have the necessary powers to enable him to carry out his responsibilities effectively.

11. The Project Director should be an Asian with high qualifications and general administrative experience in the banking, financing and development fields.

Preparation of various studies

12. A great many studies would be required during the preparatory period for the first meeting of the Board of Governors and Directors of the Bank. These would include the general by-laws of the Bank; terms of service of Governors and Directors; procedures for the election of Directors; terms of service of the President and Vice-President(s); Headquarters agreement; agreements on co-operation with other international, regional and national organizations and institutions; general structure of services of the Bank; loan and guarantee regulations; temporary investment of surplus funds; arbitration procedures; staff rules and regulations, training programmes for the Bank staff; technical assistance programmes; etc.

Collection of basic economic, financial and other data and studies

13. One of the activities of the Bank which deserves consideration during the preparatory period is the collection of economic, financial and other data which the Bank would need for evaluating project proposals once it starts operating. Such data, information and studies, which take time to collect and organize, would help the Bank in beginning its project evaluation or appraisal work soon after its inauguration.

Other organizational matters

14. Another important task for the preparatory period is the follow-up action necessary to ensure, and perhaps to accelerate, the ratification of, and in some cases accession to, the Agreement establishing the Asian Development Bank at the designated date. Follow-up action may, therefore, have to be undertaken by both the Executive Secretary of ECAFE as Trustee of the Bank and the Project Director. It will include maintaining continuous contact with the signatories of the Agreement and holding consultations with the governments of countries that have not yet signed the Agreement.

Scheme for financing the programme

15. It is estimated that the preparatory programme will involve an expenditure of approximately \$200,000. It is desirable that this amount be provided by the United Nations. Since it will not be possible to find the entire amount from within the ECAFE budget, the additional funds would have to be obtained from the United Nations Headquarters and the United Nations Special Fund.

16. A breakdown of the anticipated cost of the programme is given below. It should be pointed out that the various items have been distributed according to the proposed sources of financing.

Proposed budget for the portion of the Programme of Preparatory Arrangements prior to the establishment of the Asian Development Bank for which, it is suggested that finance be obtained from Technical Assistance Funds (UNTA Regular Programme and Working Capital Reserve Fund):

Ad Hoc Committee

Travel and subsistence of members of the Committee. It is expected that the Committee will meet three times during the six-month period ..	\$ 30,000
<i>Professional staff</i>	62,244
Staff travel on appointment and separation	5,000
Staff travel on official business ..	25,000
<i>Contingency</i>	1,756
TOTAL:	\$124,000

Proposed budget for the portion of the Programme of Preparatory Arrangements prior to the Establishment of the Asian Development Bank which it is suggested ECAFE could finance:

<i>Professional Staff</i>	\$ 38,854
Travel of staff on appointment and separation	2,000
Temporary services	5,000
Office; equipment and related expenses	8,000
<i>General Services</i>	7,710
<i>General Expenses</i>	
Communications, cable, postage, etc.	
Office supplies and services	
Printing of official records, studies and reports, etc.	11,000
<i>Contingency</i>	3,436
TOTAL:	\$ 76,000

Sources of Finance

It is recommended that the total budget for the Proposed Programme Estimated to amount to \$200,000 (see Annexes I and II), be financed as follows:

United Nations funds

UNTA Regular Programme	\$38,000	
ECAFE Regular Budget ..	20,000	
Supplementary Budgetary Assistance	56,000	\$114,000
<i>Contingency funds (WCRF)</i>		86,000
TOTAL:		\$200,000

Draft Terms of Reference of the Preparatory Committee on the Asian Development Bank

(a) To consult and maintain contact with the signatories of the Agreement Establishing the Asian Development Bank with a view to advancing its ratification, and to consult with appropriate authorities in Asian countries and developed countries elsewhere which have not signed the Agreement regarding their signature and ratification thereof or accession thereto;

(b) To devise and undertake appropriate initial steps for the establishment of the headquarters of the Bank including the installation of the various facilities required by the Bank and its staff at the location finally decided upon;

(c) To undertake substantive preparations for the first meeting of the Board of Governors and Directors, including the preparation of the draft for headquarters agreement, loan and guarantee regulations, structure of services of the Bank, arbitration procedures, general by-laws, agreements of co-operation with other institutions, staff rules and regulations, temporary investment of the surplus funds of the Bank, procedures for the election of directors, terms of service of governors and directors, and other instruments or arrangements which would promote or advance the early organization of the Bank and the commencement of its operations;

(d) To study the manpower requirements of the Bank, to draw up a list of personnel available from within the ECAFE region, and to prepare schemes for training future personnel of the Bank, care being taken as not to prejudice the selection of the staff by the Bank's management; and

(c) To devise, initiate, prepare and implement in consultation with the Executive Secretary of ECAFE such other arrangements and measures as may be necessary or desirable for the furtherance of its purposes.

Annex 6

LIST OF PARTICIPANTS

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^a These include:

- (i) Members of the United Nations, participating in a consultative capacity under paragraph 9 of the terms of reference of the Commission;
- (ii) The Federal Republic of Germany, participating in a consultative capacity under ECOSOC resolution 617 (XXII) of 27 July 1956;
- (iii) Switzerland, participating in a consultative capacity under ECOSOC resolution 860 (XXXII) of 29 December 1961.

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