



THE SECRETARY OF THE TREASURY
WASHINGTON

October 5, 1979

Dear Paul:

The Senate will shortly take up HR 4473, the FY 1980 Appropriations Bill for Foreign Assistance and Related Programs, which includes funding for the World Bank and the regional development banks. I urge you to support the Bill as reported by the Committee on Appropriations, and to oppose amendments which may be offered from the floor to reduce the funding levels for the banks or to restrict their use of U.S. contributions.

For fundamental policy reasons, it is essential that the Bill not include provisions restricting the use of our funds by the banks. The issue is not bank lending to Vietnam or any other particular country. None of the banks is making any new loans to Vietnam, given the conditions there, in any case.

The real issue is continued U.S. participation in the banks. Under their charters, the banks cannot legally accept funds restricted in such a way from the United States or any other member country. This has been confirmed by legal opinions from the institutions, the Executive branch, the General Accounting Office, the Congressional Research Service, the American Bar Association and an expert group of the District of Columbia Bar.

If restrictive provisions were to be adopted, the banks would have to turn down all contributions from the United States during FY 1980. This would produce a drastic curtailment, or outright cessation, of multilateral development bank lending.

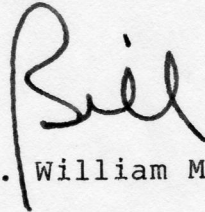
Developing countries would be deprived of badly needed resources at a time when they face particularly difficult economic problems stemming from oil price increases and a world-wide slowdown in economic activity. Relations with our key allies would be severely affected, because we have worked out carefully with them the financial burden-sharing arrangements in each of the banks. More broadly, deep doubts would be generated throughout the world concerning the willingness and ability of the United States to participate effectively in cooperative international arrangements.

The result would be a debacle for U.S. foreign policy and a major setback for the economic progress that has been achieved in developing countries in recent years. Such a setback would also directly harm U.S. economic interests by reducing the demand of these countries for our exports, thereby lowering income and employment in our own country. I therefore urge you to reject any effort to add restrictive amendments to the Bill.

I also urge you to support the funding levels which the Committee has recommended for the multilateral development banks. The Committee has already made substantial reductions, cutting the Administration's original request by \$450 million or more than twelve percent. Additional reductions would hamper our ability to pursue important policy objectives within the banks such as increasing lending to the poorest people of the world and expanding the supplies of energy in non-OPEC developing countries.

Best wishes.

Sincerely,

A handwritten signature in cursive script, appearing to read "Bill", written in dark ink.

G. William Miller

The Honorable
Paul E. Tsongas
United States Senate
Washington, D.C. 20510