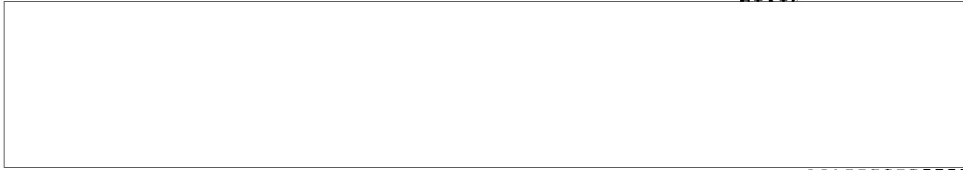


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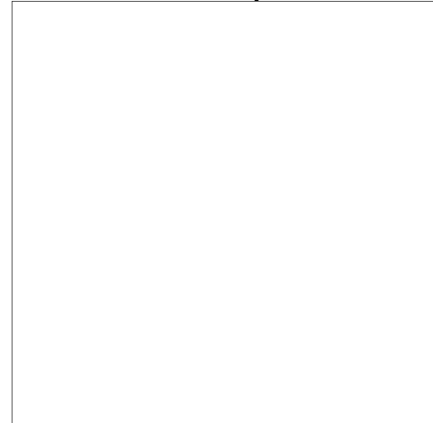
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 TO ALL EAST ASIAN AND PACIFIC DIPLOMATIC POSTS  
 RUEHNE/AMEMBASSY NEW DELHI 0000  
 RUSBTA/AMCONSUL CALCUTTA 0000  
 RUSBAY/AMCONSUL BOMBAY 0000  
 RUEHMR/AMCONSUL MADRAS 0000  
 RUFHFR/AMEMBASSY PARIS 0000  
 RUMJGM/AMEMBASSY COLOMBO 0000  
 RUEHIL/AMEMBASSY ISLAMABAD 0000  
 RUSBLK/AMEMBASSY KABUL 0000  
 RUMJHT/AMEMBASSY KATHMANDU 0000  
 RUMJDK/AMEMBASSY DHAKA 0000  
 RUEHLD/AMEMBASSY LONDON 0000  
 RUFHOL/AMEMBASSY BONN 0000  
 RUEHRO/AMEMBASSY ROME 0000  
 RUDKGPQ/AMCONSUL AMSTERDAM 0000  
 RUEHVI/AMEMBASSY VIENNA 0000  
 RUEHBS/AMEMBASSY BRUSSELS 0000  
 RUEHOT/AMEMBASSY OTTAWA 0000  
 RUDKPNQ/AMEMBASSY COPENHAGEN 0000  
 RUDKHLQ/AMEMBASSY HELSINKI 0000  
 RUDKEBQ/AMEMBASSY BERN STOCKHOLM 0000  
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INFORM CONSULS

E.O. 12356: N/A

TAGS: EFIN, EAID, ADB, US

SUBJECT: SEVENTEENTH ANNUAL MEETING OF THE ASIAN DEVELOPMENT BANK

REFS: (A) THE HAGUE 02830 (NOTAL); (B) STATE 130299; (NOTAL); (C) STATE 133050

1. SUMMARY: THE SEVENTEENTH ANNUAL MEETING OF THE ASIAN DEVELOPMENT BANK (ADB) TOOK PLACE APRIL 25-27 IN AMSTERDAM, THE NETHERLANDS. THE ATMOSPHERE SURROUNDING THE SESSIONS WAS TRANQUIL GIVEN THERE WERE NO MAJOR FINANCIAL ISSUES CONFRONTING THE ADB. MEMBERSHIP FOR THE PRC AND THE BEGINNING OF AN INDIAN LENDING PROGRAM, THE PRIMARY OUTSTANDING QUESTIONS, WERE SUPPORTED BY A NUMBER OF REGIONAL AND NON-REGIONAL GOVERNORS IN THEIR SPEECHES. BUT THE BANK TOOK NO FORMAL ACTIONS ON THESE ISSUES. THE 1985 ANNUAL MEETING IS EXPECTED TO BE IN BANGKOK. END SUMMARY.

2. THE SEVENTEENTH ANNUAL MEETING OF THE ADB TOOK PLACE APRIL 25-27 IN AMSTERDAM. IMMEDIATELY PRIOR TO THE MEETING, APRIL 24 THE ADB CO-SPONSORED A WELL-ATTENDED SEMINAR, EUROPEAN ENTERPRISE AND THE ASIAN CHALLENGE. THIS WAS THE THIRD ANNUAL MEETING HELD IN EUROPE SINCE 1978. THE U.S. DELEGATION HEADED BY TREASURY ASSISTANT

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SECRETARY DAVID D. MULFORD INCLUDED FOUR CONGRESSMEN: JERRY PATTERSON (D-CAL) AND JOHN LAFALCE (D-NY) OF THE HOUSE BANKING COMMITTEE, LOUIS STOKES (D-OHIO) HOUSE APPROPRIATIONS COMMITTEE, GARY ACKERMAN (D-NY); HOUSE FOREIGN AFFAIRS COMMITTEE AND A NUMBER OF CONGRESSIONAL STAFF. U.S. DELEGATION HELD BILATERALS WITH JAPAN, KOREA, PHILIPPINES, TAIWAN AND AUSTRALIA AND WITH ADB PRESIDENT FUJIOKA (ALL REPORTED SEPARATELY).

3. ADB PRESIDENT AND THE GOVERNORS SPEECHES WERE RESTRAINED AND HELD FEW SURPRISES. TO THE EXTENT THAT THE PRC/TAIWAN MEMBERSHIP AND COMMENCEMENT OF INDIA BORROWING WERE RAISED, IT WAS IN A LOW KEY NON-CONFRONTATIONAL WAY (REF B). ASSISTANT SECRETARY MULFORD'S SPEECH DID NOT INCLUDE MENTION OF PRC/TAIWAN AND INDIA (REF C). THE GOVERNORS GENERALLY WELCOMED THE INTERNATIONAL ECONOMIC UPTURN AND APPLAUDED ASIA FOR HAVING WEATHERED THE WORLD RECESSION BETTER THAN MOST REGIONS. GOVERNORS WERE ALSO GENERALLY FAVORABLE TOWARD ADB EQUITY OPERATIONS INITIATED IN 1983. EUROPEAN GOVERNORS TOOK ADVANTAGE OF THE FACT THAT THE MEETING WAS IN AMSTERDAM TO STRESS POINTS OF EUROPEAN COOPERATION WITH ASIA AND THE PACIFIC. THE EUROPEANS MENTIONED THE DESIRABILITY OF AN ADB OFFICE IN EUROPE, WHERE AN INCREASING PERCENTAGE OF THE BANK'S CAPITAL IS RAISED, GREATER BANK RECRUITMENT OF NON-REGIONAL STAFF, AND REQUESTED A SPECIAL CAPITAL INCREASE TO BETTER REFLECT THEIR LEVEL OF CONTRIBUTIONS TO CONCESSIONAL FUNDS.

4. SPECIFIC POINTS RAISED BY THE GOVERNORS WERE:

A. PRC MEMBERSHIP. ELEVEN GOVERNORS MENTIONED PRC MEMBERSHIP IN THEIR ADDRESSES. SURPRISINGLY, FRANCE DID NOT, AS IT DID LAST YEAR, MENTION PRC ADMISSION. CANADA LOOKED FORWARD TO IT; AUSTRALIA SUPPORTED IT AND WELCOMED CHINA'S INTENTION TO PURSUE IT IN A FLEXIBLE MANNER AND WITHOUT PLACING AN UNDUE FINANCIAL BURDEN ON THE BANK IN THE MID-TERM; BELGIUM WAS SATISFIED WITH PROGRESS TOWARDS A SATISFACTORY SOLUTION WITH RESPECT TO THE CHARTER AND THE SAFEGUARDING OF THE INTERESTS OF ALL

MEMBERS; SWEDEN SAID ADB SHOULD BE OPEN TO ALL ELIGIBLES, THEREFORE WELCOMED PRC; NORWAY MENTIONED UN UNIVERSALITY, THEREFORE WELCOMED PRC; DENMARK NOTED PRC INTEREST, SUPPORTED IT, AND HOPED SOLUTION CAN BE FOUND WITHOUT FURTHER DELAY; FINLAND SAID THE REGIONAL NATURE OF THE ADB JUSTIFIES PRC MEMBERSHIP AND IT WISHES TO SEE THAT QUESTION SOLVED; BANGLADESH SAID ADMISSION IS LONG OVERDUE, NOTED PRC FLEXIBILITY AND PRAGMATISM AND ASKED OTHERS TO TAKE NOTE AND ACCEPT PRC AS A FULL MEMBER WITHOUT DELAY; PAKISTAN MADE ITS USUAL REFERENCES TO THE UN RESOLUTION, BUT ADDED AN URGE THAT ADB TAKE NECESSARY STEPS TO SORT OUT AND SETTLE THIS ISSUE ASAP; AND NEPAL CITED A LEGITIMATE RIGHT OF THE PRC TO BE IN ADB. TONGA, WHILE SUPPORTING PRC ENTRY, ENDORSED THE POSITION OF THE "REPUBLIC OF CHINA" AND URGED THAT THERE BE NO CHANGE IN ITS STATUS AS A FULL MEMBER OF THE BANK.

B. LENDING TO INDIA. THE U.K., FRANCE, CANADA, SWEDEN, NORWAY, FINLAND, BELGIUM, AMONG OTHERS EXPRESSED SUPPORT FOR THE INITIATION OF ADB LENDING TO INDIA. ON THE OTHER HAND, SRI LANKA EXPRESSED CONCERN THAT TRADITIONAL BORROWERS SHOULD NOT BE DAMAGED BY NEW BIG MEMBER BORROWERS.

C. RESIDENT OFFICES. SEVERAL GOVERNORS, INCLUDING THE U.S., EXPRESSED SUPPORT FOR THE PRINCIPLE OF MORE ADB RESIDENT OFFICES. BESIDES THE PROPOSAL FOR AN OFFICE IN EUROPE, GENERAL BACKING WAS EXPRESSED FOR THE RECENT BOARD DECISION TO OPEN A SOUTH PACIFIC OFFICE IN VANUATU.

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D. POLICY DIALOGUE AND DONOR COORDINATION. GOVERNORS FROM JAPAN, CANADA, FINLAND, AND THE U.S. MADE A SPECIAL POINT OF THE NEED FOR CAREFUL ADB COORDINATION WITH THE WORLD BANK AND IMF. MORE GENERALLY, THESE AND OTHER DONOR GOVERNORS UNDERScoreD THE KEY ROLE OF POLICY DIALOGUE IN BANK LENDING, PARTICULARLY AS THE ADB IS EARMARKING ON MORE INNOVATIVE FORMS OF LENDING.

E. LENDING GROWTH. THE U.S., FRG, U.K., AND FINLAND AMONG OTHERS, URGED THE BANK TO EXERCISE CAUTION IN PURSUING LENDING TARGETS, LEST IT SACRIFICE LOAN QUALITY.

F. LIBERALIZATION MEASURES. DEVELOPING MEMBER COUNTRY GOVERNORS WERE EXTREMELY SUPPORTIVE OF MORE FLEXIBLE ADB POLICIES INITIATED IN 1983 REGARDING PROGRAM LENDING, FINANCING LOCAL COSTS, SPECIAL FINANCING PROGRAMS, AND OTHER MEASURES.

5. IN HIS CLOSING REMARKS ON APRIL 27, PRESIDENT FUJIOKA ON THE PRC MEMBERSHIP ISSUE SAID "HE HOPED THE STAGE IS NOW SET FOR A CONSTRUCTIVE DISCUSSION OF THE SUBJECT". ON THE INITIATION OF LENDING TO INDIA, HE SAID HE WOULD CONTINUE DISCUSSIONS WITH THE BOARD. ON OTHER ISSUES RAISED BY THE GOVERNORS FUJIOKA REPORTED THAT MANAGEMENT WOULD DO THE FOLLOWING. THE BANK WOULD (A) CAREFULLY REVIEW THE NEW MEASURES ADOPTED IN 1983 WHICH LIBERALIZED LENDING POLICIES, (B) TRY TO DO MORE FOR THE PRIVATE SECTOR, (C) INCREASE EFFECTIVENESS OF THE POLICY DIALOGUE WITH DMCS, AND (D) DISCUSS THE SPECIAL CAPITAL INCREASE WITH THE BOARD OF DIRECTORS. HE ALSO EXPRESSED APPRECIATION FOR RECENT PLEDGES TO THE TECHNICAL ASSISTANCE SPECIAL FUND, INCLUDING \$250,000 FROM THE U.S. AFTER THE MEETING HE AGREED THAT THE BANK WOULD REVIEW ITS LENDING RATE POLICY, I.E., CONSIDER THE POSSIBILITY OF VARIABLE LENDING RATES, AS DOES THE IBRD.

6. COMMENT: THE BANK IS AT A CROSS ROADS. THE INSTITUTION UP TO NOW HAS CONCENTRATED ITS EFFORTS ON PROJECTS LENDING PRIMARILY TO THE FAST GROWING MARKET ORIENTED ECONOMIES OF SOUTHEAST ASIA AND KOREA (63 PERCENT TOTAL OF LENDING HAS GONE TO THE ASEAN STATES AND KOREA IN THE 1967-83 PERIOD) TOGETHER WITH CONCESSIONAL (ADF) LENDING TO SOUTH ASIA (75 PERCENT IN THE SAME PERIOD). A MODEST INDIA LENDING PROGRAM WILL BEGIN IN THE NEXT 12 MONTHS WITH EVENTUAL PRC BORROWING IN THE MIDDLE TO LONG TERM (AFTER 1987) A DISTINCT POSSIBILITY AS WELL. THE INTRODUCTION OF LENDING TO THESE TWO GIANTS WILL UNDOUBTEDLY CHANGE THE CHARACTER OF THE ADB, UP TO NOW CONSIDERED AS THE MOST SUCCESSFUL OF THE REGIONAL DEVELOPMENT BANKS, IN WAYS WHICH CANNOT BE FORESEEN. END COMMENT.  
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END OF MESSAGE

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