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FOREIGN OPERATIONS APPROPRIATIONS FOR 1963

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS HOUSE OF REPRESENTATIVES

EIGHTY-SEVENTH CONGRESS

SECOND SESSION

SUBCOMMITTEE ON FOREIGN OPERATIONS APPROPRIATIONS

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FRANCIS G. MERRILL, *Staff Assistant to the Subcommittee*

PART 2

Statement of the Secretary of State
Economic Assistance Program:
Europe-Africa Region

Printed for the use of the Committee on Appropriations

AUTHENTICATED
U.S. GOVERNMENT
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U.S. GOVERNMENT PRINTING OFFICE
82714 WASHINGTON : 1962

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FOREIGN OPERATIONS APPROPRIATIONS FOR 1963

THURSDAY, JUNE 7, 1962.

STATEMENT OF THE SECRETARY OF STATE

WITNESS

HON. DEAN RUSK, SECRETARY OF STATE

Mr. PASSMAN. The committee will come to order.

We have with us this morning the Honorable Dean Rusk, Secretary of State, who will make a general statement and be available for questioning.

May I state, before we resume the hearings, that I noticed in the press this morning a certain article, from which I quote:

> On the other hand, another congressional apostle of thrift is showing symptoms of ceasing to be so cash conscious.
>
> When the foreign aid bill came up last year, Representative Otto E. Passman, of Louisiana, denounced it as "idiotic."
>
> This year, when the foreign budget request was announced, he called it "asinine."
>
> Most recently, upon the occasion of President John F. Kennedy's foreign aid message, the arch foe of foreign aid scaled down his adjective to "preposterous."
>
> The Agency for International Development (AID) thinks its efforts to soften Representative Passman are making progress.

I want the members to understand that I did not release that statement.

Mr. Secretary, do you have a statement to make to the committee?

Secretary RUSK. I do, Mr. Chairman.

Mr. PASSMAN. We shall be pleased to hear from you at this time.

Secretary RUSK. If I may, I should like to make a statement for the record and then, if it is agreeable to the chairman of the committee, to take a few moments off the record for certain of the key and dangerous and troublesome issues that might be of interest to the committee.

Mr. Chairman, members of the committee, I appreciate having this opportunity to meet with you again to discuss with you the appropriations requested for the foreign aid program. These appropriations are vital to the attainment of the objectives of our foreign policy as a whole.

Our appearance this year is somewhat in the nature of an interim report as well as of a request for appropriations to carry on the work we have begun for the decade of development. There is little need to review for this committee the history and the achievements of the foreign assistance program: the success of the Marshall plan in its new and revolutionary ideas of helping Europe regain its political and economic balance; the saving of Greece and Turkey from communism by timely assistance; the successful countering of Communist

aggression in Taiwan and Korea; and the support of the struggle against the relentless internal and external Communist pressures in Laos and Vietnam. The fight against totalitarianism has been constant over the past 15 years and the foreign assistance program has played a major role in this battle.

STRUGGLE AGAINST POVERTY AND DISEASE

But there is another struggle which may prove to be even more important and of longer duration: that against poverty, disease, and injustice long endured by a large portion of the world's population. The foreign assistance program is the main tool of the United States to assist in this struggle and may, along with the help of other industrialized free nations, provide the margin of success. For these reasons, the foreign assistance program through all its years of operation has had the strong support of all administrations and of both political parties.

Last year when I appeared before you, we were presenting a new program based on the new concept which we believe to be valid. It is early yet to try to evaluate fully the results of the change, but we feel confident that we have the right approach and that we have made a good beginning. As the President said in this year's foreign aid message: "The turnaround has indeed begun." We shall undoubtedly make mistakes, but we shall constantly review our own efforts so that the foreign assistance program will have the best results possible.

NEED FOR PROGRAM FLEXIBILITY

As in the past, we are relying upon the wisdom and experience of this committee to help assure that this assistance program will be successful. One of the requirements for success is that the program must not be too rigid; it must be flexible enough to meet the varied and changing conditions we inevitably face during each year. It must also be carried forward with perseverance; for the obstacles that must be overcome make it, necessarily, a long-term task. The superabundance of our energy and drive sometimes makes us Americans impatient—even impetuous—to achieve the changes we believe to be needed in those countries we are helping. We place the stamp of urgency on many of our actions; but a few moments' reflection will correct this view when we remember that the social and economic conditions requiring change are very deeply rooted.

We must realize equally that the necessary changes in these conditions cannot be brought about quickly. This is particularly true because, in order to be lasting and effective, such changes must be broadly based upon the understanding and support of the people of the countries concerned. For this understanding and support to be effective, it must be arrived at—and we believe that it should be arrived at—by a process of general discussion and debate. We know that this will take time, but it is time well spent. Even in America changes of this magnitude are not brought about overnight. It took years after its proposal for the United States to pass a minimum wage law. The constitutional amendment making possible the enactment of the Federal income tax took 4 years for State ratification after extensive debate—one which is still going on in some quarters. But

it is this democratic process which has made us the strongest nation on earth; and it is this democratic process by which we hope to see our friends and allies realize their potential strengths.

There is a second kind of change that can be brought about more quickly: the more effective enforcement of laws and regulations already enacted by the developing countries—such as tax collection and agrarian reform laws; the more effective use of existing planning and administrative organizations; the taking of responsible fiscal and other measures in which progress can be made without further delay. We shall expect and require that this type of change shall be accomplished more rapidly.

FUNDAMENTALS OF FOREIGN AID PROGRAM

There are several points which we believe are basic to the aid program. These are the fundamental propositions on which we intend to act in carrying out the program started last year and reaffirmed with some changes this year by the authorizing committees.

The first point I want to emphasize is that of administration of the aid program. I feel strongly that this should be effected with simplicity, with flexibility, and with quiet and persistent improvement in performance. Those who administer the assistance program must be constantly aware that the funds that make it possible come from the American taxpayer. We want this to be understood also by those we are helping.

Second, no country can make any progress toward development unless its people see the need and have the will to overcome the obstacles standing between them and their economic and social betterment. What we can do in any country we help is but a small fraction of what it must do to help itself. Nevertheless, that small fraction can be a catalyst. It will help provide the necessary external resources which, when combined with measures looking toward social justice and the effective mobilization of internal resources, can make progress possible.

Third, even the most willing efforts can have little effect unless they contribute to the success of a well-planned, long-term development program. Fifteen years' experience in foreign assistance has taught us that programs must be carefully planned on the basis of priorities if underdeveloped countries are to make significant progress, and if our aid is to be used most economically. Yet long-range planning is no easy matter. In many countries, there is inadequate administrative machinery to cope with the day-to-day problems of running a government, much less in planning for the years ahead. One of the greatest encouragements to the development by those countries of needed long-term programs is the assurance of continuing assistance from the United States. The long-term commitment authority granted by the Congress last year is already showing its great potential value for this purpose.

Fourth, the most important element in the aid program is that of human resources. The program, after all, is for the benefit of people and no country is stronger than its people. Training and education must be the focal points in development so that the people of the less developed countries can learn to provide the drive and impetus for their own growth. Improved education must permeate every level in

many countries, since it is necessary to provide a range from qualified top leadership to those who must perform the practical everyday chores.

One of the most effective ways we can help in this regard is in the use of land-grant colleges. These institutions helped immensely in our own development, since their establishment 100 years ago, and the principles which have made them effective may be applied with equal value in many developing countries.

Fifth, we cannot and should not carry the aid burden alone. More and more the idea appears to be catching on that as the whole world develops and grows, the whole world benefits. One of the most encouraging signs of the effectiveness of the aid program is that many countries which we have helped in the past are now able to help others. We are pleased to be able to report the growing interest of other industrialized free world nations in taking a larger part in helping the developing nations. This increased interest is demonstrated by the establishment of new government units in Germany, France, Belgium, Canada, Japan, and the United Kingdom to administer their foreign assistance. Much of our effort is bent toward urging these industrialized nations to take up a fair share of the load. They are coming to recognize increasingly that assistance programs are in their own interests as well as in that of the aided countries. We are also working more and more closely with those nations, and with international organizations, to assure that aid from all sources will achieve the maximum benefit.

Sixth, there is a growing tendency, which we encourage, of developing nations helping each other—by exchanges of information, by pooling facilities, by student exchanges. This multiple aid can result in more rapid development everywhere if it is expanded and nurtured carefully.

ESTABLISHMENT OF AID

If these are our basic propositions or guiding principles, an appropriate question is how are they being applied. The first year of the program—a year of transition—has yet some time to run. The Agency for International Development was established only 7 months ago. Yet much has been done during this time to provide the strong direction and leadership this program should have, both in Washington and in our missions abroad. To these ends we have pursued an intensive recruitment program and have filled the top positions with able and sincere people. The search for new talent to bolster the existing body of qualified people transferred from the predecessors of AID is continuing and is indeed never ending. The new Agency itself has been shaped along regional lines, with supporting staff specialists, so that the essential core of the aid program—the country programs—will be given the appropriate emphasis.

PRINCIPLE OF SELF-HELP

The principle of self-help has become more than a catchword. In Latin America and elsewhere, there is an awareness that the needed reforms for growth must come from within. Despite the understandably somewhat slow beginnings, the forward motion is real. Even in this brief period, the way is being opened for progress which

I am convinced will, over the next few years, be substantial—even dramatic. I am asking Mr. Hamilton and his colleagues in their discussions with you to pay particular attention to these evidences and progress by the recipient countries.

PROGRESS IN LONG-TERM PLANNING

In the field of long-term planning, despite all of the obstacles I mentioned earlier, much progress has been made in this year of transition. Many countries in Latin America have made conscientious efforts to improve their planning processes. Colombia, Bolivia, and Chile have already submitted plans for review to the Organization of American States. Others are showing promise of completing realistic plans soon. Still others are making the effort to overcome the obstacles which must be surmounted before their plans can be drafted. In Africa, Tunisia and Nigeria are good examples of countries developing worthwhile plans. In the Near East, India and Pakistan, of course, already have well-developed plans, while those of other countries show promise. Long-range commitments under the authority granted by Congress last year have already been made with India, Pakistan, and Tanganyika. Other such commitments are expected to be made in the coming fiscal year.

In our efforts to enlist the support of other nations in helping the developing nations, we are working closely with international bodies such as the World Bank and the International Monetary Fund and have joined in the consortia which have been organized to support meaningful development plans. We are also working with the Development Assistance Committee of the OECD, which is undertaking the coordination of technical and capital assistance to countries where its members have substantial interests. As the leader in the foreign assistance field, we do not always find it easy to obtain the agreement of others during the complicated negotiations of consortia and other arrangements—such as that for India. When our leadership is weakened, the support of others diminishes.

USE OF FISCAL YEAR 1962 FUNDS

Later witnesses will discuss the uses of fiscal year 1962 funds. I wish to stress, however, their essential contribution to the conduct of a strong foreign policy. In Latin America, under the Charter of Punta del Este, the assurance of aid from the United States is helping bring about indispensable changes by evolution rather than by revolution. In Africa, our loans and grants are helping many new nations gain a foothold on the ladder toward true independence and national growth. In the Far East, they provide the necessary military and economic strength to enable the people of Korea, Taiwan, and elsewhere, to maintain their national integrity in the face of Communist threats. In Vietnam, they have made possible the defense of the country against an armed and ruthless enemy. In the Near East, these funds have helped Pakistan and India to continue to demonstrate that progress can be made by the masses of people in the free world—in contrast to the tragic suffering of the people under the Chinese Communist regime.

FISCAL YEAR 1963 PROGRAM

The program for fiscal year 1963 is substantially of the same nature as that approved by Congress for 1962. The most important change is the long-term authority sought for Latin America. The total appropriation sought for fiscal year 1963, as stated in the President's message, is $4,878 million.

DEVELOPMENT LENDING

We are asking for an appropriation of $1,250 million for development lending, out of an authorization approved last year of $1,500 million. Additional funds for lending purposes are also being asked for the Alliance for Progress. These new development lending funds will be concentrated in countries which have sound plans for development or individual projects which can contribute effectively to national growth. The support of long-range commitments already made in India, Pakistan, Nigeria, and Tanganyika will require about half of the development lending funds. The fact that we are able to provide both assurance and funds to underdeveloped countries has already been a significant incentive for such countries to take the steps so necessary for development. It is our intent to focus loan funds upon projects and programs which will make a major contribution to forward progress. For these reasons, development lending is the pre-eminent tool for the long-range future for the development of the underdeveloped world.

ALLIANCE FOR PROGRESS

As I mentioned earlier, the most important change sought this year is the long-term authority sought for Latin America, the requested appropriation for which this coming year amounts to $600 million in grants and loans. Instead of a separate appropriation to carry out the objective of Punta del Este and the Act of Bogotá, as we had last year, we are seeking to simplify this important aspect of the aid program by consolidating it within the AID legislation. However, because of its differences and its importance, we wish to identify clearly the Alliance for Progress within the legislation and have therefore asked for this appropriation as a separate item. Here we are dealing not with new countries, but with established interests resisting change on the one hand and a radical left on the other—the one group fearing evolution as much as revolution; the other using violent revolution as its benchmark. We intend to use this appropriation to support democratic change and to provide the basis for the requisite long-range planning.

DEVELOPMENT GRANTS

For areas other than Latin America, we seek an appropriation of $335 million for fiscal year 1963. These funds will help provide advances in education and technical training improvement in health conditions, the development of public administration officials, and the creation, improvement, and expansion of effective institutional structures and practices contributing to economic and social growth. Development grants will also be used to help formulate effective plans for development. Since these are the areas where human resources

are developed, these are among the most crucially needed of the funds which we are requesting.

SUPPORTING ASSISTANCE

Although we are concentrating our economic aid efforts in this decade on development, we must also continue to support those countries struggling to maintain their independence under heavy financial burdens. Most of these countries are on the periphery of the Sino-Soviet bloc. Three-quarters of the $481.5 million we are asking will go to three Far Eastern countries and Turkey. In line with our purpose of supplanting this type of assistance with development loans as soon as it is feasible, we are proposing to terminate supporting assistance for at least 4 countries which we have assisted for a considerable number of years in the past. This program for vital support to maintain political stability and free world defensive capability is, I believe, reduced to a minimum.

INTERNATIONAL ORGANIZATIONS

These voluntary contributions to United Nations and other international programs support directly our foreign policy objectives. The contributions also serve to draw in the resources and energies of others through multilateral efforts.

INVESTMENT GUARANTIES

The enlistment of private enterprise and private resources in the foreign assistance effort is essential. The investment guaranty and investment survey programs are designed to further that objective, and increased funds are being sought.

CONTINGENCY FUND

In his message to Congress, the President noted that this part of the appropriation deserves particular attention. It provides the essential element of flexibility in a complex program which must be administered in a complex and rapidly changing world. We feel that the $400 million requested is not too much for an unprogramed reserve against these contingencies which will inevitably occur during the coming fiscal year. Uses during fiscal year 1962 have fully demonstrated the need for this vital reserve. This fund made it possible for the United States to support a free government in the Dominican Republic. It has provided the flexibility to give the assistance needed by Vietnam to meet the sudden increase in violence there.

Assistance to strengthen our NATO ally, Greece, during the Berlin buildup might have been seriously limited if we had not been able to rely upon the contingency fund. We believe that the present world situation indicates that the request for a $400 million contingency fund is not excessive.

MILITARY ASSISTANCE

Secretary McNamara, General Lemnitzer, and others have already discussed the military assistance appropriation request with this committee. The $1,500 million requested is $200 million less than

was authorized for fiscal year 1963 and $385 million less than we asked for fiscal year 1962.

Our goal in the foreign assistance program is to use the funds appropriated solely for economic and social development. This goal can never be completely realized, of course, as long as there is a need to maintain the worldwide collective security systems we are forced to maintain by harsh realities. The military assistance program is not just a matter of helping our neighbors; it contributes immeasurably to our first line of defense by supporting the forces of those nations on the periphery of the Sino-Soviet bloc and by helping other nations remain strong in the face of troubles fomented internally by those who would subject the world to their domination. The troubles in Laos and Vietnam, Communist-inspired uprisings against our neighbors south of the Rio Grande—these are no longer events happening far away. Today they are real events which must be taken very much into our considerations of defense and foreign policy. It is only by maintaining their independence and stability that developing nations can hope to create a climate conducive to economic and social progress. The training and equipment which we provide are necessary for these conditions to be met.

This program is not limited to strictly military purposes. Civic action programs are receiving increased emphases in these countries and wherever possible, country forces assisted by us are encouraged to participate in public works such as roadbuilding, sanitation, communications and other community development projects which add to the general welfare of the people.

CONCLUSION

In the action we take each year on our aid program, the Congress and the Executive together are engaged in a process of historic significance. For the next decades, perhaps for the rest of this century, one of the truly great issues of the world will be whether the peoples of the newly developing nations—a third of mankind—who are now in the free world and are demanding social and economic progress, will be able to find that progress with the help of the free nations—or whether, through desperation, they will be forced to turn to the lure of Communist totalitarianism held out to them.

The question is whether the world of tomorrow will move steadily toward a community of free nations—or toward domination by the enemies of freedom. The answer to this fateful question will affect the security of our Nation and the welfare of each of us and of future generations. The answer will lie in large part in how determinedly and how fully we carry forward the program of aid on which we are embarked.

Mr. PASSMAN. Thank you, Mr. Secretary. I believe you indicated that you would like to comment further on your statement.

KEY AND CRITICAL POINTS BEARING ON AID PROGRAM

Secretary RUSK. I would appreciate an opportunity to speak specifically about certain key and critical points in the present world situation that have a bearing on the AID program, and in order to do so, with greatest possible candor, I would hope that the committee

would be indulgent in letting me have an opportunity of looking at the transcript before anything is made public, if that is agreeable.

Mr. PASSMAN. That is your privilege, Mr. Secretary. Anything that is classified and involves security, it is certainly your privilege to delete. It is statistics and adequate information that the committee needs in marking up the bill.

May I say, before you elaborate further, that we are privileged to have Mr. Cannon, the distinguished chairman of the full Committee on Appropriations, with us this morning.

Secretary RUSK. First, I should like to comment briefly on two questions, two problems, which are of critical significance to the position of the United States in the free world, and are also of great danger in the present situation.

The first is Berlin and the second is southeast Asia.

(Discussion off the record.)

POSITION OF FRANCE ON BERLIN

In the case of France, the situation is a little different. On the underlying policy, we and the French are in complete agreement, but General de Gaulle does not believe we should be undertaking exploratory discussions with the Soviet Union.

We, on the other hand, feel because this situation is so dangerous, and is so important, we at least ought to have effective and responsible contact with the other side so if we do come to a crisis on it, we will know it is not because diplomacy has been idle. It would not be because of any misunderstanding, or through any accident, but it would in fact be a necessary crisis from the point of view of the West.

Our problem with political leadership in a free alliance requires us, we believe, to keep an effective contact so if we do reach a very serious problem we will know whether or not that trip was in fact necessary. General de Gaulle does not object to our undertaking these discussions with the Soviet Union, but he does not himself wish to be associated with it. We are not speaking for him. He is in a wait-and-see position.

(Classified discussion followed.)

NATO again is in full agreement with the underlying policy, and the 15 nations are committed to a firm policy on Berlin.

SOUTHEAST ASIA

I might comment briefly on southeast Asia. We have had, since 1953 and 1954, when Vietnam was divided, a steady Communist pressure into southeast Asia, largely through infiltration of relatively small numbers of guerrillas and leadership for local bands, both in Laos and South Vietnam.

We have been trying our best to work out a solution in Laos which would get all these foreigners out of the country. Having seen a good deal of that country now and the attitudes of the people of that country; having learned a good deal about some of the difficulties which the Communists have had with the Lao as well as some of the difficulties we have had with the Lao on the Government side, we are convinced if the foreigners could be gotten out of the country within the Geneva agreements which have been negotiated over the last year,

that the Lao left alone would be able to take care of themselves and not constitute a threat to their neighbors.

We have been impressed with the fact they are not a warlike and belligerent people; they are peaceful by indoctrination and training and faith. Most of them have taken very little interest in the fighting that has been going on there. Our feeling is that if we can create in Laos a buffer situation between North Vietnam and other southeast Asian countries, we would be better served than to take the other alternatives that would be available.

(Off the record.)

Under present circumstances we are now trying to find whether it is possible to get a coalition government on the basis of which foreigners would be excluded from the country, the Lao left alone, and in that event we are quite confident that they would not be a threat to their neighbors.

SITUATION IN VIETNAM

In Vietnam you have a different situation. There you have a very active guerrilla group of perhaps ——— who have been furnished leadership, some cadres, a few arms, some supplies from North Vietnam.

But the South Vietnamese are fighting hard and valiantly. We believe our chief target now should be to make it possible for the South Vietnamese to win their own battle against these guerrillas supported from the north. There are about 175,000 men in the South Vietnamese Army. We believe we should do everything we can to put them in a position to win that battle. It will take time because of the nature of the guerrilla war, but we have been much impressed with the readiness and willingness of the South Vietnamese to take on this fight as contrasted with the attitude of most of the Lao who have been involved in the recent difficulties in Laos.

We can recall when the Greeks faced a guerrilla problem, they fought; the South Koreans fought very well. We know the South Vietnamese are fighting. We are encouraged to believe we can put them in a position to win this battle.

IMPORT OF SOUTHEAST ASIA AND BERLIN

Now, I mentioned Berlin and South Vietnam and southeast Asia, Mr. Chairman, because this has a bearing upon everything that is happening around the periphery of the Sino-Soviet bloc. If we get into serious trouble over Berlin, it is unlikely we would have a military contest in one part of the world without having this move promptly to other parts of the world right around the periphery of the Soviet bloc. Therefore, what happens in Korea, what happens in Formosa, southeast Asia, the situation in Iran, the ability of Greece and Turkey to contribute strong forces to the NATO defenses, all these are extremely important in terms of the position of the free world at a moment of direct confrontation because if any of those spots are soft and weak, then we would be at a great disadvantage if there were a general crisis.

STATUS OF DISARMAMENT DISCUSSIONS

I might make a brief comment on disarmament.

At the moment, the disarmament discussions in Geneva seem to be basically stalemated on a critical issue of supervision, assurance inspection. The Soviet Union has thus far made it very clear they will not permit any effective inspection inside the Soviet Union. At a time when our proposals on a nuclear tests treaty called for the actual inspection, reinforced by a great many instruments, an actual inspection of less than 1 part in 2,000 of the Soviet Union in a given year, the Soviets rejected that. Mr. Gromyko said even one man on an international inspection team could bring back information of serious security interest to the Soviet Union.

This obsession of secrecy, I think, is a major obstacle in the way. We do not ourselves see how we can make any real move on disarmament so long as that obsession over secrecy seems to be their dominant position. They may change. We see no signs of it at the moment. We, nevertheless, feel we must continue to work at this question of disarmament to see whether there is any way by which we can prudently, and with full assurance and safeguards, turn this arms race downward.

There is at present going on in Moscow a meeting of the Communist summit on the economic side to discuss their economic problems. We do know there are considerable strains within the Communist bloc, both politically as between Moscow and Peiping, and economically in terms of the failures in production from East Germany right through to North Vietnam. I will not take the committee's time at the moment, Mr. Chairman, on that unless we get into it in the course of questioning, but this is a time when, on the one side, the known difficulties that exist within the Communist bloc and the actual and prospective economic vitality of the free world should give us a considerable amount of confidence and encouragement as we go forward.

Thank you, sir.

Mr. PASSMAN. Thank you, Mr. Secretary.

Now I wish to yield to our distinguished chairman to ask any questions which he may wish to discuss.

Mr. CANNON. Thank you.

Mr. PASSMAN. Mr. Secretary, I am sure it is your desire for the committee to understand the program and the progress it may be making.

There is a belief among some members of the committee, as well as many other Members of the Congress and many Americans, that the program is being mishandled to a greater extent at this time than at any time since we have had such a program. There is evidence that it is less appreciated by the recipients and less effective.

RESPONSIBILITY OF COMMITTEE TO EXPLORE AID PROGRAM

It is the committee's responsibility to check on certain items in the field. I do not think it is your desire to have this committee report this bill on the basis of piecemeal information, or rumors, but rather to do it with judgment based on actual facts as we find them and facts given to us by the Department heads.

The committee understands that most of the decisions as to what will be spent, and where, are finally approved at the top level. Even though we examine supporting witnesses, regardless of their feeling, if the decision to obligate is made at your level, or a higher level, then it simply means we must have your views.

LIMITATIONS ON FLEXIBILITY OF PROGRAM

Particularly are we a bit concerned when we read in your statement, Mr. Secretary, and statements of others, that you are asking for considerable flexibility.

It would appear that this would be the time that flexibility should be decreased, and that the program should be quite rigid, and that Congress should face up to its responsibility and require the Department heads to do a good job in justifying their requests. We are trying very hard to understand this program.

My role has been greatly misunderstood. I am not trying to destroy the program, but am trying to help contain it.

I hope you understand our position.

Secretary RUSK. Yes, Mr. Chairman.

RESPONSIBILITIES OF APPROPRIATION COMMITTEES

Mr. PASSMAN. Mr. Secretary, is it your understanding that the legislative committees of the House and Senate consider only legislative matters, and where these matters involve financing that the legislative committees recommend ceilings on the amounts of funds that may be appropriated for a particular purpose, or program, and after the legislative matter has been enacted, it then becomes the responsibility of the Appropriations Committees of the House and Senate to conduct comprehensive hearings, and, based on those hearings, to recommend only those funds necessary to carry out the program?

Secretary RUSK. I have no doubt, sir, about the very heavy responsibilities of the Appropriation Committees. I have the impression, as well, that the other committees, as well as the Congress as a whole in discussing policy, take some financial considerations into account. But there is no question in my mind about the responsibilities of this committee.

Mr. PASSMAN. The legislative committees place the dollar ceilings, and under those ceilings this committee functions to try to ascertain the actual amount needed to carry out the programs.

Secretary RUSK. Yes.

Mr. PASSMAN. I want to be sure we understand it that way. Many people say that the legislative committees fix a ceiling and we should recommend that amount. It has always been my understanding that the responsibility of the Appropriation Committee was to fix the amount. You recognize that the legislative committees place ceilings, but it is up to this committee to actually conduct the fiscal hearings, and, with the help of your people and our own experts, find out what is needed for the programs.

REQUEST FOR EXPANDED FLEXIBILITY

Now, Mr. Secretary, on page 2, you say:

One of the requirements of success is that the program must not be too rigid.

What do you mean by that statement?

Secretary RUSK. In the first place, I do not mean we should, on our side, be reluctant to provide the committee with full information on those matters which can be known and can be foreseen. But in the course of a year, there are many situations which develop in an unpredictable and unforeseen way. They sharply increased requirements in South Vietnam, as an illustration of that, this past year.

In the continent of Africa, we on the one side may find that the Congo situation will be resolved more quickly than we supposed.

On the other side, we cannot yet be sure whether the independence of Ruandi-Urundi will lead to an orderly transition of responsibility, or will assume some proportion of a crisis which will require special attention.

It is the flexibility in the course of events which is most on our minds, and not the spirit of a blank check on those things which can be readily foreseen and known.

We will do our utmost to provide programs and specifications on those things about which we are reasonably confident.

Mr. PASSMAN. Thank you, Mr. Secretary.

I just completed a bit of research that was so disturbing I could hardly rest well the first day after finishing it. It is now being verified. I found that during the time we have had a bookkeeping system in our Government, beginning in 1789, and projecting the figures through June 30, 1962, we have collected in revenues $1,400 billion. In addition, we have placed a responsibility and obligation upon generations yet to be born of an amount of $1,046 billion.

We have on the statute books obligations calling for $746 billion for services already obligated—not obligations to be made in the future, but for such items as veterans' benefits, retirement for military personnel, et cetera. Then we pick up the direct public debt of $300 billion. We put the two together and the total is approximately $1,046 billion. If you divide this by the number of families in America, there is an obligation of $20,018, which is a mortgage upon every family in America.

I do not agree with the idea that we should not be fully rigid in pinning down these proposals.

Secretary RUSK. I can assure you we will do our best to see we get a dollar's worth for a dollar spent because we have a keen interest in that too. In the longer run, I think we have not begun to see the burdens that will rest upon the people of this country if we are not successful in getting on with this great job of building a strong and free Western World.

Mr. PASSMAN. We do not know whether it is going to be successful or not. The record some day will show whether it is right or wrong. The validity of the concept of using money where heretofore we used commonsense will have to be decided in the future.

You are familiar with the Sugar Act as it applies to Latin America?

Secretary RUSK. Yes, sir.

Mr. PASSMAN. We certainly supported President Eisenhower when we withdrew the sugar subsidy to Cuba.

Then the former Cuban tonnage was redistributed to other parts of the world, most of it to Latin America. The Dominican Republic had a certain sugar quota and earned a substantial premium by selling their sugar to the United States and then we gave them an additional allotment of 1,100 million pounds, but we charged them 2 cents a pound surtax. However, they still received a premium, even after that concession. We collected some $22 million, put it in the Treasury and spent it. That was under the old regime. But, only recently one of your men came to me and wanted to discuss the possibility of projecting the $22 million into 1963 funds, to take it out of the contingency fund and reimburse the Dominican Republic for the $22 million.

I said to him, in effect, "You have three sources from which you can get legislation to do this: One, the Agriculture Committee. You can go to the Foreign Affairs Committee or you can go to the Foreign Relations Committee of the Senate. I want to be sympathetic, but I do not know why you want to take this $22 million out of the President's 1963 contingency fund when you still have ample time to get specific legislation."

On a subsequent date, I received a letter informing me that they still intended to proceed and take it out of the President's contingency fund in 1963. We wonder why you did not ask the Foreign Affairs Committee, or the Foreign Relations Committee of the Senate, or the Agriculture Committee, to give you specific authorization to reimburse the Dominican Republic for the $22 million, rather than to say, if the President gets all the contingency fund he wants, we are going to reimburse them the $22 million.

Those are some of the matters that are causing us great concern, Mr. Secretary, and we associate such situations with the rigidity and flexibility statements.

Could you give us a little information as to why you did not ask for specific authorization to reimburse the Dominicans, rather than wanting to take it out of the contingency fund for fiscal 1963?

Secretary RUSK. There are two or three questions involved here. One of them is that this $22 million went into the Treasury of the United States and has not been spent for anything except on the basis of authorization and appropriation by the Congress——

Mr. PASSMAN. That is correct.

Secretary RUSK (continuing). From the general funds. We have felt these funds should not be transferred to the Dominican Republic for the private producers of sugar. We agreed to buy this sugar at the world price and we bought it at the world price. We felt that if we were to make a strong effort to help this new Dominican Government get on its feet, we should give them strong aid assistance which could be used on a much more discriminating basis and in general support of the Dominican economy than would be the case if we were simply to take this up as a refund, or rebate, of moneys collected by the U.S. Treasury.

Now, there is no direct organic connection between the aid we have in mind and the $22 million. We do believe, however, that this new government in the Dominican Republic deserves support, must have support, that it is moving in the right direction, that our aid should be at least the equivalent of the sugar fees, and that under the conditions of AID support, we think the political issues between ourselves and the Dominican Republic can be worked out.

We would prefer to see the aid go into general support of the development program of the Dominican Republic rather than as a reimbursement to private interests who agreed to sell at the world price at the time they sold.

Mr. PASSMAN. We are not discussing the merits of the aid.

Secretary RUSK. All right, sir.

Mr. PASSMAN. We are discussing the proposed method by which you are planning to pay the $22 million to the Dominican Republic.

We understand the contingency fund is to take care of emergencies, things you could not foresee, and we have always gone along on that basis, and made recommendations on that basis, but your people are here months before the bill reaches the floor, at least weeks, and you are asking this committee to give a nod that the President can take funds for this purpose out of the contingency fund for 1963, when you had ample time to justify this matter before the Foreign Affairs Committee, the Foreign Relations Committee of the Senate, and the Agriculture Committee.

We wonder why you would want to take it out of the contingency fund before you even get an authorization bill, and even before you get an appropriation bill. You want a nod from the committee that they will not object to the President taking the $22 million out of the contingency fund, which has not yet even been considered by the House and the Senate. That is the question—why you did not go through regular channels, and get a regular authorization, pinning this down as to what it is, rather than to take it out of the contingency fund. That is what the committee is trying to understand, and we associate this devious proposal with the flexibility that you have mentioned.

Secretary RUSK. I believe, sir, that this matter reached the point of policy after the submissions had been made to the Congress. It seems to me that this was an instance where we could see, between the time our submissions were made and the actual use of the funds, where contingency funds might be appropriately applied. This discussion was an advance notice to see how this procedure—to give you a chance to think about it and to discuss it with you in terms of whether this is an appropriate use of those funds.

Mr. PASSMAN. It is either a good or a bad proposal, is it not?

Secretary RUSK. We think it is a good one.

Mr. PASSMAN. It is one or the other?

Secretary RUSK. Yes, sir.

Mr. PASSMAN. If it is good, why could it not be justified before the legislative committees? Why should it be projected into the future to come out of a contingency fund?

There has been no justification other than that the President wants so much money in the fund, to spend as he sees fit, and then you reach into the contingency fund and reimburse the Dominican Republic $22 million, without the legislative committees ever having had an

opportunity to consider whether or not they want to reimburse the Dominican Republic the $22 million.

Would not the authorizing committee be the proper place to have obtained the approval?

LEGAL ASPECTS OF REIMBURSEMENT

Secretary RUSK. There are certain aspects of this question that are being tested in the courts. It is also true that we had, on the one side, delicate negotiations with the Dominican Republic and a process of presentations to the Congress. It is difficult to keep these two in immediate phase.

Mr. PASSMAN. Why could you not wait until the courts decided the question of whether we should reimburse them, rather than commit use of the contingency fund, a fund that many Members believe should be completely abolished? We think it is getting us into a lot of trouble.

We started the contingency fund with an appropriation of $100 million, which appeared to be excessive, and now it is getting up close to $400 million. It is one of the fastest growing things that has ever been before the committees of Congress. We do not know where it is going to stop.

It stands, Mr. Secretary, that there has been no court decision as to whether or not we should reimburse the Dominican Republic the $22 million?

Secretary RUSK. One of the private companies involved is now taken over by the Dominican Republic.

Mr. PASSMAN. In effect, if the courts should say we should not reimburse the affected parties the $22 million, you indicate that you still want to give it back to the people of the Dominican Republic?

Secretary RUSK. We do not believe, Mr. Chairman, that there is a technical legal and specific obligation to give the money to the Dominican Republic. We do believe that the needs of the Dominican Republic and its development program should be taken up very sympathetically under the AID program in order to give that new government a chance to get on with the job after a period of so much distress in that country. The attitude toward aid does not, in itself, turn on what the court does with respect to this particular refund.

Mr. PASSMAN. Mr. Secretary, I am just now beginning to realize how flexible this program is.

Is it not true that the Ambassador of the Dominican Republic stated that they did not want this money in the form of aid, but they wanted the courts to decide whether or not they should be reimbursed? Did he not make that statement to the chairman of the Agriculture Committee?

Secretary RUSK. At the beginning they had a preference for a straight reimbursement but we felt that it would be a much more effective and productive use of these funds to invest them through the AID channel and into their development program than simply to reimburse specific interests who had sold the sugar.

ADVANCE PLANNING ON USE OF CONTINGENCY FUND

Mr. PASSMAN. Mr. Secretary, why do you tie a reimbursement into a contingency fund that is supposed to be used for contingencies? Why do you plan, in advance of an authorization and an appropriation, as to how you are going to spend a contingency fund? Have we had the wrong conception of what the contingency fund really represents for the President?

Secretary RUSK. I would supose, Mr. Chairman, at this stage of discussion, wherever we can see a prospective use of a contingency fund, you would want us to come and tell you about it.

Mr. PASSMAN. Prior to passage of the authorization bill? If it is a good proposition, it could be justified before the Foreign Affairs Committee just as easily as it could be before this committee.

Secretary RUSK. Let me ask a question on that. I was just refreshing my own recollection.

This matter did come up after all of our presentations had gone to the committees and at the conclusion of the hearings before the authorizing committee. It seemed that under those circumstances, a more desirable way to proceed would be to discuss this as a possible use of the contingency fund.

Mr. PASSMAN. Mr. Secretary, I received that letter almost a month ago, even before the Foreign Affairs Committee marked up its bill. It was suggested that you take this proposition to the Foreign Affairs Committee. Prior to the time they write the bill, or bring it to the floor, there can always be amendment. At that time it appeared I had recommended a sound procedure, and it was my understanding that that was what they would do. The man who visited me said, and I paraphrase, "I came over here to brief you. I have been brief. Thank you, and good morning."

I felt that morning that I had made a worthy suggestion, only to find out later that they figured, in effect, "Well, we may have to justify it there and we won't get it. If we take this course, there are enough votes to get the President's contingency fund and we will give it to them, wishes of Congress notwithstanding."

That is the basis I am going to proceed on unless there is some way to refute the statement I have made that you did not attempt to get it before the Legislative Committees. You did not attempt to get it before the Agriculture Committee, but, rather, you had plans to take it out of the contingency fund. If Congress did not give you a contingency fund, you would be in a bad fix, would you not, so far as living up to commitments to the Dominican Republic?

Secretary RUSK. We have not made commitments to the Dominican Republic on this matter that would——

Mr. PASSMAN. No legal commitments?

Secretary RUSK. That is correct.

Mr. PASSMAN. If there are no legal commitments, then that $22 million could be written off and there would not be any harm done. It there have been no commitments, we will not pursue it.

Secretary RUSK. Mr. Chairman, in view of the point you have just raised, I would like an opportunity to review the record on that particular discussion.

Mr. PASSMAN. Please do so.

Secretary RUSK. In order to see what happened on that one point.
(The following was subsequently submitted:)

Upon review of the record, it is confirmed that the United States has no legal commitment. However, it is felt that in view of the needs of the Dominican Republic, it is important that the United States provide it with assistance.

Mr. PASSMAN. I think that you understand there is plenty of room for concern among the members of the committee when we run into such matters as this. I think I could discuss numerous incidents of a similar nature that make it look as if the Congress is becoming a necessary nuisance, rather than having a part in this program. This causes a lot of concern and unless we discuss it forthrightly, across the table, and find out the thinking, then certainly we are not in a position to do an intelligent job.

Mr. Secretary, I read in the press one of five releases dealing with a particular country and I know this will have to come off the record if I mention the name of the country.

(Discussion off the record.)

Mr. PASSMAN. Thank you, Mr. Secretary.

Does that mean a very large program for fiscal year 1963 may not materialize? There is a $——— program for ——— planned for 1963.

(Off the record.)

Secretary RUSK. I believe the Department of Defense testimony reflected the true situation that the State Department would have a very tight control over whether any of that program would be carried out because it is subject to these overriding political situations.

Mr. PASSMAN. We know that the State Department is running this part of the military program and that is why it is necessary to take it up with you, Mr. Secretary.

Mr. RHODES. Mr. Chairman?

Mr. PASSMAN. Yes, sir.

POSITION OF AUSTRALIA ON WEST NEW GUINEA

Mr. RHODES. Mr. Secretary, what does Australia think about this New Guinea situation?

Secretary RUSK. Australia agrees with the broad lines of approach that we have made in the Bunker proposal to the two governments. There was a time when they were quite concerned about what might happen in West Guinea through this process of negotiation, but if I might say something off the record——

Mr. PASSMAN. Surely.

(Discussion off the record.)

Secretary RUSK. Australians were on the Commission which worked out independence for Indonesia, but after considerable discussion within the cabinet in Australia, they decided their policy was to support the Bunker proposals.

Mr. RHODES. Did we bring any pressure to bear on them to come to that conclusion?

Secretary RUSK. None whatever.

(Off the record discussion followed.)

BASIS OF INDONESIAN CLAIM TO WEST NEW GUINEA

Mr. RHODES. As far as self-determination is concerned, the Papuans are hardly in a position to know very much beyond the confines of their own village, are they?

Secretary RUSK. That is correct.

In the case of a great many of these Papuans, they are not organized in any civic or political sense, although there are considerable numbers who have had some education and would, I think, be broadly representative of the general attitude of the Papuans.

Mr. RHODES. Are there any particular reasons why Indonesia should have West New Guinea other than the fact that she seems to want it and, apparently, over a long period of time, would probably possess the force to take it?

There is no ethnological tie between the Papuans and the Indonesians, is there?

Secretary RUSK. Not between the bulk of the Papuans and the bulk of the Indonesians. Those people are mixed from a racial point of view and there are parts of Indonesia that have similar types of inhabitants in the adjoining areas. I think the Indonesian claim goes back to the original claim for the independence of the then Dutch East Indies, seen as a whole.

There was a discussion of West New Guinea at the time of the 1949 agreements which reserved West New Guinea for further negotiation, but there was always in the background the possibility that west New Guinea might join the rest of the then Dutch East Indies and this new State of Indonesia.

Mr. RHODES. Negotiations and conquest are two different things, are they not? Do we not get into a matter of principle here when a nation tries to take over by an act of physical force and then end up by negotiating their way into the door they previously tried to shoot their way into? Is this not something that we have never done in our history?

Secretary RUSK. We have not supported, and do not support, the seizure of West New Guinea by force.

Mr. RHODES. We do not oppose it?

Secretary RUSK. By force?

Mr. RHODES. By any means, do we?

Secretary RUSK. We have been bringing great pressure to bear on Indonesia not to engage in these military forays against West New Guinea.

(Off the record.)

Mr. RHODES. I think it would be well to submit for the record changes in the program in Indonesian aid for the last 5 years. If there have been any changes, I think we should know about them.

Mr. PASSMAN. We may have to talk a bit more about that. We hope we can leave something in the record relative to the statement I made that it is encouraging to know that you are planning changes. You are asking for some $——— for fiscal 1963.

This committee was very surprised to come back this year and find out that, after increasing the military bill by $300 million on the floor last year, they had $521 million, or half a billion dollars, they could deobligate for reobligation.

We just wonder how many of these things we are going to contend with this year, where a very large figure is put in but not needed.

Mr. RHODES. Mr. Chairman, I am very serious about that. I would like to have the figures for the last 3 or 4 years.

Mr. PASSMAN. We want that for 5 years.

Mr. RHODES. Economic aid and military.

Mr. PASSMAN. Let us have it for a period of 5 years because it gives a better spread. There is reason for 3 years but 5 years is better.

(The information follows:)

Economic assistance to Indonesia, fiscal year 1957 through fiscal year 1962

[In millions of dollars]

	Fiscal year 1957	Fiscal year 1958	Fiscal year 1959	Fiscal year 1960	Fiscal year 1961	Estimate, fiscal year 1962
Economic assistance [1]	11.7	24.0	19.4	13.6	15.8	22.9

	Fiscal year 1957	Fiscal year 1958	Fiscal year 1959	Fiscal year 1960	Fiscal year 1961	Congressional presentation, fiscal year 1962
Total	1.3	5.0	47.5	60.1	17.2	54.2
Food for Peace	1.3	3.2	35.6	10.3	17.2	53.4
Title I	----	2.2	34.2	9.6	15.8	51.5
Title III	1.3	1.0	1.4	.7	1.4	1.9
Ex-Im Bank	----	1.8	11.9	49.8	----	.8

[1] Excludes Food for Peace programs and Eximbank, shown below.

DUTCH POSITION ON WEST NEW GUINEA

Mr. FORD. Do the Dutch contend the Indonesians have no legal claim to West New Guinea?

Secretary RUSK. That is correct, sir. I think that on a legal basis, an international court would hold that sovereignty was not transferred by the Dutch at any point to Indonesia. The Indonesian claims are based upon political claims and the discussions that occurred back in 1948, rather than on any strictly legal basis.

Mr. FORD. Do we subscribe to the legal view of the Dutch about West New Guinea?

Secretary RUSK. We would on the legal issue of sovereignty at the present time.

Mr. Ford, there is another element that enters into this: The Netherlanders themselves have come to three conclusions with respect to West New Guinea. They have come to these conclusions on their own.

One is that they themselves wish to get out of West New Guinea. They proposed at the last session of the General Assembly a means by which they would be most comfortable about getting out, turning it over to the United Nations. That was not accepted by the United Nations by a sufficient vote.

Second, The Netherlands does not object, as a matter of principle, to the eventual transfer of West New Guinea to Indonesia. They do not exclude that as an answer.

Third, they want to be sure that the interests of the Papuans are adequately guaranteed if this transfer should occur, so this is a matter of Dutch policy which they reached in all essential particulars over a year ago.

Before the last meeting of the General Assembly, I might add.

I think I ought to add one other comment, if I may:

In terms of the position of the West, the security of the free world, the great stake in that issue is what happens in Indonesia itself with 90 million people occupying a highly strategic area there.

(Off the record.)

Secretary RUSK. We think that as a matter of prudence, it is important for us to keep in touch with these people because the stakes in Indonesia, political as well as economic, and with great security problems in the background, are very high indeed.

Mr. FORD. How did we vote in the United Nations on this matter in the last session?

Secretary RUSK. We voted in support of the Dutch proposal that the United Nations itself take over responsibility for a period, but even then it was anticipated that the Papuans would be consulted, and the United Nations administration could be succeeded by an Indonesian administration.

DIFFERENCES BETWEEN DUTCH AND BUNKER PROPOSAL

Mr. FORD. What are the differences between the Dutch position and the Bunker proposal, if any?

Secretary RUSK. I think at the beginning of these negotations, there was no significant difference but the Bunker proposal has in it two central ideas. One is that there would be an interim administration following which the administration would be turned over to the Indonesians.

Secondly, there would be fully adequate guarantees for the interests and the rights of the Papuans. Until these adequate guarantees are fully spelled out, it is not possible to say whether there can be any agreement on this basis because we believe, and so do the Dutch, that these guarantees should be realistic and adequate and not just a facade of some sort. The United Nations should organize a means for determining whether and when these Papuans can, in fact, express an opinion on matters that will amount to anything.

So, whether an agreement is possible or not cannot be determined until the negotiators try to find out what guarantees can be agreed upon.

Mr. FORD. Are those negotiations continuing? Have they been broken off? What is the status of that?

Secretary RUSK. The latest round has not yet convened because at the present time it is the Indonesians who seem reluctant to come into the talks.

(Off the record.)

OBJECTIVES OF FOREIGN-AID PROGRAM

Mr. PASSMAN. Mr. Secretary, I believe you referred to the program in terms of 15 years. I have been in Congress 16 years and on the Appropriations Committee 14 years; this subcommittee, 10, and as chairman, 8 years.

This was under President Truman, President Eisenhower, and President Kennedy.

I am sure that you would like to give us some information on what you mean by this statement in your prepared paper.

I think the program started under the directorship of Mr. Hoffman and then it moved to Mr. Stassen, Mr. Hollister, Mr. Smith, Mr. Riddleberger, Mr. Labouisse, and now it is Mr. Hamilton.

That is seven Directors since I have been here, and you have had it under several different names. Along the way we thought the Agency had been staffed with efficient, able, conscientious, career personnel, but if I may pick up with the sentence on page 7 of your statement, you say:

* * * The Agency for International Development was established only 7 months ago.

I think the record should show that this is the successor to ICA and, of course, ICA was a successor to other agencies, but the objectives, the aims, and the programs are, in effect, about the same; are they not?

Secretary RUSK. I think the broad political objectives are much the same, but the techniques, I think, are different and the approach is different.

Mr. PASSMAN. The objectives are the same so far as applying aid money to help——

Mr. TABER. In what way might they be different?

Secretary RUSK. I think we are trying to move as rapidly as possible from short-term project assistance to long-term development loans under national plans which would combine what we can do with systematic and serious effort on the part of the aided country.

Mr. PASSMAN. What is to be accomplished remains the same, and that purpose is to help friendly nations?

Secretary RUSK. I think the broad political objectives have been constant.

SEARCH FOR KEY ADMINISTRATIVE PERSONNEL

Mr. PASSMAN. I am going to yield to Mr. Taber after I have found out what you mean by this statement:

* * * Yet much has been done during this time to provide the strong direction and leadership this program should have, both in Washington and in our missions abroad. To these ends we have pursued an intensive recruitment program and have filled the top positions with able and sincere people. * * *

After 15 years and $115 billion—those are my figures, and you may have different figures—does that indicate we operated this program for 15 years and spent $115 billion without having that type of personnel in the program?

Secretary RUSK. No, sir; I think it means that in Government there is a never-ending search for key people to take on top responsibilities. When there is a change in administration, some of these people leave of their own volition and a new President would want people of his own choice to take on these top responsibilities. We never get through looking for top talent and in the case of the AID top management, we have been looking for men who have had business and other types of experience which can give us the kind of hardheaded administration we need in these key posts.

I think we have made considerable progress, for example, among the Assistant Administrators we have been able to find. I think we can be confident we are off to a good start in this.

PERSONNEL SEPARATIONS AND ADDITIONS

Mr. PASSMAN. Thank you, Mr. Secretary.

I think, if you take participants, military personnel, AID personnel, and State personnel, the figure is approximately 60,000, for all personnel concerned with the foreign aid program.

In the last count I had, you had only eliminated 345 persons. Has that figure changed any since the last report? You have not scratched the surface if you think 345 is a change, when you think of the huge numbers involved.

When I go out on a survey trip, I meet the same mission heads that I had met previously. I have not, as yet, run into any new mission head. Most of them are doing a good job.

Secretary RUSK. May I submit a list of the changes in personnel?

Mr. PASSMAN. Surely.

Secretary RUSK. I think the committee is entitled to have that.

(The list follows:)

Subject: Total separations from AID during period from November 4, 1961, to April 30, 1962.

The number of separations within AID, both voluntary and involuntary, totaled 555 for the period November 4, 1961, to April 30, 1962,[1] which includes employees separated under Section 621(d) of the Foreign Assistance Act of 1961.[2] As of April 30, 1962, the AID personnel strength report indicated approximately 6,500 AID direct-hire employees on the rolls of the Agency.

Subject: Changes in AID executive positions in Washington and abroad since November 4, 1961.

AID, WASHINGTON

Presidential appointments:

Administrator: Fowler Hamilton.
Deputy Administrator for program: Frank M. Coffin.
Assistant Administrator for Latin America: Teodoro Moscoso.
Assistant Administrator for Far East: Seymour J. Janow.
Assistant Administrator for Near East and South Asia: William S. Gaud.
Assistant Administrator Africa-Europe: Edmond C. Hutchinson.
Assistant Administrator for Material Resources: Herbert J. Waters.
Assistant Administrator for Development Finance and Private Enterprise Seymour Peyser.
Assistant Administrator for Congressional Liaison: John L. Salter.

Supergrades:

Assistant Deputy Administrator: Harry Shooshan.
Director, Program Review and Coordination: Hollis B. Chenery.
Deputy Director, Program Review and Coordination: Lester E. Gordon.
Director, Public Affairs and Information: Edwin R. Bayley.
Deputy Director, Public Affairs and Information: Joseph L. Newman.
Director, Research and Evaluation Staff: Edward C. Fei.
Director, Management Inspection Staff: Thomas A. Kennedy.
Director, Office of Engineering: Donald L. Roberts.
Deputy Director, Office of Engineering: Robert L. Moorman.
Deputy Assistant Administrator for Administration: Harrell T. Vance.
Director, Office of Personnel Administration: Roy W. Crawley.
Deputy Director, Personnel Administration: F. E. Raterman.
Deputy Assistant Administrator for Material Resources: Paul B. Cressor, Jr
Associate Assistant Administrator for Material Resources: Nelson J. Post.

[1] Last date for which data was available.
[2] There were 345 employees separated under sec. 621(d) of the Foreign Assistance Act of 1961.

Chief, Agricultural Resources: Frank Ellis.
Special Counsel, Latin America: William D. Rogers.
Special Adviser Public Affairs: Robert B. Goldmann.
Director, Capital Development and Financing, Latin America: Donald L. Wright.
Deputy Assistant Administrator, Management, Africa and Europe: Manlio F. DeAngelis.
Special Assistant, Far East: Rutherford M. Poats.
Director, Capital Development and Finance: Selig Taubenblatt.
Chief, Engineering, Far East: Francis O'Brien.
Chief, Capital Development, Near East and South Asia: Alexander M. Vagliano.
Chief, Economic Program Division: Bartlett Harvey.
Director, Office of Greece-Turkey-Iran-Cyprus-CENTO Affairs, Near East and South Asia: John H. Kaufmann.
Director, Capital Development and Finance, Africa and Europe: M. Wedeman.

OVERSEAS

Latin America:
Director, Bolivia: Alexander Firfer.
Deputy Director, Chile: Pendennis W. Reed.
Deputy Director, Costa Rica: George R. Coumes, Jr.
Director, Dominican Republic: Newell F. Williams.
Deputy Director, Gautemala: Franklin R. Stewart.
Director, Nicaragua: Ralph C. Estrada.
Director, Uruguay: Robert H. Nooter.
Far East:
Aid representative, Burma: Donald P. Barnes.
Director, Cambodia: Curtis Campaigne.
Director, Indonesia: Edwin L. Fox.
Deputy Director, Indonesia: Edward J. Querner.
Director, Philippines: James H. Ingersoll.
Deputy Director, Korea: Julius H. Edwards.
Director, Thailand: John C. Ewer.
Assistant Director, Thailand: Tracy S. Park, Jr.
Near East and south Asia:
Director, Iran: Robert L. Macy.
Director, Jordan: Russell S. McClure.
Director, Yemen: James Megellas.
Deputy Director, Jordan: Charles F. Ruppert.
Africa and Europe:
Deputy Director, Ethiopia: Willard Meinecke.
Director, Ghana: William J. Lawless.
Director, Liberia: William H. Keller.
Deputy Director, Libya: Hamilton E. Loving.
Director, Sudan: Jacob E. Gramlich.
AID Representative, Uganda: Newman F. Jeffrey.

Mr. PASSMAN. The committee will recess for lunch at this time.

AFTERNOON SESSION

Mr. PASSMAN. The committee will come to order.

INFLUENCE OF AID ON NEWLY DEVELOPING COUNTRIES

I yield to the gentleman from New York.

Mr. TABER. The state of the world is in flux—that is, nobody knows what will break next. How does it look for us to start a program for development loans and grants to a lot of countries, and for us to set out a great block of money that is to be paid to these people for their benefit? It does not make sense. They are more apt to cut out from under you when you have that out in front of them than if you did not have it there. That is the way it works.

Do you see the point, Mr. Chairman?

Mr. PASSMAN. Yes, I do.

Secretary Rusk. I shall be very happy to comment on that fundamental question.

I believe we are in a period of flux. Great revolutionary forces have been at work. The membership of the United Nations has doubled with new countries. There is this revolution of rising expectations and demands for economic and social advancement. I think we are in a climactic period in the sense that what happens in the next few years will make a very large difference to the longer range history.

I think on the one side, Mr. Taber, there is the fact that the glamour of a Communist idea and method has been losing ground. When you look at the economic situation from East Germany all the way through to North Vietnam, you see a Communist world which is having very severe economic problems, even on the basic problem of essential foodstuffs. They are now having at this moment in Moscow a meeting of the Communist summit to talk about these economic questions. I think people in other parts of the world are rapidly realizing that the Communists have not found a magical answer to rapid economic development.

I think on the other side there is the free world which is moving rapidly in its own situation of economic strength. Developments in Western Europe have been dramatic. The increasing interest of Western Europe in giving assistance to these developing countries has been a very important development in the last several years.

Mr. TABER. The only thing we have been doing is just to go ahead, month after month and year after year, and hand out larger gratuities to these people. To me, the approach is entirely wrong. It does not make sense for us to go to work and set out increasing gratuities all along the line. That is just what we are doing. We are holding it out in front of them as bait.

ALLIANCE FOR PROGRESS

Secretary RUSK. I think, sir, the importance of what we can do is not so much in terms of the actual amounts seen absolutely as in the influence which these amounts can have on what these countries must do for themselves. In the Alliance for Progress, for example, what we think we ought to try to do would represent only 2 percent of the gross national products of these Latin American countries. If, with these 2 percent, we can make a substantial difference in what they do with the 98 percent, then we believe this is a most important role for us to play.

I think it is terribly important, and I am sure——

Mr. TABER. Within what period would you expect this block of money for the Alliance for Progress to be obligated?

Secretary RUSK. I would think, apart from the precise legislation, the Alliance for Progress in this hemisphere would have to be a decade of effort.

Mr. TABER. You mean it would take 10 years to obligate the $600 million?

Secretary RUSK. No, sir. That $600 million would be for the 1 year.

Mr. TABER. For the 1 year?

Secretary RUSK. Yes, sir.

Mr. TABER. That would all be obligated in 1 year?

Secretary RUSK. Yes, sir.

Mr. TABER. Within what period would it be expended?

Secretary RUSK. This would depend somewhat upon the nature of the loans and for what purposes, but I would think that most of the $600 million would be expended within a 2- or 3-year period.

EXPENDITURE OF FUNDS BY INTER-AMERICAN DEVELOPMENT BANK

Mr. TABER. What is the status of the $500 million that we provided last year for South American countries?

Secretary RUSK. Of the amount assigned to the Inter-American Development Bank, $214 million of that has been authorized in loans thus far, and there is a remainder of $180 million in the hands of the Inter-American Bank which is still to be committed.

Mr. TABER. How much has been expended?

Secretary RUSK. As you know, as far as the U.S. Government is concerned, we made $394 million of that $500 million available to the Bank, and from our point of view that has been expended. We, ourselves, have expended $48 million of the remainder as of March 31, 1962. I would have to get the figures on the actual expenditures by the Bank.

Mr. PASSMAN. Mr. Secretary, how could you say it has been expended, when the Inter-American Bank appeared before our committee earlier to justify an additional $60 million, and they said it had not been expended, and that not all of it had been obligated? How could it have been expended when it has not been obligated?

Secretary RUSK. I was thinking simply of the transaction between us and the Bank.

Mr. PASSMAN. It is true that you turned the money over to the Bank.

Secretary RUSK. That is correct.

Mr. PASSMAN. But so far as we are concerned, the committee feels it should continue to have a look at it, because you are asking for $600 million this year for a new program. We have run into some things in this item which we shall discuss later. The Bank has some expense accounts which are about the most ridiculous matters this committee has ever had a look at. Anyway, we do not think any appropriation is expended until such time as the checks have been drawn.

Those are the same figures you put in the record before, are they not, when the Inter-American Bank was up?

Mr. TENNANT. I was not here that day, Mr. Chairman.

Mr. PASSMAN. Without objection, we shall insert them again at this point. It will do no harm to read them twice.

(The information referred to follows:)

INTER-AMERICAN DEVELOPMENT BANK—SOCIAL PROGRESS TRUST FUND

TABLE III.—*Statement of approved loans, Feb. 28, 1962*

Country and obligor (guarantor in parentheses)	Purpose	Date approved	Date contract signed	Amount approved	Undisbursed balance	Status of loans			Income collected	Interest	Commitment fee	Repayment terms and principal installments
						Disbursed	Repaid	Outstanding				
BRAZIL												
Departmento de Aguas e Esgotos del Estado de Bahia (State of Bahia) loan No. 13.	Financing of water system for the city of Salvador.	11-30-61	----------	$4,120,000	$4,120,000	----------	----------	----------	----------	*Percent* 2.75	*Percent* 0.75	23 annual beginning Dec. 31, 1962.
COLOMBIA												
Establecimiento Público Empresas Municipales de Cali (Republic of Colombia), loan No. 9.	Financing the expansion and improvement of potable water systems.	10-26-61	----------	2,454,000	2,454,000	----------	----------	----------	----------	2.75	.75	39 semiannual beginning 12 months after date of contract.
Instituto de Crédito Territorial (Republic of Colombia), loan No. 10.	Financing housing for persons of low income.	11-16-61	2-2-62	15,200,000	15,200,000	----------	----------	----------	----------	2.75	.75	20 annual beginning Feb. 2, 1963.
Empresas Municipales de Cúcuta (Republic of Colombia), loan No. 11	Financing the expansion and improvement of water and sewerage systems of the city of Cúcuta.	11-22-61	2-3-62	5,183,000	5,183,000	----------	----------	----------	----------	2.75	.75	60 semiannual beginning Aug. 3, 1962.
Total loans to Colombia	----------	----------	----------	22,837,000	22,837,000	----------	----------	----------	----------	----------	----------	
CHILE												
Republic of Chile, loan No. 12	Financing of potable water systems for the cities of Concepción and Talcahuano.	11-22-61	----------	2,470,000	2,470,000	----------	----------	----------	----------	2.75	.75	20 annual beginning 12 months after date of contract.
Corporación de Fomento de la Producción de Chile, loan No. 17.	Financing construction of houses for low income farmers.	12-21-61	----------	1,268,000	1,268,000	----------	----------	----------	----------	1.25	.75	30 annual beginning 12 months after date of contract.
Corporación de Fomento de la Producción de Chile, loan No. 18.	Agricultural credits to small farmers and agricultural cooperatives.	12-21-61	----------	10,000,000	10,000,000	----------	----------	----------	----------	1.25	.75	20 annual beginning 12 months after date of contract.
Total loans to Chile	----------	----------	----------	13,738,000	13,738,000	----------	----------	----------	----------	----------	----------	

TABLE III.—*Statement of approved loans, Feb. 28, 1962*—Continued

Country and obligor (guarantor in parentheses)	Purpose	Date approved	Date contract signed	Amount approved	Undisbursed balance	Status of loans			Income collected	Interest	Commitment fee	Repayment terms and principal installments
						Disbursed	Repaid	Outstanding				
COSTA RICA												
Instituto Nacional de Vivienda y Urbanismo de Costa Rica, loan No. 4.	Financing construction of houses for low income families.	8-10-61	10-31-61	$3,500,000	$3,150,000	$350,000	.....	$350,000	.....	2.75	.75	25 annual beginning Oct. 15, 1962.
ECUADOR												
Municipality of Quito (Republic of Ecuador), loan No. —.	Expansion and improvement of sewerage systems.	2-28-62	.....	3,000,000	3,000,000	.....	.....	.....	.....	2.75	.75	2 annual and 36 semiannual beginning 12 months after date of contract.
Instituto Nacional de la Vivienda (Republic of Ecuador), loan No. —.	Financing construction of houses for low income families.	2-28-62	.....	10,600,000	10,600,000	.....	.....	.....	.....	1.25	.75	39 semiannual beginning 12 months after date of contract.
Total loans to Ecuador				13,600,000	13,600,000	.....	.....	.....	.....	.....	.....	
EL SALVADOR												
Banco Central de Reserva de El Salvador (Republic of El Salvador), loan No. 3.	For relending to small farmers for development of agriculture and animal husbandry.	8-3-61	contract signed 11-24-61	2,000,000	2,000,000	.....	.....	.....	.....	2.75	.75	20 annual beginning Dec. 1, 1962.
Banco Central de Reserva de El Salvador (Republic of El Salvador), loan No. 5.	Financing the expansion and improvement of sewerage systems of 5 cities.	8-10-61	11-17-61	840,000	840,000	.....	.....	.....	.....	2.75	.75	60 semiannual beginning Nov. 17, 1962.
Banco Central de Reserva de El Salvador (Republic of El Salvador), loan No. 6.	Financing the expansion and improvement of potable water and sewerage systems in 34 towns.	10-12-16	11-17-61	2,700,000	2,700,000	.....	.....	.....	.....	2.75	.75	Do.
Total loans to El Salvador				5,540,000	5,540,000	.....	.....	.....	.....	.....	.....	

PANAMA												
Instituto de Vivienda y Urbanismo (Republic of Panama), loan No. 1.	Financing housing for persons of low income.	8- 3-61	8-22-61	7,600,000	7,100,000	500,000	.....	500,000	.....	2.75	.75	27 annual beginnin Sept. 1, 196
PERU										*Percent*	*Percent*	
Cooperativa de Crédito Central del Peru (Government of Peru), loan No. 8.	Small loans to financing housing improved land use and potable water and sanitation.	10-19-61	10-27-61	1,000,000	700,000	300,000	.....	300,000	.....	1.25	.75	21 annual beginning Oct. 27, 1962.
Republic of Peru, loan No. 7	Financing housing for persons of low income.	10-19-61	11-24-61	22,800,000	22,800,000	.....	.....	.....	.....	1.25	.75	20 annual beginning Nov. 23, 1962.
Total loans to Peru				23,800,000	23,500,000	300,000	.....	300,000	.....			
URUGUAY												
Gobierno del Departamento de Montevideo, loan No. 15.	Financing of sanitation works.	12-7-61	.....	2,500,000	2,500,000	.....	.....	.....	.....	2.75	.75	41 semiannual beginning 12 months after date of contract.
VENEZUELA												
Banco Obrero de Venezuela (Government of Venezuela), loan No. 2.	Financing of rural housing for persons of low income through self-help system.	8- 3-61	11-15-61	12,000,000	12,000,000	.....	.....	.....	.....	1.25	.75	40 semiannual beginning May 15, 1962.
Republic of Venezuela, loan No. 14.	Financing of potable water systems for 330 towns.	12- 7-61	.....	10,000,000	10,000,000	.....	.....	.....	.....	2.75	.75	39 semiannual beginning 12 months after date of contract.
Instituto Nacional de Obras Sanitarias (Government of Venezuela), loan No. 15.	Financing of potable water systems for 55 towns.	.....	.....	10,000,000	10,000,000	.....	.....	.....	.....	2.75	.75	20 annual beginning 12 months after date of contract.
Total loans to Venezuela				32,000,000	32,000,000	.....	.....	.....	.....	.....	.....	
Grand total				129,235,000	128,085,000	1,150,000	.....	1,150,000	.....	.....	.....	

PERSONNEL CHANGES IN AID

Mr. PASSMAN. Mr. Secretary, returning to page 7, I must repeat what you have said.

The Agency for International Development was established only 7 months ago. Yet much has been done during this time to provide the strong direction and leadership this program should have, both in Washington and in our missions abroad.

I think I made the statement that out of some 60,000 personnel involved, directly and indirectly, only 345 have been separated, and some who had been separated from one branch went out the front door and came right back in the back door.

A few years ago, we had to say, in effect, "Dr. FitzGerald, in the future you will be persona non grata before this committee." This year a very high figure in the Department said, "Dr. FitzGerald is no longer with us." We were in complete agreement that it was for the benefit of the Agency.

However, now we learn that Dr. FitzGerald merely went out the front door and came in the back door on a consultant basis.

We find he is back with the Agency in maybe as important, or more important, capacity than he previously had. On what basis is he back in the AID program?

Secretary RUSK. Mr. Chairman, I am afraid that question will have to be addressed to Mr. Hamilton.

Mr. PASSMAN. I shall do so, Mr. Secretary.

ROLE OF THE SECRETARY OF STATE IN THE FOREIGN AID PROGRAM

Secretary RUSK. Mr. Chairman, would this be an appropriate time for me to comment on my own personal activities and relations with respect to the foreign aid program?

Mr. PASSMAN. We would be happy to have you do so.

Secretary RUSK. The committee might be interested because I do have, as you know, statutory and administrative responsibility for the AID Agency. I think the committee might be interested in knowing how I personally, as an individual, attempt to carry out what is an institutional responsibility.

Certainly I am very much involved in the recommendations which the President makes to the Congress about the AID program, and participate in that to the fullest. Then in the course of the ordinary conduct of business, I think no day goes by without my having to deal with some important policy or administrative question with respect to AID. This goes on day after day, right through the year. Senior officials of the AID Agency are present at my daily morning meeting at the beginning of each day, where many of these questions do come up. We have, as you know, a considerable number of distinguished foreign visitors coming here to have talks with the President, with me, and with other senior officials. On each occasion on most of those visits there are discussions about aid programs, and on those occasions I go into specific country programs in considerable detail for purposes of negotiation with those distinguished visitors.

As well, when I go to a place like NATO, I have a chance there to talk to other Western foreign ministers about what their efforts in aid are, and can be, and what we can do to improve and increase their

effort. From time to time throughout the year, I see a considerable number of foreign ministers with whom I discuss these matters.

On the actual administrative side, I do two or three things. In the first place, I make use of our new Inspector General by giving him personal direction as to the kinds of questions to look into and call matters to his attention for his investigation and report to me. I talk over administrative problems with the Administrator himself from time to time, and I am soon to sit down with him on a broad administrative review of the personnel and the staffing of the Agency.

In addition to that, I try to send through a considerable stream of questions and comments which come to me out of contacts from other sources—private citizens traveling abroad who write me, Members of Congress who write me about particular problems, newspaper stories, and things of that sort.

I cannot be the Administrator of AID, but I do take a deep interest in it and try to draw upon my own personal experience in the private aid field to try to shape up some of these matters in a way that would get us more of a dollar's worth for a dollar.

Mr. PASSMAN. Thank you, Mr. Secretary.

Secretary RUSK. We have tried, particularly with these key officials, such as the assistant administrators, to get men in whom we have complete confidence and whose background and experience put them in a position to take leadership in this program.

Mr. PASSMAN. We just have to state for the record facts as they are. Dr. FitzGerald, it is pretty generally understood, just about ran the show down there. If one disagreed with him, regardless of seniority or ability, he would go so far as to transfer his antagonist from a very desirable post to some very undesirable place. He was the most autocratic man I have ever known. It was rather generally understood that it was necessary to relieve him. Now we learn that he is back in the Agency, maybe with a better job on a consultant basis, perhaps influencing important policy decisions. The committee wants more information on this case, and we hope Mr. Hamilton will be prepared to give it to us.

AID TO YUGOSLAVIA

Mr. Secretary, do you believe that the Senate has stopped aid to Yugoslavia, by the amendment it adopted yesterday prohibiting aid to Communist-dominated countries? If finally approved by the Congress, is the amendment broad enough to stop aid to Yugoslavia?

Secretary RUSK. I think if the Lausche amendment as passed becomes a part of the permanent legislation, that would stop aid to Yugoslavia. I hope very much the President will be allowed some discretion on this point. We do not have in mind any significant amount of aid, except in the Public Law 480 program, for Yugoslavia, but we do think it very important that we not be in a position of legislative rigidity on this particular point.

Yugoslavia is not a part of the international Communist conspiracy which is working in country after country to overthrow existing governments in the free world. I think their defection from control by the Soviet bloc at the time of the Greek guerrilla affair was a decisive element in bringing that Communist revolt in Greece to a conclusion.

We have many differences with Yugoslavia on policy questions. There is no question that they have organized themselves as a Communist country. There is no question that there are some significant differences between their organization and the organization of certain other Communist countries, such as the Soviet Union or Bulgaria or Czechoslovakia or some of the others. But on certain important international problems they do not follow the Communist bloc down the line.

For example, when Mr. Khrushchev proposed a troika arrangement for the Secretary General of the U.N., a proposal which would have destroyed the U.N. as an effective organization, Yugoslavia supported the great majority of the membership of the U.N. resisting that proposal.

On the critically important questions, such as disarmament, for example, the Yugoslavs insist, as most of the rest of us, that inspection, control, and supervision are important if any disarmament is to be achieved.

We do not believe we should take action which would almost certainly drive them toward Moscow and make it necessary for them to rely almost wholly upon relations with the Communist world. That is the great policy problem. I would hope the President would be allowed by the Congress to have some discretion in which he could deal with this type of problem, with all its complexities, in the national interest as he would see it.

Mr. PASSMAN. Thank you, Mr. Secretary. Of course, a lot of people believe that Yugoslavia is just as much a Communist country as Russia. I hope the legislation will be broad enough to prevent aid from going in, because some of us are sensitive to insults. On December 27, 1957, just when we thought we had a worthwhile program going with Yugoslavia, militarily and otherwise, it was a terrific shock—and I am sure the record indicates the context in which I am bringing it out—when Yugoslavia said, "We don't want any more military aid." It was a tremendous embarrassment.

We have given a tremendous amount of aid to Yugoslavia—I believe the last package was $150 million in fiscal 1961. Since that time they pegged their currency at an unrealistic exchange rate and created a very bad balance of payments situation, which was nothing more than an error of their own. Now, if we are to be called upon to move in with the overburdened American taxpayers' money, and pour out tens of millions of dollars to remedy nothing but a boner in their Government, we will be about as far afield as we can go.

You are familiar, Mr. Secretary, with the balance of payments situation Yugoslavia has at the present time? It is a very serious economic situation, is it not?

Secretary RUSK. I am generally familiar with it, sir.

Mr. PASSMAN. If it is as I have stated, would it be fair to the American taxpayers to ask them again to start pouring millions of dollars into Yugoslavia simply because they did not have the ability or the desire to fix their monetary rate at a realistic rate so they would attract world trade, rather than to shut it off from their country?

Secretary RUSK. Mr. Chairman, the type of aid we have had in mind was credit sales of agricultural surpluses under Public Law 480,

with a small amount of funds for direct support of our own technical assistance people in Yugoslavia. I think neither one of these forms of aid would get immediately involved in the problem you just mentioned.

Yugoslavia is a member of OECD and of GATT. It has growing trade relations with the West, particularly in Western Europe. We believe these economic relations are important and should be sustained, and that this is one of the elements which will tend to keep Yugoslavia from becoming once again a member of the Soviet bloc.

Mr. PASSMAN. What if similar errors develop all over the world? Why should we go to the rescue of Yugoslavia simply because of bad judgment on their part? Whether it is Public Law 480 or some other program, it involves American dollars, either at the start or at the finish.

Secretary RUSK. I think it is highly relevant, under the criteria which we and the Congress have discussed, to see what a country is doing in its own behalf, what it is doing with its reserves, what action it takes with regard to stabilization, and whether it is putting its own economy in operating shape. Obviously, we would not wish to make American investments in a situation which showed no promise at all. I think we should not give up on our food program for Yugoslavia within the modest limits which we have been discussing.

Mr. PASSMAN. I do not know of any question that a person could ask to which there would not be some type of answer. The problem is one of evaluating the answer and trying to arrive at what is right or wrong.

Nevertheless, after America thought you had terminated aid to Yugoslavia, we ran into a $150 million package. In addition, on our trip to Europe last month, we were told the Yugoslavian people were in worse shape than they had been in many years on account of establishing an unrealistic exchange rate and creating an unrealistic balance of payments situation, and that their officials were coming to this country to get more aid. In my opinion we cannot pick up checks for all the errors which are made around the world and survive.

Secretary RUSK. I believe the figure you mentioned was the figure for the program of 2 years ago, Mr. Chairman.

Mr. PASSMAN. It was fiscal 1961.

(Off the record.)

Mr. PASSMAN. Mr. Secretary, we could talk about Yugoslavia all afternoon and wind up just about the same place we started, but it still stands that they had a rather satisfactory economy, and on account of fixing an unrealistic exchange rate a year or so ago they created a very bad balance of payments situation and no doubt will be asking the United States to pay for their mistake. As far as I am concerned, I am going to vote against paying for their mistake.

Secretary RUSK. Mr. Chairman, I might comment that we have reduced our aid to Yugoslavia considerably. Except for the Public Law 480, we had planned, at most, a possible small loan assistance program.

Mr. PASSMAN. I still think of Public Law 480 as costing money. As far as they are concerned, it is the same thing as dollars.

WEST GERMANY'S FOREIGN ASSISTANCE PROGRAM

Mr. Secretary, the committee later on may wish to get some information on this quotation from page 6 of your statement:

One of the most encouraging signs of the effectiveness of the aid program is that many countries which we have helped in the past are now able to help others

A very important German national came to my office on his way to the White House not too long ago. He said that, by persuasion, his country had entered into certain types of programs that called for a payout of deutsche marks, and even on a loan basis, with a normal rate of interest, in 2 years' time they had gone from a surplus to a deficit in their deutschemark situation, and they were then formulating plans to greatly reduce their aid program.

Are you familiar with the deutschemark deficit and the fact that Germany had been talked into something they did not like, that it had created a balance-of-payments deficit, and that they were arranging to reduce their aid?

Secretary RUSK. We do not have that information, nor do we believe the Federal Republic of Germany will reduce its foreign aid significantly. As a matter of fact——

Mr. PASSMAN. They do have plans to reduce it, though, have they not?

Secretary RUSK. That is not my information, sir.

Mr. PASSMAN. Have they a balance-of-payments deficit since they went into the aid program?

Secretary RUSK. That, too, is not my information.

Mr. PASSMAN. They do have a balance-of-payments deficit, and let me establish it for the record that they are reducing their aid program.

Secretary RUSK. I am going to Bonn shortly, and I will have the most recent information on that. I will be glad to furnish that to the committee.

(The information furnished follows:)

WEST GERMANY'S FOREIGN AID AND BALANCE OF PAYMENTS

Total net official German contributions for foreign aid increased by nearly 80 percent, or from $320 million in 1960 to $574 million in 1961. If Bundesbank investments in IBRD bonds and restitution payments to Israel were excluded, the increase would be from $217 million in 1960 to $298 million in 1961 or 38 percent. The adverse effects of increased foreign aid on Germany's balance of payments were significantly less than the aforementioned figures would indicate because of the large extent to which German aid to less developed countries is procured in Germany. This tends to have the effect of making the use of deutsche mark aid a domestic operation without balance-of-payments implication of any consequence.

Far more important individually than the increase in German foreign aid as contributors to the German balance-of-payments deficit are the following three factors that were operative in 1961:

1. The revaluation of the deutschemark on March 5, 1961, from DM4.2 = $1 to DM4 = $1 was a deliberate Federal Republic monetary move to combat its mounting balance-of-payments surpluses. It had the effect of making imports from abroad roughly 5 percent cheaper to German buyers and German export prices roughly 5 percent higher. The consequence was expected to be a reduction in exports and an increase in imports, thus cutting the trade surplus in the German balance of payments.

2. In a conscious effort to pursue a good creditor policy, the Federal Republic Government also attacked its large balance-of-payments surplus in 1961 by prepaying some $871 million of its indebtedness to others, principally the United States.

3. Following the Berlin crisis in August 1961, there was also a significant withdrawal by foreign investors of funds that had been placed in German portfolio investment in an effort to find a safer haven.

In 1962, other factors have been at work, chief of which has been a significantly higher level of agricultural imports into the Federal Republic (roughly 20 percent over 1961) due to last year's poor agricultural harvests. In addition, the waning boom in Europe has tended to reduce German exports, particularly of capital goods.

In conclusion, it is largely a matter of coincidence that a balance-of-payments deficit has developed in the Federal Republic after an enlargement of the German foreign aid program.

SELF-HELP MEASURES IN LATIN AMERICA

Mr. PASSMAN. Again dealing with a policy question, you state:

Many countries in Latin America have made conscientious efforts to improve their planning processes. Colombia, Bolivia, and Chile have already submitted plans for review to the Organization of American States. Others are showing promise of completing realistic plans soon.

During the debate on the floor we were told if we gave the Bogotá authorization, they would ask for no money until the plans had actually been brought into being. On account of the situation in Cuba, we measured up to our responsibilities and appropriated every dollar that they asked for, without the agreed upon plans being put into effect. Only recently we have been told that, as these people did not have to complete their plans to get funds under the Bogotá agreement, they felt they should not have to do it under the new Alliance for Progress program. Bills have been introduced and there have been a lot of speeches, but we want to know what specific legislation is in effect, and what the legislation will produce in revenue. Can you give us some information on that?

Secretary RUSK. Mr. Chairman, I think we ought to furnish for the record a list of the steps which have been taken in these countries as specific examples of self-help. There is a considerable number of them, including agrarian reform in Colombia, and tax legislation in a number of countries. I could go over those, country by country, if the chairman wishes.

Mr. PASSMAN. We would like to know when the legislation actually became effective, and what it is producing. Last year we were told that we were making great progress. You say there is some progress. Sixteen thousand bills have been introduced during this 87th Congress, and I doubt if over 600 will be passed. We are not particularly interested in bills being introduced or public pronouncements. So that we can inform the taxpayers who are putting up the money, please tell us what countries have passed legislation, how much revenue it has produced, and what they expect it to produce in the future.

Secretary RUSK. All right, sir.

(The information follows:)

SELF-HELP AND REFORM MEASURES IN LATIN AMERICA

Detailed statements of recent self-help measures in Latin America are contained in the published hearings of the House of Representatives Committee on Foreign Affairs on the Foreign Assistance Act of 1962. A paper entitled "Tax Reform in Latin America Since Act of Bogotá" appears on pages 473–504, part III of the committee hearings. Another paper entitled "Self-Help and Reform—The American Republics and the Dependent Territories in the Latin America Area" is found on pages 504–561 of the published hearings.

Significant progress in self-help may be highlighted as follows:

AGRARIAN REFORM

Bolivia.—Between August 1960 and December 1961, 71,000 land titles were granted in an acceleration of the Government's land reform program.

Brazil.—Related bills for land reform, reorganization of the Ministry of Agriculture, and amendment of the Constitution to permit time payment for expropriated private lands were approved by the Council of Ministers in February and are pending before the Federal Congress.

Chile.—A revised land reform bill involving better payment terms was submitted May 21 of this year to the Legislature, which is currently in session.

Colombia.—Agrarian reform legislation enacted by Congress in November 1961 provides for colonization of public domain, resettlement or parcellization of purchased land, and consolidation of small plot farms. Purchase and appropriation in the public interest is authorized. The Agrarian Reform Institute now established under the law has broad powers to carry out extension and development work.

Costa Rica.—In October 1961 general agrarian policy was established in a "Law of Lands and Settlement," which provided for a program to be administered by the national bank. One objective of the new agrarian program is to give security of tenure to the large number of squatters and farm laborers. Tax measures are provided to encourage subdivision of land, stimulating diversification of agriculture.

Dominican Republic.—A comprehensive agrarian reform law has recently been passed. A forestry law and a law for water conservation and use have also been enacted.

Ecuador.—A new agrarian reform law is being studied for submission to Congress. President Arosemena has also promised to seek revision of laws affecting rural labor.

El Salvador.—A cadastral survey is being made to provide the basis for a revision of land taxes; the objective is to put unused land into productive use. Reform measures enacted last year to improve the condition of rural workers included the following: (1) A decree establishing a mandatory weekly day of rest with pay for agricultural workers; (2) a decree law regulating in detail the working conditions of permanent and migratory agricultural workers; (3) a Department of Labor resolution establishing a minimum diet for rural workers. Implementation of these measures, which aroused considerable opposition from employers, is now considered reasonably effective.

Guatemala.—Agrarian reform activities were begun under a 1952 law which provided for the expropriation of unused private land. In 1954 after the fall of the Arbenz regime the law was modified by decree to permit the transfer of unused Government land. The program has continued, and to date nearly 5,000 titles have been provided through cooperative effort with the United States to units averaging 50 acres per farmer. Through its own efforts the Guatemalan Government has settled some 12,000 families on subsistence-type farms. External borrowing is being sought to continue in resettlement.

Through the National Agricultural Bank the Government has extended credit amounting to several million dollars to farmers who were not eligible for commercial loans. The Government, with U.S. assistance, has maintained agricultural extension and vocational education projects. The public investment plan (1960–64) allots $11.3 million for agrarian reform.

Haiti.—About 4,000 acres of publicly owned lands has been distributed through the Ministry of Agriculture through 1961.

Mexico.—The Mexican effort in land reform is of long standing. From 1915 to 1961 more than 124 million acres were distributed by the Government. In the past 3 years about 17 million acres of land were distributed to some 4 million peasants.

In 1960, the Government initiated plans to open up new areas of unused land in currently inaccessible areas in the south through a colonization program which will include roads, housing, and supervised credit.

Nicaragua.—Late in 1961 after extensive preparation and consultation with many political factions, an agrarian reform law was submitted to Congress. Because of this preparation, the administration expects it will be passed this year. Under the law an agrarian institute would be established, and a sliding scale of land taxes would be imposed—the highest rate being on unused land. As agricultural land has been untaxed to date, the law is expected to result in increased revenues of approximately $1 million in the first year and more thereafter.

Panama.—In October 1960 the Government established an Agricultural Credit Bank which is making small agricultural loans to individual farmers. The Government has proposed, as part of its 5-year development plan (1962–66), to settle 18,000 families on 75,000 hectares of unused land. The Agrarian Code has been presented to the National Assembly but cannot be acted upon before its session this fall; a cadastral survey is also needed.

Venezuela.—In March 1960, Venezuela adopted a land reform program which has already resettled 40,000 families on 3 million acres of land. This comprehensive program is fully operative at the present time. In December 1961 the Congress passed a law authorizing the Agricultural and Livestock Bank to use $30 million to finance the importation of farm machinery, to promote production of certain crops, and to finance importation of improved livestock.

British Honduras.—In February of this year the Legislative Assembly enacted into law a measure providing increased security for tenant farmers.

Jamaica.—The Government plans to introduce legislation to permit it to lease idle land for productive use by small farmers.

TAX REFORM

Bolivia.—Revenue collection, the tax structure, and fiscal administration have been improved. A customs code has been placed in effect; payrolling machines have been installed; and administrative improvements have been instituted in the Finance Ministry. These efforts resulted in an increase of 30 percent in customs collections in 1960 and of 10 percent in other taxes; further improvement produced an additional 17 percent increase in customs revenues in 1961.

A British team of customs experts, on the invitation of the Bolivian Government, has studied the needs for administrative improvement in Bolivian customs. This report has recently been submitted.

It is estimated that the recommended improvements, if adopted, will result in an annual increase of $5 million to $8 million in customs receipts.

Brazil.—In November 1961, Prime Minister Neves proposed new income tax legislation to Congress designed to increase revenues by $70 million a year and to increase the tax burden on the wealthy taxpayers while reducing indirect taxes. Stricter penalties for tax evasion are also proposed. However, it also contained controversial provisions affecting foreign investment and is presently being redrafted.

President Goulart has recently initiated a commitment to a profound tax revision.

Chile.—A tax bill now in the hands of the President is to be presented to the Congress at its session this summer, with passage predicted by the end of August. It provides for (*a*) administrative reforms to increase the efficiency of the internal revenue service and improve tax collection, (*b*) structural reforms aimed at more equitable distribution of the tax burden, reduction of tax evasion, increased tax revenue, and creation of a series of incentives to economic development. An increase in tax revenues amounting to the equivalent of an estimated $48 million in 1962 and $80 million in 1963 is expected from improved tax collection and enforcement, the first tax fraud case in the history of Chile was presented in May 1962.

Colombia.—The Colombian tax reform law of December 1960 substantially raised rates, in a progressive fashion, on the upper levels of corporate and personal incomes. Personal and corporate income taxes provide more than 50 percent of Colombia national budget revenue. A tax on real estate passed in December 1961 has the effect of discouraging large nonproductive holdings. A law enacted in September 1961 reduces import duties on essential goods while increasing those on luxury goods. Further tax measures are under study, and tax administration has improved.

Dominican Republic.—A new progressive income tax law, drafted with the help of an OAS adviser, has just been enacted. It is expected to produce the equivalent of about $3.5 million this year and at least $7 million in 1963. This is about 10 times the annual revenue produced under the previous law and 4 times the level under the Trujillo regime. The adviser is remaining to work with the Government on other aspects of the tax system.

Ecuador.—In April 1961 a new tax of 2.25 percent was placed on the value of all imports. The imposition was expected to raise between $2 million and $4 million. Other changes in customs duties, particularly an increase in the tax based on the f.o.b. value of exports, are expected to raise additional revenue. An inheritance tax law increasing the maximum rate from 7.8 to 35 percent was recently enacted.

Legislation in preparation or under consideration includes the following: (1) modification of the basic customs law, regularization of customs and related court procedures; (2) laws applicable to commercial transactions, contracts, etc., for inclusion in the new tax code; (3) a more progressive income tax bill, aimed more at improvement of the tax structure than at increased revenue; (4) revision of the sales tax law.

At the request of the Government, a major study of the revenue system of Ecuador has recently been undertaken by the OAS.

El Salvador.—A significant step was taken in September 1961 when the income tax law was amended to provide increased exemptions for children and increased tax rates in the higher personal and corporation brackets. The personal bracket rate for $75,000 annual income is now 76.5 percent. Revenue from income taxes is expected to be one-third greater in 1962 than in 1960.

Since September 1961 the Government has engaged the services of a U.S. adviser to point the way to further soundly based reforms.

Haiti.—A new income tax law was enacted on September 7, 1961. The principal changes were an increase in the top bracket complementary tax from 5 to 10 percent, and application of a 20-percent surtax to the foreign-held net assets of Haitian corporations. The law also contained some administrative improvements. Salary withholding was tightened and fines for evasion of withholding provisions increased. Prepayment of tax by business and professional taxpayers was inaugurated. Finally, the tax administration has been given broad powers to reassess taxable income in accordance with the taxpayer's visible standard of living.

On February 28, 1962, a tax for participation in the national effort was introduced to help finance the "self-help" program of public investment. It imposes a tax on imports and exports which had been entering Haiti free of custom duty under special legislation encouraging new industries and investments in Haiti. The rate is 20 percent on imports, 10 percent on exports.

Honduras.—On the invitation of the Honduras Government, an OAS tax mission began a study of tax reform needs late in 1961; a report is expected shortly. The Ministry of Economy and Finance in January of this year proposed legislation to Congress for a 20-percent increase in the tax on annual incomes over $10,000. Top bracket rates would be increased from 30 to 36 percent. The proposal would be expected to yield $500,000 in 1962 and $1 million annually in 1963 and 1964. The legislative recommendations also include a land tax, the insertion of differential rates into the indirect system, and the gradual start, on an experimental basis of a general tax on expenditures. The proposed income tax legislation would encourage productive investment through exemption and lower rates, and discourage nonproductive investment through higher rates.

Based on recent improvements in collection procedures, a 10-percent increase in tax revenues is predicted for 1962 over 1961.

Mexico.—A number of fiscal and social laws were passed last year to become effective in 1962; the estimated income for 1962 over 1961 is estimated to be about $70 million, a 7.8-percent increase. In addition to the tax reforms made to tighten administration and plug loopholes, the income tax law was simplified in a number of respects, and made more progressive.

Panama.—In December 1961 the tax structure was revised which together with improved administration is expected to result in an increase in tax revenues of $5 million or by 8 percent. The changes made in the income tax include provisions for pay-as-you-go, inclusion of dividends and interest and on bearers' shares, and the filing of consolidated returns by corporations with over 50 percent affiliation. A new tax on lands, graduate by size of ownership, a surtax on all imported goods and additional taxes on various forms of liquor and liquor consumption were imposed. Procedures were included for the enforcement of penalties, dealing with fraud and in other respects designed to improve administration.

Uruguay.—Effective July 1, 1961, an income tax with a basic levy of 10 percent plus a progressive rate ranging from 5 to 30 percent was imposed for the first time in the country's history.

On November 30, 1960, a new tax law simplified the existing system by repealing a number of minor taxes and raising the rates on others such as the transactions tax which was boosted from 4½ to 6½ percent and the sales tax which was doubled.

Venezuela.—The first of two major 1961 changes (a promulgation of February 13, published on February 17 and effective February 18) provided for withholding on interest and royalties paid to nonresidents. It introduced a pay-as-you-go system for mining and petroleum companies. The lower bracket complementary

rates on business enterprises were raised, the bottom bracket, for example, being raised from 2 to 10 percent. Administrative provisions were also included.

Revisions of the fiscal stamp tax law (to produce 16 million bolivars) and in the cigarette tax law (to produce 31 million bolivars) were published on February 15.

The second major change in the income tax law was promulgated on June 29 (under the name of the Law of Urgent Economic Measures). The law is applicable to income received after July 2. In addition to raising many rates, power was given to the President in the law with regard to rate increases (which he has exercised) and with regard to instituting withholding on dividends paid to nonresidents (which he has not implemented). Pay-as-you-go methods were extended to commercial and industrial enterprises.

By decree 581 of June 30, the top inheritance and gift tax rates were raised from 30 to 55 percent and an increase was also enacted with regard to the gasoline taxes.

The expected revenue increase from the February and the June enactments is $75 million annually with an additional one-time increase for 1962 of $125 million.

Both the February and the June enactments contain tax incentive provisions (granting exemption for 10 years on interest on loans made for the purpose of inaugurating or expanding certain enterprises or on income from such enterprises).

Improved administration has resulted in an increase in the filings of income tax declarations for the first 2 months of 1962 over a comparable period in 1961 of 50 percent.

NATIONAL PLANNING

Most of the Latin American nations have made notable progress in nationa' development planning since the Act of Bogotá, and especially since the Punta del Este Conference of last year. Bolivia, Chile, and Colombia completed plans which were submitted to the OAS panel of experts for review—in the case of Chile, the plan was also submitted to the IBRD. Venezuela and Honduras have prepared 4-year plans which will shortly be submitted to the OAS. Guatemala has prepared a 4-year economic development plan and is at work on a 10-year plan, including an interim sector plan. Panama has prepared a 5-year development plan.

Two countries—Haiti and Uruguay—have invited and are receiving the help of combined teams from the OAS, the Economic Commission for Latin America, and the Inter-American Development Bank in formulating national plans. Nine other Latin American countries—Argentina, Brazil, Ecuador, Mexico, Nicaragua, Panama, Peru, and Uruguay—have recently formed or strengthened national planning agencies, and El Salvador is in the process of forming its agency.

OTHER MEASURES

Argentina.—Present indications are that the Government is continuing the broad program of self-help begun under the Frondizi administration, aimed at achieving economic stability and stimulation of free enterprise.

Bolivia.—In June 1961, after detaining some 60 Communist agitators, the Government promulgated and enforced a decree increasing efficiency in the state mining corporation by reducing labor control of management decisions and by introducing foreign management advisers. In April 1961, a voluntary employee reduction program to eliminate an estimated 6,000 surplus workers was also initiated.

In October 1961, a 65-percent increase in domestic gasoline prices was instituted, despite heavy rioting in the capital and other urban centers which resulted in 40 casualties.

In December 1960, a new investment code was adopted to stimulate private investment. U.S. interests are considering the construction of an antimony smelter and other mining investments; Japanese firms have recently purchased two medium size copper mines and are negotiating for the purchase of a lead mine.

Brazil.—In northeast Brazil the Northeast Development Administration (SUDENE) has completed a comprehensive 5-year, $900 million, development plan. More than $500 million of the necessary resources will be provided by Brazil. The program has been approved by the Brazilian Congress and funds for the first year equivalent to $100 million have been appropriated.

The Ministry of Labor has prepared a 10-year low-cost housing program calling for the construction of 3,810,000 self-help housing units. Several of the state governments are implementing low-cost housing and slum clearance programs.

Congress passed a special school bill in December 1961 creating the organization needed to carry out the national educational program drawn up by the Cabinet in September 1961. Congress also trebled the budget of COSUPI, an agency to improve higher education.

Chile.—Chile set up in 1961 a nationwide savings and home loan association system. Fifteen associations are already in existence, and 11 have authorization to make loans. More than $500,000 in loans for home construction have already been made by associations in various parts of the country.

The Chilean Housing Corp. built almost 70,000 housing units during the 1959–61 period.

The Chilean Internal Tax Service started a tax administration school in August 1961 to train inspectors in tax laws and in accounting and auditing procedures. One hundred officials will complete training by the summer of 1962.

Colombia.—In December 1961, Colombia began a rapid expansion of the primary education system, with Federal expenditures for education in 1962 budgeted at a higher figure than those for military purposes for the first time in recent Colombian history.

Costa Rica.—In April 1961 a national authority of water and sewage was established to administer a program designed to make potable water available and to improve sewerage.

In June 1961, the Costa Rica Public Housing Authority completely reorganized its savings and loan operation placing stress on a program to provide houses for lower income groups through a salary deduction plan.

In September 1961 as a part of currency reform, a standby agreement was concluded with the International Monetary Fund, a unitary rate was established, and the currency was devalued by about 8 percent.

Ecuador.—In 1961, a national housing bank and 12 savings and loan institutions were established, using $5 million of Ecuadorean funds and a $5 million DLF loan. The National Securities Commission, which mobilizes local funds for relending to small industry, has recently obtained a $5 million AID loan so as to be able to increase its activities.

Education's share of the national budget increased from 10 to 17 percent in fiscal year 1962. Ecuador has instituted a national program of vocational education with AID assistance.

Ecuador has taken steps to improve the budgetary system, including budget analysis, request procedures, and account codification. A coordinating commission for customs and port authority has been established. On-the-job training in records management, accounting, personnel, public administration, etc., through courses offered at the Central University, is being emphasized.

El Salvador.—The Government adopted a stabilization program in agreement with the IMF which has resulted in a restoration of confidence and a return of financial stability.

Guatemala.—A Public Administration Development Center, started in January 1960, offers training in key fields, has a library and a workshop program; 2,000 have already participated in this program. Decrees, dated August 1960 and July 1961, were issued toward the implementation of other administrative reforms. A civil service (merit) law is under consideration by Congress and expected to pass in 1962 or 1963. The Institute of Administrative Sciences giving 2-year courses will start in November 1962. For the period from 1955 through 1966, the Government will have contributed $965,000 to the Industrial Promotion and Productivity Center.

The guaranteed mortgage law, similar to our Federal housing legislation, was passed in June 1961.

Haiti.—The present Government has adhered to a stabilization agreement with the IMF for preventing inflation, and has agreed to increase by 10 percent the funds budgeted for rural education.

Honduras.—In November 1961, a law was adopted which prohibits subleasing of Government-owned lands; a practice that had led to exorbitant profits by middlemen at the expense of small farmers and peasants.

Congress passed a law on April 26, 1961, creating the National Autonomous Water and Sewerage Authority (SANAA), with a 1962 budget of $200,000 to administer the installation of 56 new rural water supply facilities.

An important step was taken in January of this year, when the National Police Organization was reorganized to improve administration and to eliminate corrupt and incompetent personnel.

An increase of 7 percent over 1961 levels is projected for public education in 1962.

Panama.—An investment guarantee agreement with the United States was ratified in January 1962, and is expected to further improve the already favorable climate for foreign private investment.

Peru.—The credit picture improved during 1961 by the organization of a system of agricultural credits to small farmers and colonists through the Institute of Agrarian Reform and Colonization and the Agricultural Development Bank. A system of supervised farm credits had already been instituted with ICA assistance. The home savings loan system inaugurated in 1960 continued to expand during 1961 with impetus provided by DLF loans. The number of credit union cooperatives expanded beyond the 200 mark, and additional loan capital was provided by an IDB (Social Progress Trust Fund) loan. In February 1962, the maximum for commercial bank interest rates was lowered from 14 to 12 percent, with a ceiling for commissions and other charges set at 1 percent.

In 1961, the Government developed a broad-scale housing and slum clearance program to be financed from Peruvian resources and from an IDB (Social Progress Trust Fund) loan, with a goal of 35,200 housing units in 2 years.

Uruguay.—In November 1960, an IMF stabilization agreement was signed; inflation has been slowed and the exchange rate has been stable for more than a year.

In 1960–61, a balanced budget was achieved for the first time in over a decade.

Eastern Caribbean.—The Trinidad and Tobago 5-year development program includes $15.8 million for housing and urban facilities. The Government plans to meet the requirement for 107,000 new houses by 1965 by encouraging private investment in housing and by participating in aided self-help and rental-mortgage housing, and urban redevelopment. The first large-scale housing project (over 2,000 houses) was started in April 1961. Trinidad has housing legislation providing tax concessions to encourage new home construction. Provision for housing units for sugarworkers is made from the proceeds of the sugar labor welfare fund.

The rapid growth of the Trinidad economy in recent years has been due largely to private investments, particularly in the petroleum industry. Foreign private investment in Trinidad has doubled since 1951, reaching $112 million in 1961.

In Barbados, the investment climate is also good. Private investment, which is about 25 percent of GNP, has been primarily from local sources. There has been a rapid growth in investments in hotels for the tourist industry in recent years and a fair amount of investment in manufacturing industries. Through its pioneer industries legislation, the Government offers tax relief up to 7 years and duty-free privileges on imports of equipment and capital.

FLIGHT OF CAPITAL FROM LATIN AMERICA

Mr. PASSMAN. We are told that the flight of capital from Latin America is far greater than the planned program that we have for Latin America. The minimum has been estimated at $8 billion and the maximum at $11 billion of capital moved out of Latin America during the past 5 years. We want to find out if this is true. We think we should have that information. It could be accurate, but we hope it is not that much, because we are interested in the program as long as it is not just a one-way street.

(The following was submitted for the record:)

CAPITAL FLIGHT FROM LATIN AMERICA

There are many estimates as to the extent and direction of capital flight in recent years but there is little agreement even among experts. At the recent hearings of the Subcommittee on Inter-American Economic Relationships of the Joint Economic Committee of the Congress, a variety of witnesses agreed that there were no reliable statistics on this subject beyond the fact that about $1.1 billion belonging to Latin American businesses and individuals is at present deposited in American banks. Two witnesses attempted guesses as to the amount of Latin American capital abroad, one placing it at $3 billion, the other at $5 billion; it is to be noted that these estimates of total capital abroad for the region are considerably below the $8 billion figure cited.

One of the reasons for high estimates of "capital flight" from the region may be the tendency to neglect the flow in the other direction. Many of the estimates would appear to represent gross rather than net movements. In this connection, it also must be borne in mind that not all capital outflow is flight capital. Movements of "hot money," which occur for relatively brief periods in a specific country when there is a crisis of confidence in the political or economic stability of that country normally are mixed with numerous legitimate transactions.

By their nature, data on flight capital tend to be unrecorded and clandestine. A rough approach can be made by using balance-of-payments data which give (*a*) the recorded private capital outflow, and (*b*) an "omissions and errors" or "unrecorded transactions" item which is a balancing entry in the table of international accounts. Private capital flows are believed to form the major component of this balancing item, although other transactions are undoubtedly included.

The following table of capital movements from 1957 to 1960, taken from IMF sources, while admittedly not including all types of clandestine movements, illustrates the principle that known capital movements in recent years have been in both directions. (In this table, capital inflow is shown in positive figures, while outflow is represented by a minus sign.) In 1960, for example, large-scale movements of private capital out of Venezuela, the Dominican Republic, and Mexico tended to be counterbalanced regionally by inflow of capital to Argentina, Brazil, and Chile. Furthermore, although official data are not yet available for 1961, informed economic reports from our embassies and other sources in the field suggest that capital flight from the Dominican Republic and Mexico is not of serious proportions at present, and that the situation in Venezuela has also improved in recent months.

Recorded private capital and unrecorded transactions in the balance of-payments statements of the Latin American Republics, 1957–60 [1]

[In millions of U.S. dollars]

	1957	1958	1959	1960
Argentina:				
Recorded private capital	61	−12	55	366
Unrecorded transactions	103	2	17	4
Bolivia:				
Recorded private capital	0	12	29	18
Unrecorded transactions	11	0	−23	−7
Brazil:				
Recorded private capital	363	292	264	196
Unrecorded transactions	−148	−188	3	+5
Chile:				
Recorded private capital	49	42	73	54
Unrecorded transactions	−22	25	32	34
Colombia:				
Recorded private capital	−86	−68	36	98
Unrecorded transactions	−13	2	−2	−19
Costa Rica:				
Recorded private capital	3	----	7	4
Unrecorded transactions	9	7	5	0
Cuba:				
Recorded private capital	106	−3	106	----
Unrecorded transactions	−90	−46	−54	----
Dominican Republic:				
Recorded private capital	11	33	13	−16
Unrecorded transactions	−30	−23	−14	−31
Ecuador:				
Recorded private capital	3	3	13	4
Unrecorded transactions	2	7	−6	−5
El Salvador: Recorded private capital	−2	6	−6	5
Guatemala:				
Recorded private capital	18	18	27	17
Unrecorded transactions	−3	−9	−8	−10
Haiti:				
Recorded private capital	−15	−4	−8	−2
Unrecorded transactions	6	−5	−9	−6
Honduras:				
Recorded private capital	1	−6	−4	−8
Unrecorded transactions	6	6	1	−1
Mexico:				
Recorded private capital	195	149	100	35
Unrecorded transactions	−17	−70	−42	−74
Nicaragua:				
Recorded private capital	9	3	3	8
Unrecorded transactions	−2	1	−8	−3
Panama:				
Recorded private capital	9	11	12	29
Unrecorded transactions	14	10	4	5
Paraguay:				
Recorded private capital	−4	9	5	8
Unrecorded transactions	----	5	−2	−1
Peru:				
Recorded private capital	100	102	55	13
Unrecorded transactions	−6	−12	5	−2
Uruguay:				
Recorded private capital	31	14	−1	37
Unrecorded transactions	47	−29	−21	+1
Venezuela:				
Recorded private capital	1,005	27	46	−166
Unrecorded transactions	66	−312	478	−443

[1] No sign indicates an inflow of capital, minus sign indicates an outflow.

Source: IMF—published and unpublished data. Published data from IMF, balance-of-payments year book, No. 12 and No. 13 which is now in process.

EXPROPRIATION OF PROPERTY IN BRAZIL

Mr. GARY. Mr. Chairman, may I ask a question along that line. I have an article here from one of the Richmond papers, sent to me by one of my constituents, which says:

Brazilian President Goulart's visit to Washington next week has caused considerable diplomatic anguish. Despite the fact that neither he nor his government are popular with Congress or Wall Street, Goulart's emissaries have insisted that he be accorded the full treatment, including an address to a Joint Session of Congress and a ticker-tape parade through New York's financial district. These

problems have been magnified by the fact that he is leaving behind an important visual asset, his beautiful brunette wife, who is apparently not interested in the trip. Having broken up negotiations with I.T. & T. over the expropriated telephone properties in south Brazil, President Goulart is expected to propose while he is in Washington an expropriation by his government of all U.S.-owned utilities in Brazil, with cash indemnities that are to be paid out of U.S. aid funds. Goulart will propose that these companies be given the chance to make profitable investments in other types of business.

Would you care to comment on that, Mr. Secretary?

Secretary RUSK. Yes, I would be glad to, sir.

First, in regard to the circumstances of the visit, we do believe that his visit up here was very worthwhile and that some of the misunderstandings which had existed were cleared up.

On the I.T. & T. expropriation, this was an action taken by one of the state governments in Brazil. As soon as we heard about it, our Ambassador went to work with the Brazilian Government with great vigor. We got the Federal Government of Brazil very much interested in that issue, because it was clear that if this were to go forward, the climate for investment there would be very poor, and this could have a very adverse effect on our Alliance for Progress relationships. Those discussions are now going on. The Federal Government has taken certain steps to prevent a repetition of such action by state governments in Brazil. We believe that there is a good chance for a satisfactory settlement.

On the point of utilities, there is a problem in certain countries—and Brazil is one of them—where utilities, as in this country, find themselves in a squeeze if there is any inflationary development. With rates fixed, with the necessity for building up investment in order to keep up utility services over a period of time, a gap develops between what is permitted to the utility by way of return on the one side, and price and expense problems on the other.

The present Brazilian Government, on the suggestion of some of these private utilities themselves, expect to talk with the utilities about actually purchasing these utilities in the expectation that a portion of the funds provided for the purchase would be reinvested in Brazil in other types of activities which can keep up more effectively with any inflationary development that might arise over a period of time.

I do not believe these negotiations will be in the spirit of confiscation or expropriation. They will be in the general spirit of purchase.

I might also say we do not expect ourselves to finance such purchases (which would be in local currency) out of our own aid funds.

Mr. PASSMAN. Is it true, Mr. Secretary, that the governor of the state which expropriated this utility company is a brother-in-law of the President of Brazil?

Secretary RUSK. That is correct, sir.

USE OF CONTINGENCY FUND

Mr. PASSMAN. Mr. Secretary, on page 12 of your statement, under "Contingency fund", you say the following:

In his message to Congress, the President noted that this part of the appropriation deserves particular attention. It provides the essential element of flexibility in a complex program which must be administered in a complex and rapidly changing world.

The contingency fund can be used by the President in just about any field and in any way that he feels is necessary; is that correct?

Secretary RUSK. I think the ordinary standards of prudence and effective use of public funds would apply, of course. They are not there to be thrown away.

Mr. PASSMAN. I certainly agree to that. But, is there anything in the legislation which would prohibit the President from using these funds in any field or in any endeavor that he feels is in the interest of the country?

Secretary RUSK. Within the purposes and in accordance with the other provisions of the act itself; that is correct.

Mr. PASSMAN. But within the provisions of the Act, it is a contingency fund.

Secretary RUSK. That is correct.

CONTINGENCY FUND IN MILITARY PROGRAM

Mr. PASSMAN. Also, under section 510, there is a contingency fund for the military program. That money, likewise, can be used, if the President should desire, in just about any field he wishes; is that correct?

Secretary RUSK. That is correct. This authority may be used only if the President finds it in the vital security interest of the United States.

USE OF CONTINGENCY FUNDS TO RESTORE CONGRESSIONAL REDUCTIONS

Mr. PASSMAN. Which means, in effect, that the Executive has just about succeeded in voiding any action of this subcommittee, the committee, or Congress, because if we make reductions, the President can then transfer out of the contingency fund whatever amount he deems necessary to offset the reductions which we make. The same thing is true, is it not, in the military? If this committee, in its wisdom, makes reductions in the military, and the Congress supports our views, the President could, with section 510, use the regular Department of Defense appropriation and offset our reductions. Is that true?

Secretary RUSK. As a matter of policy, it is not the purpose of the contingency fund to be used for restoring cuts made by the Congress. Section 510 does not permit any transfer of funds.

Mr. PASSMAN. Mr. Secretary, the contingency fund has been used for that purpose in many instances. It has been used for that purpose specifically to the point of offsetting the exact amount that we have reduced the program. The question is: Could the President, in his wisdom, use the contingency fund, both military and economic, to offset any reductions we may make in these items?

Secretary RUSK. Within the strict wording of the law, within the purposes of the act, that could be done, but that is not the——

USE OF CONTINGENCY FUND FOR SUPPORTING ASSISTANCE

Mr. PASSMAN. That is all I wanted. As far as whether he would do it, the record is loaded with instances where it has been done. I believe you may find this year that about 90 percent of the contingency

fund has been used for supporting assistance. We made reductions in supporting assistance, and the Executive turned around and used about 90 percent of the contingency fund to reinstate the cuts, either directly or indirectly.

Secretary RUSK. Mr. Chairman, on supporting assistance, I want to point out that the nature of supporting assistance is very closely related to the kinds of emergencies which are likely to arise for the contingency fund. A sharp increase in requirements in a place like Vietnam, for example, necessarily involves adding to the effort there out of the contingency fund, even though some supporting assistance had been provided in the regular program budget.

APPLICATION OF MARSHALL PLAN TECHNIQUES TO PRESENT-DAY SITUATIONS

Mr. PASSMAN. Mr. Secretary, the Marshall plan was a success. Its purpose and intent were, of course, to help our friends in Europe, where they had experience, know-how, and a record of doing great things for the economy of the world. But it would appear that we now go into primitive countries and rapidly remove some fellow from his previous environment, make him president, and start giving him a lot of money, and try to get him to use it in the same manner as they did in Europe, where the people had the know-how. Is there any indication that is what we are doing, that we are trying to apply the same pattern in primitive countries as we did in Europe?

Secretary RUSK. Mr. Chairman, it is not possible to apply the same techniques.

Mr. PASSMAN. That we know, but are you not trying to do it?

Secretary RUSK. No, sir; I do not think so. This does underline one very important thing of which we are very much aware, and that is that personnel, competent people, are at least as much a bottleneck as economic resources and money. The priorities which must be established in these underdeveloped countries, the newly independent countries, are far different from the priorities which were established under the Marshall plan. Europe had a whole population of trained people. These other countries are short of administrators, engineers, medical personnel, and other skills. This is why education is so important. The priorities by which we approach it will be decisive.

For example, we learned long ago, and should have learned earlier, that there is no need to build a hospital if there is no staff for it; there is no need to build a university building if there is no faculty for it. This is the kind of problem we run into in these newly independent countries. So, education is very important. Such training programs as those conducted by the International Bank in the fiscal field are very important. Our technical assistance is important because it helps to develop personnel.

I think the approaches to the two situations are really quite different.

Mr. PASSMAN. Mr. Secretary, I do not know of anything I can more completely agree with than that statement. Our minds are completely in accord in what you have said. But that is not what we are actually doing in every instance. We are giving these people a lot of money, and in many instances it is not used wisely.

RETURN OF AID DOLLARS IN FORM OF PURCHASES IN UNITED STATES

We have trade agreements, either oral or written, with practically all free nations, have we not, including the new nations, so we sell to them and they, in turn, buy from us?

Secretary RUSK. We have a great many; yes.

Mr. PASSMAN. It naturally follows that when these people earn dollars from their exports, those dollars move into world commerce and eventually, directly or indirectly, they purchase goods or services from the United States?

Secretary RUSK. Eventually, most of these dollars come home in purchases to the United States.

Mr. PASSMAN. I am speaking of dollars they earn from exports and which finally come home?

Secretary RUSK. Yes, sir. We are selling annually about $5 billion more than we are buying at the moment in international trade.

Mr. PASSMAN. Now, whether it is the primitive nations, those just coming up, or old, well-established nations, if we credit those people with aid dollars, either economic or military, later do they requisition gold from America for the dollars we credit to them, as well as goods and services?

Secretary RUSK. Most of our aid money is directly related to the purchases in the United States.

Mr. PASSMAN. That was my question.

Secretary RUSK. Purchases of goods or services.

Mr. PASSMAN. The dollars come back to us in purchases from the United States?

Secretary RUSK. That is correct.

Mr. PASSMAN. Some say 80 percent and some say 100 percent of these dollars finally come home. It could come near 100 percent eventually returned to America in the way of purchases from us?

Secretary RUSK. Yes, sir.

EXPENDITURE OF DOLLARS BY RECIPIENT COUNTRIES

Mr. PASSMAN. Does it follow that nations which earn dollars from their exports, if we credited them with X number of dollars in aid, that this would release the dollars they earn from exports to do with as they please?

Secretary RUSK. That is affected by two very important things. In the first place, they are dollars in any event which they are very short of in terms of development needs; secondly, it depends on the kind of aid we are giving them. If we are sending them personnel or goods from this country for specific purposes, that is not suitable for these other purposes for which they might use their own dollars.

Mr. PASSMAN. You may say that, and I know you are sincere, as am I; but, nevertheless, we have no control over what they do with the dollars they earn from their own exports, do we?

Secretary RUSK. I think that what they do with their dollars from exports and their own budget and tax systems is a very relevant thing to what we do.

Mr. PASSMAN. We have no direct control?

Secretary RUSK. No, sir.

Mr. PASSMAN. They are their dollars and they, in their wisdom, do what they consider best for their country?

Secretary RUSK. We do not have complete control.

Mr. PASSMAN. If we give them credits, whether it is Public Law 480 or anything else, if they buy against this credit, then their money is released so they can buy gold, securities, gold bedsteads, or anything else. I think that is why we are in such a mess with our gold situation; regardless of how we may stew it, it all comes out the same.

We give these people dollars, and they buy what they normally would use their own dollars to buy, thus releasing their own dollars to buy whatever they may wish.

I am sympathetic to Spain, but I find that Spain is one of the largest purchasers of our gold. I think the record is clear that when we give dollars to any country, they buy what they normally would purchase with their own dollars. Even though they may say they are going to purchase something entirely different, since we have no control over their budgets and the dollars that they earn, they can do what they want to with them?

Secretary RUSK. But we noted earlier, both of us, that the tendency is for the dollars in their hands, in private or other channels, to come back to the United States in the form of purchases or investment in the country.

Mr. PASSMAN. Unfortunately, many of them are drawing gold from Fort Knox and are not available for private investments. Too many are buying gold and the situation is getting worse. Even though our gold reserves continue to decline, the net number of dollars the other countries hold after buying our gold is continuing to increase. The two together do not make a very pretty picture.

Other free world countries have pushed their gold holdings up from $13 billion to $23 billion while our gold holdings have gone down from $23 billion to about $16-plus billion in 10 years.

They have pushed their dollar holdings, even after buying the gold, from about $10 billion to more than $22 billion at present.

Secretary RUSK. That has not been a result of our aid operations.

Mr. PASSMAN. That is a matter of how you want to consider it, but at least it has been a very substantial contribution. We did not get into this mess until we got into the aid program, or at least not altogether.

COMMITTEE JUDGMENT

Mr. Secretary, may I preface my remarks now by saying that I think that I speak for the committee and we thank you for the compliment you pay us on page 2 of your statement.

You state that you are relying on the wisdom and experience of this committee to help assure that this assistance program will be successful.

Last year this same committee recommended some cuts in the 1962 program, and on the same day we were reporting the bill, I believe that you, Mr. Secretary, and the Secretary of Defense, Mr. McNamara, addressed a very lengthy letter to Chairman Cannon, in which both of you took strong exception to the cuts recommended by the committee.

This letter was slipped in under the door while I was discussing the bill with the full committee, and I wonder which came first. I

refer to the top of your statement, where you say you are relying on the wisdom and the experience of this committee.

Secretary RUSK. Mr. Chairman, I am sure that you will do your duty as you see it and you can be sure that I will do my duty as I see it.

Mr. PASSMAN. Thank you very much.

EFFECT OF AID PROGRAM ON DOMESTIC ECONOMY

Something that is causing concern to the American taxpayer, who is observing an $8 billion budget deficit this year—we hope it is no more, and we pray it is going to be less—is the realization that the invoices are picked up at the factory by the earned dollars of the American taxpayer, rather than the earned dollars of foreign governments.

If the program is so good, then maybe we should triple it, and really have some prosperity. I want to state for the record that there is a lot of difference as to who picks up the check, whether it is the American taxpayer, or the recipient countries from the dollars which they earn.

For many generations, it was a very successful practice to have the countries pick up the check for the invoices from the dollars they earned, rather than having the American taxpayers do so. There is a big difference.

Secretary RUSK. I am sure there is a difference. I think it is also true that a very considerable number of jobs in this country are directly related to the goods and services produced by the AID program.

Mr. PASSMAN. I think you are right, but I make this statement again, that if it is all that good we should triple the program and have some real prosperity.

I think it is getting us in trouble. I am almost sure you agree that if this is the way we are going to get prosperity, if this is the solution to having a prosperous America, then instead of having a $5 billion request, it ought to be $15 billion, and we would be really making progress.

Secretary RUSK. I did not make that statement.

Mr. PASSMAN. I know you did not, but I am making that observation. We cannot rely too strongly on how much good it is doing.

AWARENESS OF ORIGIN OF AID FUNDS

We are in accord on this statement:

Those who administer the assistance program must be constantly aware that the funds that make it possible come from the American taxpayer.

Secretary RUSK. That is correct, sir. I made that speech to foreign audiences as well as American audiences.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

MILITARY ASSISTANCE IN EUROPE

Mr. PASSMAN. Mr. Secretary, what harsh realities exist in Europe that force us to spend over $300 million in fiscal 1963?

Secretary RUSK. The harshest reality is a major confrontation with the Soviet bloc and the necessity for building up the strength of military forces at NATO. This is particularly true of Turkey and Greece and the infrastructure of NATO itself, and some assistance in our cooperative programs with one or two of the Scandinavian countries, Denmark and Norway, on their own defense effort.

We are in a tight situation there and we are urging our allies to build up their own forces; in some cases they need some additional assistance to do it.

Mr. PASSMAN. Mr. Secretary, with respect to the two or three small countries you have mentioned, what percentage would that be of the total $300 million? Just give us an estimate.

Secretary RUSK. Denmark, ———; Norway, ———. That is on page 8 of the confidential submission.

Mr. PASSMAN. That is percent of the total?

Secretary RUSK. Infrastructure, $82 million.

Mr. PASSMAN. Mr. Secretary, is it true that Europe is experiencing its most prosperous era in recent generations?

Secretary RUSK. Yes, sir. I think the combined defense effort is about as large as it has ever had to be.

Mr. PASSMAN. We were told earlier, in effect, that we have this program in Europe and we are continuing it simply because we made these commitments prior to the great prosperity Europe is now enjoying. You will find a statement to that effect in the record. So that there will be no conflict between you and the Cabinet member who previously made such a statement, can you reconcile it? I shall recommend to the committee that we not let one conflict with the other.

Secretary RUSK. There is no conflict, Mr. Chairman. It is true that there are certain arrangements which have been carried on as a result of agreements made over previous years. I think that it would not be entirely correct to say that those were all made at a time before Europe had begun to revive its own economic position.

Mr. PASSMAN. Then we shall leave the record as it is.

NEED FOR OTHER FREE WORLD ASSISTANCE

Secretary RUSK. But we are asking for much greater effort on the part of our European friends in their own buildup of their own conventional forces and their own contributions to underdeveloped countries. The total effort of the free world is necessarily large at the present time and we are urging our European friends to make a maximum contribution, including steps which they are taking to help us in such things as our gold problem with the purchase of military equipment in this country and other arrangements of that sort.

Mr. PASSMAN. We are in accord that questions sometimes bring about an explanation, or an elaboration, that is helpful to the committee?

Secretary RUSK. I think so, particularly where the witness is trying to be as brief as possible.

Mr. PASSMAN. That is true. Now we shall leave both statements in the record. If you had not given the elaboration, in my opinion, your statement would have conflicted with what had been told to us before.

THE PEACE CORPS

Mr. Secretary, we have a new arm of foreign aid in the Peace Corps. A very fine, energetic, dedicated young man is putting his time and heart into the program as its Director. We find in our inspection trips to various countries of the world that there have been representations and outright solicitations to get the countries to request a Peace Corps project.

At least one of them has said, "No; we are not an underdeveloped country." Others have said no because they figure the overall accomplishment would be better without the Peace Corps.

Are you familiar with the system by which they get countries to invite Peace Corps volunteers?

Secretary RUSK. In the case of countries to whom we are giving aid, or in whose development we are interested, the possible role of the Peace Corps is a proper question to raise.

We certainly have not the slightest intention of urging a country to accept Peace Corps men if it is not entirely comfortable about it and does not fit into its needs.

Yes, I am familiar with the general way in which these things are handled and have taken part in some of those discussions myself.

Mr. PASSMAN. What do you do if you find they are urging countries to request Peace Corps men?

Secretary RUSK. If the chairman has information that we are importuning and forcing the Peace Corps upon a country reluctant to accept it, I would be glad to have that information.

Mr. PASSMAN. I do not know what you would consider "forced."

Do you call Japan an underdeveloped country?

Secretary RUSK. I think there would be important reasons why some Peace Corps people should spend some time in Japan.

Mr. PASSMAN. What if the Japanese said they did not want them?

Secretary RUSK. I do not think they would be there.

Mr. PASSMAN. That closes that chapter.

(The following was submitted subsequently for the record.)

PEACE CORPS IN JAPAN

No Peace Corps program for Japan is planned for either fiscal year 1962 or fiscal year 1963.

Preliminary, informal discussions did take place in November 1961 in Tokyo with the Japanese Foreign Ministry about the possibility of an English teaching project for Japan. These discussions originated with the official visit of the Japanese Prime Minister, Mr. Ikeda, to Washington in June 1961.

At that time a request had already been received by the Peace Corps from the board of education of the city of Yokkaichi for young volunteers to teach English in the city schools. The Prime Minister, in conversations with the Secretary of State and Mr. Shriver, expressed his approval of the idea in principle and suggested that the possibility of a Peace Corps program in Japan be explored further by both countries.

In assessing the pro's and con's of a program in Japan, the very real need for native-speaking English teachers in the Japanese public school system was taken into consideration, as was the impact which a group of dedicated young Americans could have on the youth of Japan, among whom a distorted stereotype of America is all too prevalent.

On the other hand, the Peace Corps felt that Japan's needs lacked the urgency of those in so many of the underdeveloped countries which had requested its assistance. It was believed that limited Peace Corps resources would be better utilized by giving priority attention to the greater needs of the developing countries. There was also concern at the negative attitude of the Japanese Teachers'

Union and the Ministry of Education in Japan toward the idea of volunteer English teachers.

On balance, therefore, a program in Japan appeared inadvisable and the Peace Corps decided against sending volunteers to this country.

PEACE CORPS ACTIVITY IN TRUST TERRITORIES

Mr. PASSMAN. What if you find Peace Corps men were offered to the Trust Territories? Would that be proper?

Secretary RUSK. Well, the problem there is whether, under legislation, the trust territories are eligible for Peace Corps aid. I personally would hope it could be, if it is not already, and I am not sure.

Have we had a final view on that particular point?

We do need to step up our job in the trust territories. We have not done our best job in these areas under our jurisdiction. They are very important to us and I think that there is room there for some Peace Corps type activity, whether formally on the part of the Department, I do not know.

(The following was submitted later for the record:)

PACIFIC TRUST TERRITORY

On September 29, 1961, Mr. M. W. Goding, High Commissioner of the Trust Territory of the Pacific Islands, officially requested a Peace Corps program for the Trust Territory. His request was endorsed by the Department of the Interior and members of the U.N. Trusteeship Council. A legal determination was made that the trust territory was eligible for Peace Corps assistance.

After a program proposal had been developed for Peace Corps assistance in the trust territory, the Department of Interior decided to request a significant amount of supplemental funds for the trust territory and to engage in a crash program to provide teachers for the islands' schools. Since the fruition of these plans by the Department of Interior would have made superfluous the activities proposed for Peace Corps volunteers in the islands, the proposed Peace Corps program was canceled on March 29, 1962.

Mr. PASSMAN. What would be the position of the State Department, let us say, in Spain?

What if the Peace Corps solicitors went to Spain to urge a program upon them? What if Spain said, "We prefer not to have them"?

Would you close that chapter? Would there be a little urging later? What do you think would be proper?

Secretary RUSK. My basic attitude on that, and I am sure my colleagues understand this, the Peace Corps is not an operation which either is needed or can succeed in a country which is unenthusiastic about the Peace Corps.

This is something that is elementary in the Peace Corps-type operation.

PEACE CORPS OPERATION IN THE PHILLIPINES

Mr. PASSMAN. We have to consider the requests. Some countries turned them down, but other countries, such as the Philippines, must have thought, "It is not costing us anything, so why not take them?"

Therefore, you plan for 999 volunteers in the Philippines or as many as for 7 or 8 or 9 other countries, of about equal size, put together.

Secretary RUSK. Mr. Chairman, I think that greatly underestimates, if I may say so, the interests of the Philippines.

Mr. PASSMAN. They still by August plan to have 999 Peace Corps volunteers, where some of the other countries close by did not want any or did not negotiate for them.

Secretary RUSK. One of the central purposes of the Peace Corps in the Philippines is to help with English language training. During a long period when we were there, we sent a great many American teachers of English.

There was a deterioration of English speaking in the Philippines due to the absence of those teachers and this has been rather marked. The Peace Corps is trying to help them rebuild their teaching of English in the Philippines with the strong support of the Philippine Government and with the help, on the side, of such activities as that of the University of California at Los Angeles, and some of the private foundations which have also made a contribution to that effort. We think we have a very important national interest in that effort to restore the English speaking ability of the Filipinos and make it easier for us to deal with them in all sorts of ways through the absence of a language barrier.

Mr. PASSMAN. Mr. Secretary, you said "restore." You mean their capability to use the English language out there has declined?

Secretary RUSK. I think there has been some decline.

Mr. PASSMAN. What is going to happen when you train them to speak English again and then you pull the Peace Corps out? Are you going to have to keep them there to keep the Filipinos from reverting back to their old status?

Secretary RUSK. A central target of this effort is to teach the teachers of English. We think that will have a more enduring function there than simply teaching the students themselves directly. There is a great effort made to build up a corps of competent English teachers, Filipinos who can then keep this going.

Mr. PASSMAN. Is that not the way they learned English before?

Secretary RUSK. Before, we relied very heavily on Americans as teachers of English. The American teachers were actually in the classroom and I think the UCLA program, which is to complement the Peace Corps program, contemplates training the teachers of teachers of English.

Mr. PASSMAN. Mr. Secretary, I do not mean any reflection on the Peace Corps, but if too few countries want them and they are to stay in business, they are going to have to do a little soliciting to keep the organization going.

Inasmuch as 66 percent of their total recruits are in the teaching profession and many will be used in grammar schools, the same category where there is a shortage in this country, would it not be prudent to move slowly, and have a good solid organization as we go along, and not upset our own educational system in America to make these people available?

Secretary RUSK. I do not think we have reached that point of magnitude yet. It is conceivable, were this to go on indefinitely, we would. These Peace Corps people will be in the service temporarily. They will soon be feeding back into our teaching profession back here with the experience of this foreign service behind them and I think will be better qualified as teachers back here when they get home.

Mr. PASSMAN. We are told there is a tremendous teacher shortage at the grammar school level in America.

Secretary RUSK. Yes, sir.

Mr. PASSMAN. I believe there are teachers asking for a leave of absence from their schools, with no replacements available, so that

they can go into the Peace Corps. I am just wondering if maybe we should not have another look and perhaps use corpsmen in some other field, until such time as we can build up our own teaching staffs to where they will not have to take a leave of absence to do this.

We do not know how fast the Peace Corps will grow but, to say the least, you have a very energetic Director. He is trying to do an excellent job. In my opinion, and I hope that you concur, there can be no real harm done if we let them grow gradually and not let them get out of bounds overnight.

Is there any disagreement with that statement?

Secretary RUSK. There could be, Mr. Chairman, over what we would mean by "gradual." I think we have to grow at a rate at which we can do a fine job. I do believe that the projected plans for the Peace Corps make sense and they are learning rapidly how to train these young people and put them into the field to do a good job.

I would also add the comment that from the point of view of the school boards themselves, I know there are considerable numbers of school boards who would like to find ways to get some leave opportunities for their teachers to broaden their experience in order to make them more valuable teachers back in their own districts.

Mr. PASSMAN. What if some of our classrooms were closed or we possibly increased the number of students in a classroom by 20 or 30 percent? I do not think there is any question but there is a shortage of teachers in the grammar schools in America.

Secretary RUSK. I think so.

Mr. PASSMAN. You understand there is a shortage?

Secretary RUSK. Indeed, sir. I gather that some of the estimates that have been made show that, over the next 10 years, our secondary and primary schools could absorb 50 percent of all of the college graduates of the country. To staff them on a basis they are presently staffed is another thing. These are very large figures and our schools are not going to get 50 percent of all of the college graduates in the country because we have many, many more jobs to perform. I do not believe the Peace Corps is a significantly large part of that problem. This is a national problem which affects every profession and the choice of young people about what they want to do.

Mr. PASSMAN. It follows, nevertheless, that a great number of all of the Peace Corps personnel are in classrooms at the grammar school level.

Secretary RUSK. I do not believe we can solve the problem for classroom teachers by closing other avenues in order to crowd these young people into the classrooms for lack of an alternative.

Mr. PASSMAN. At least one member of the committee feels that over a 1,000-percent increase in 1 year, and a 100-percent increase the following year, may be letting it grow too rapidly.

However, the committee will make the decision, not the chairman.

We feel that our reduction last year did not do any harm. In fact, the $10 million reduction may have helped the Peace Corps. So many times along the way, Mr. Secretary, there are indications that if some of the agencies want $40 million, they ask for $65 million.

Then we compromise on $45 million and they get $5 million more than they needed. It is hard to understand what the real needs are.

SOLICITATIONS BY PEACE CORPS

Since the Peace Corps is a part of the aid program and you have something to do with coordinating the entire program, we just thought we would bring it to your attention that, not in one place or two places, but in several places, we have run into situations where Peace Corps men were out soliciting for business.

The response was not too encouraging and that prompted me to ask some pointed questions.

Secretary RUSK. It has not been my experience in talking with representatives of other governments that we have the Peace Corps in countries where they are not enthusiastically welcomed. I think the scale of the Peace Corps projected for next year in relation to the very large demands and requests that are being made for additional assistance is reasonable under the circumstances.

Mr. PASSMAN. May I say, Mr. Secretary, these people are out soliciting business. If you have Peace Corps men doing this, then they are not leaving it up to your regular personnel or the Ambassador.

The Peace Corps representatives themselves go out, and 30 percent of the entire Peace Corps money is used for administrative expenses.

Secretary RUSK. Mr. Chairman, none of us are out soliciting a chance to send young people abroad for the fun of sending them abroad. What we are interested in is educational development, public health development, housing development, in these countries which need development on a crash basis, and need it desperately and urgently.

That is the job we are trying to get done and if the Peace Corps can contribute to it, so much the better.

These are urgent problems because they are in a period where some of these developments must go forward.

PEACE CORPS PERSONNEL ASSIGNED AT REQUEST OF FOREIGN GOVERNMENT

Mr. PASSMAN. I am not quarreling with the principle, Mr. Secretary. They know about the Peace Corps, but it was my understanding that under the legislation, if it is not very specific, at least it is suggested, that we send Peace Corps men to the countries that request them. Is that a statement of fact, that we send them only to countries who request Peace Corps personnel?

Secretary RUSK. I would not for a moment suppose that that would preclude our talking with another government about what kind of Peace Corps personnel might be available where this would fit in with their development plans, our own aid program, or other matters of that sort. If the issue would turn on who takes the initiative, this could come from the other direction, and has come from both directions.

Mr. PASSMAN. Mr. Secretary, I am trying to understand this. It is either a matter of fact or it is not, that under the interpretation of the present law, we send the Peace Corps only to countries that request them; am I correct there?

Secretary RUSK. They do not go unless the government requests we send them.

Mr. PASSMAN. That is right.

Secretary RUSK. That does not mean we never take the initiative to raise this question with the government.

Mr. PASSMAN. If the foreign government does not in due time request a Peace Corps project, solicitors can go out and begin a little urging and show where it is to their advantage to ask for Peace Corps personnel? If they are turned down, they come home and nothing else is said about it unless this committee uncovers it?

Secretary RUSK. If you give me information on those that most concern you, I will certainly look into it.

Mr. PASSMAN. It all concerns me. You may check the Philippines to see why they wind up with 999 volunteers and other nations which may need them worse than the Philippines have but 100. You may then find out whether or not they have been soliciting and giving a little encouragement in Spain. Spain did not want them.

You might have a look out in the trust territories. You may also wish to have a look in Japan.

Secretary RUSK. I am sure that the Government of the Philippines did not say to the Government of the United States, "We will be glad to have these because they don't cost us anything."

Mr. PASSMAN. Thank you, Mr. Secretary.

Secretary RUSK. Thank you, Mr. Chairman.

(The following was submitted later for the record.)

PEACE CORPS IN THE PHILIPPINES

The Department of State submitted the following additional information:

No record has been found of any Philippine official having said, "We will be glad to have these because they don't cost us anything."

On the contrary, President Garcia informed Mr. Shriver last year how pleased his government was that the Peace Corps was coming to the Philippines. Foreign Minister Serrano stated that "Any country which is fortunate enough to receive the Peace Corps has a moral obligation to defray part of the costs of the Peace Corps." The Philippine Government, in the spirit of that offer, has provided in country training facilities, faculty, bus transportation, and provincial office space for Peace Corps staff.

Mr. PASSMAN. Mr. Gary?

DISARMAMENT AGREEMENTS

Mr. GARY. Mr. Secretary, I want to commend you most heartily for the position you have taken that we will not consider any disarmament without adequate inspection. I think that is absolutely essential and that we would be the most foolish Nation in the world if we were to agree to any disarmament plans without adequate and effective inspection, sufficient to protect our national interests.

I, for one, have absolutely no faith in the Communists whatsoever. In my judgment they have absolutely no integrity and they have shown that time and time again.

We have made agreements with them and they have never lived up to any of them. I think it would be one of the greatest mistakes in the world if we agreed to any disarmament without enforcible inspection and by that I mean inspection which, in no uncertain terms, would disclose any violation of the agreement by the Russians.

I have been very much pleased with your stand on that issue and I would say, without hesitation, I think the American people are backing you 100 percent on that stand.

I hope you will not yield from it 1 inch.

Secretary RUSK. Thank you, Mr. Gary. Secrecy and disarmament are fundamentally incompatible.

Mr. GARY. Unquestionably.

Secretary RUSK. We are perfectly aware of the fact that there are two quite different kinds of disarmament; one might be called United Nations disarmament, worked out in the framework of the Charter and on the basis of the policies outlined in it; the other is limited disarmament and exposing nations to the apparatus and the techniques used by the Communists.

We would like to work harder on the kind of disarmament which is consistent with our security.

Mr. PASSMAN. Would the gentleman permit me to associate mysef with the very fine statement he has just made?

I want to commend the Secretary for his position, and I think all America is backing him up.

Secretary RUSK. Thank you, sir.

Mr. GARY. Off the record.

(Discussion off the record.)

Mr. GARY. On the record.

Secretary RUSK. I think we have made considerable headway at Geneva in explaining to the rest of the world the hollowness of the Soviet obsession with secrecy and that this has no basis in fact; that the arrangements which have been proposed do not possibly impose any security disadvantage on the Soviet Union and that this obsession with secrecy must, therefore, be a cover for another attitude or policy toward disarmament.

Mr. ALEXANDER. Would the gentleman yield?

Mr. GARY. Yes.

Mr. ALEXANDER. Off the record.

(Discussion off the record.)

Mr. GARY. On the record.

PHASING OUT OF BUDGET SUPPORT

Secretary RUSK. There is another kind of support that sometimes comes under supporting assistance, which we are trying hard to get away from, and that is the dollars used for budget support in local currencies of domestic budgets. We are trying to cut back on that as well.

Mr. PASSMAN. Will the gentleman yield?

Mr. GARY. Yes.

DEVELOPMENT LOANS

Mr. PASSMAN. Would any of the nations for which you plan to terminate supporting assistance be eligible for development loans or development credit?

Secretary RUSK. Yes, sir.

Mr. PASSMAN. We were told last year that under the maximum terms of development credits, loans could be made with terms calling for repayment over a period of 50 years. There would be no actual interest on the credits, and there would be a 10-year grace period

before they started repayment, and then they would only pay 1 percent of the principal annually for the following 10 years, and 3 percent per year for the remaining 30 years. Also, they would have the right, along the way, to cancel the loans, if it were in the interest of our country as determined by the Executive.

Is this the same account you mentioned when I said development loans?

Secretary RUSK. The terms could vary. We would not expect to use the rather simple criteria for supporting assistance for the development loans. We have to meet the criteria of development loans.

Mr. PASSMAN. But the option would be with the people in the executive branch as to whether it should be 50 years with no interest, 10-year grace, et cetera, or whether it would be on other terms?

Secretary RUSK. Within established policy, it would be a matter of negotiation with the Government; yes.

Mr. PASSMAN. But the legislation is broad enough for you to do the things I just mentioned?

Secretary RUSK. Yes.

Mr. PASSMAN. Thank you.

REGIONAL CONFERENCES OF U.S. AMBASSADORS

Mr. GARY. Mr. Secretary, I hand you an editorial from one of our Richmond papers. Mr. Chairman, I ask unanimous consent that it be included in the record.

Mr. PASSMAN. Without objection, it will be inserted in the record at this point.

(The editorial follows:)

[From the Richmond Times-Dispatch, May 21, 1962]

BOWLES AND HIS RATHOLE

There was a frightful uproar, and rightly so, a few months ago when Representative Richard E. Lankford of Annapolis, Md., broke all records for a one-man 38-day round-the-world junket. He spent over $6,000 of your and my money, and was extremely vague as to where a lot of it went.

But Brother Lankford was a miserable piker by comparison with Chester Bowles, President Kennedy's "roving ambassador" to all mankind. Representative Richard Poff of Radford has just revealed in his weekly report to his constituents that the guy with the hatchet mouth and the boulder-sized chin got rid of no less than $600,000 on an 18-day jaunt around the world last year! That's right—$600,000, believe it or not.

It will be recalled that there were widespread reports last July that Mr. Bowles was about to be canned as Undersecretary of State. Suddenly it was announced that the canning would at least be deferred, and that Mr. Bowles would embark July 24 on an 18-day trip for the President to Africa, the Middle East and South Asia.

Well, Chester went, and by the middle of August he was back in Washington. The tab, as we say, was in the vicinity of $600,000.

And even more fantastic, if possible, is the fact that Congress seems to have made no effort to force a detailed accounting from Bowles for this absolutely incredible waste of public money. It did look into the matter of Bowles diversion of $100,000 from an entirely different fund, earmarked for counter-espoinage, in order to meet the colossal cost of his truly epochal junket.

Representative Poff wanted to know—as well he might—how the executive branch of the Government can "lawfully manipulate appropriations made by the legislative branch in such a manner." But as a Republican, Mr. Poff is virtually powerless to insist on a thorough inquiry into this whole shoddy business, for the investigative machinery of Congress is in the hands of the Democrats.

The facts as to the diversion of $100,000 were brought out at a hearing on March 21 of this year before a House subcommittee. Representative John J. Rooney of New York questioned William J. Crockett, Assistant Secretary of State for Administration. The latter admitted, under questioning from Representative Rooney, that the $100,000 was diverted from the purpose for which it was appropriated, in order to meet "costs of regional conferences of Undersecretary Bowles where he had wives of ambassadors." Elaborating upon the urgency of this mission, Mr. Crockett said:

"As you know, there was a change in the administration. There were many changes in Ambassadors. There was a change in the whole method of doing business abroad. There was an effort on the part of the new administration to continue some of the things that the previous administration had done in terms of getting together a country team, making the AID program, the USIS program, and the State Department program more integrated and more harmonious. It was designed as a matter of presidential policy that Mr. Bowles should personally go to those areas, gather together not only the Ambassadors and the ambassadors' wives, but the AID mission directors, the USIS people, the MAAG people and talk to them * * *."

Maybe it was useful to have somebody visit the embassies in question and talk not only to the Ambassadors, but to their wives—although we can think offhand of a few thousand people whose good offices in this connection we would regard as greatly preferable to those of Chester Bowles.

But even if Chester and his retinue dined on gold plate and ate nightingale's tongues three times a day, we confess we're completely at a loss to understand how they managed to get rid of 600,000 smackers in less than 3 weeks.

Truly, this is rathole financing that surpasses all previous rathole financing. And not only so—Chester Bowles now has been transformed into a permanent roving Ambassador for President Kennedy. No wonder the Federal deficit gets bigger by the minute.

Congress should demand a prompt, itemized accounting of where that $600,000 went.

Mr. GARY. That editorial has stirred up considerable concern in my district. I have received quite a few letters from my constituents with reference to it. I wonder if you could tell us what the situation is with respect to this?

Secretary RUSK. Yes, Mr. Gary, I will be very glad to. During the first year of the new administration we felt that it was very important to have as many regional meetings of American Ambassadors abroad as possible in order to get across to them the policies of the new administration and also to emphasize to them the increased responsibility which Washington has placed on the Ambassador in the field. In this AID program, for example, we look upon the Ambassador at his post assisted by his own AID staff and the Assistant Administrator of the region back here in Washington as the two key centers at which some of the basic analysis and basic judgment need to be made for recommendation to higher authority.

We are trying to eliminate as many intermediary and time-consuming processes as possible.

We had a number of new appointments. Some of those were people who went sent as Ambassadors from private life, who were not members of the career service. We have asked, I think, something like 26 younger Foreign Service officers to take on their first jobs as Chief of Mission and so in order to get those people together for full explanation of important policies, such as aid policies and the administrative problems of running a mission under the new concept of the primary and the very heavy responsibility of the Ambassadors we drew these Ambassadors together, in Africa, Middle East, South Africa, Central America, South America, and the Far East.

We sent from Washington a group of people under leadership of Mr. Bowles. It included on some occasions Mr. Edward R. Murrow,

Director of the U.S. Information Agency, Mr. George Weaver, Assistant Secretary of Labor for International Affairs, and senior officers from the Departments of Defense and Commerce, in order to go over with these Ambassadors the full sweep of their responsibilities right across the board.

In some of these meetings we also invited the Ambassadors' wives to come along because I think there is no profession, unless it is the ministry, where the wife necessarily is a more important part of the tasks assigned to her husband than is true in our diplomatic service abroad.

We held seminars for them. We talked over their responsibilities and what their contributions can be.

It is true that in a single year the cost for these conferences amounted to nearly $600,000. The costs I think would not have been less had we staggered them over a period of years, but we thought it was urgently necessary and important that we have these regional conferences in order to get these people drawn together on a common understanding of what our policies were.

Mr. GARY. Could you put into the record a statement as to the number of these conferences that were held?

Secretary RUSK. Yes, sir. There were six of them.

Mr. GARY. And in the various areas that you suggested?

Secretary RUSK. Yes, sir; Africa, Middle East, South Asia, South America, Central America, and the Far East.

Mr. GARY. A conference was held in each of those areas?

Secretary RUSK. Yes, of all Ambassadors within the area.

Mr. GARY. And the Ambassadors from the entire area were assembled for the conference and their expenses were paid out of this $600,000?

Secretary RUSK. Yes, sir; and also the mission directors of AID and the USIA heads, the chief of the military assistance groups in countries that had military assistance teams and a number of other high officials from the missions. I had one additional conference myself that was not included here because the travel situation was more manageable in Europe, and I had my colleagues from the European capitals come to Paris to meet me there for discussions of the same sort. The funds referred to here cover expenses of all the Washington officials from whatever agencies that went on the trips and the expenses of all mission people from the foreign posts who assembled for these conferences.

Mr. GARY. Were all of these conferences conducted by Mr. Bowles?

Secretary RUSK. He was chairman of the Washington group that went to all six of them.

Mr. GARY. So it was not one trip of his, or these were not expenses for his one trip that this money was spent?

Secretary RUSK. No, sir.

Mr. GARY. This indicates it was just Mr. Bowles' expenses alone for which this $600,000 was spent.

Secretary RUSK. No, sir. This expenditure covered the teams of senior officials from the different agencies in Washington under Mr. Bowles' chairmanship as well as the expenses of our ambassadors, our AID mission directors, USIA directors in the field and key members of their staffs at all six conferences, plus others.

Mr. GARY. And you considered those conferences necessary in view of the changes that were taking place in the foreign policy as a result of the change in administration?

Secretary RUSK. Well, the holding of regional conferences of ambassadors, Mr. Gary, is not itself new. Over the years it has been the practice of having them from time to time, with senior officers from Washington meeting with ambassadors in a particular area.

We thought that with so many problems on the plate and with the new administration that it was important to have as many of these as we could at the very beginning in order to try to get them off to a good sense of the national policy as it relates to their areas and to explain to them the President's policy on things like aid which did involve some new directions of thinking. I can say that from my own point of view I am sure that these meetings were very valuable but what is perhaps even more, the ambassadors who attended these regional conferences felt that they were of indispensable assistance at that stage of the new administration.

Mr. GARY. You have no question in your mind that the expenditure was justified?

Secretary RUSK. No, sir, I do not.

Mr. GARY. That is all, Mr. Chairman.

SUPPORTING ASSISTANCE VERSUS DEVELOPMENT LOANS

Mr. PASSMAN. Mr. Secretary, before yielding to my colleague, Mr. Rooney—supporting assistance, is, in effect, grant aid, is it not?

Secretary RUSK. Yes, sir.

Mr. PASSMAN. And heretofore, and this year, for that matter, it has been appropriated strictly on an annual basis?

Secretary RUSK. That is correct, sir.

Mr. PASSMAN. On the other hand, the development credits, or development loans, are long range.

Secretary RUSK. We have a 5-year authorization but any arrangements we make under them, of course, are subject to annual appropriations.

Mr. PASSMAN. After the commitments have been made?

Secretary RUSK. The commitments are made subject to annual appropriation.

Mr. PASSMAN. But the commitments are made, nevertheless.

Secretary RUSK. They are negotiated with Governments but we reserve that necessarily.

Mr. PASSMAN. Supporting assistance has been strictly under an annual authorization and annual appropriation?

Secretary RUSK. Yes.

Mr. PASSMAN. Whatever you do you first get the authorization. But there has been a gradual process of dissolving this committee's prerogatives and authority. It is all perfectly legal. That is what makes it so disconcerting. I missed the point until Mr. Gary brought it up, indicating there is one more annual appropriation being shifted over to the long-range basis.

Secretary RUSK. Mr. Chairman, I do not believe that the shift from supporting assistance to development loans is a shift aimed at the source or methods of availability of funds so much as it is aimed at the purpose of the funds and the country in which they are applied. We

are trying to get away from short-term paper, if you like, and provide assistance in terms of long-term development loans which we hope in time will reduce this load.

U.S. AID FINANCED BY AMERICAN TAXPAYER

Mr. ROONEY. Mr. Secretary, as one member of the committee, I should like to commend you on your forthright statement this morning and your testimony here today with regard to the proposed foreign aid bill. I was particularly impressed with your statement at page 4 thereof, that:

> Those who administer the assistance program must be constantly aware that the funds that make it possible come from the American taxpayer. We want this to be understood also by those we are helping.

OTHER FREE WORLD ASSISTANCE

I was further impressed with your reference to what is being done by other nations, such as Germany, Great Britain, Japan, and others in the foreign aid field which I assume would take some of the burden off the American taxpayer in this regard.

Could you tell us the extent to which these nations that you refer to at page 6—and I do not believe you have included all such nations on page 6—Germany, France, Belgium, Canada, Japan, and the United Kingdom. Is this the extent of what they are doing in aid to underdeveloped countries?

Secretary RUSK. Yes. On page 6 I simply referred to those countries that had established new government units in order to deal with their growing involvement in foreign aid. Actually, the members of the OECD countries and Japan have been steadily increasing their contributions to international economic and social development. Measured in terms of their own gross national products it has moved from 0.36 percent in 1956 to 0.53 percent in 1960. These figures represent grants, loans over 5 years, and contributions to international organizations. They do not include reparations, consolidation credits, and purchases of World Bank bonds which would raise the other donors' 1960 effort to 0.64 percent of gross national product.

In our case, those figures would run from 0.51 percent in 1956 to 0.59 percent in 1960.

In terms of actual amounts of money, the OECD countries and Japan are beginning to get into the order of magnitude of the U.S. effort.

Mr. ROONEY. Would they, combined, compare with the U.S. effort with regard to assistance to underdeveloped countries?.

Secretary RUSK. I think the exact figure is $1.9 billion, Mr. Rooney, and if the reparations consolidation credits and World Bank bonds are included, the figure is $2.3 billion. In addition to that, they have been moving more in the direction of long-term assistance for development with lower interest rates and away from the normal commercial terms of credit, which do not help as much in the actual development effort.

Mr. ROONEY. When you use the figure $2.3 billion do you refer only to the countries mentioned at page 6?

Secretary RUSK. No, sir.

Mr. ROONEY. Do you refer to all of them?

Secretary RUSK. I am referring to all of the OECD donor countries plus Japan. I think it would be helpful for me to provide for the record a complete list of these countries and the approximate effort that they are making.

Mr. ROONEY. May we have such a list and the amounts of these other countries inserted at this point in the record?

Mr. PASSMAN. Will the gentleman yield briefly?

Mr. ROONEY. Yes.

Mr. PASSMAN. If they are taking the load off our shoulders, why is your request for foreign aid greater this year than last year? What kind of load are they taking off?

Secretary RUSK. I do not believe that was the exact phrase I used. Their assumption of part of the load is making a great deal of difference in the less developed countries.

Mr. PASSMAN. What load are they assuming when the U.S. aid request for fiscal year 1963 is greater than fiscal year 1962?

What load are they taking off?

Secretary RUSK. I am thinking of the load that derives from the needs of these developing countries for external assistance.

Mr. PASSMAN. It does not necessarily mean that you are requesting less money from the U.S. taxpayers?

Secretary RUSK. No, sir.

Mr. ROONEY. It would follow, Mr. Chairman, that if it were not for this $2.3 billion in aid to underdeveloped countries being gotten together by these nations to which reference has been made that the budget before the Congress this year would be in excess of the instant amount.

Secretary RUSK. It could well be. The total effort of the free world has been growing and it is making itself felt with, I think, real impact.

Mr. ROONEY. Would you say, Mr. Secretary, in view of this cooperation on the part of these other nations, that their ardor might well be dampened if we were to cut back to any extent on what we are presently doing?

Secretary RUSK. I think there is no question that would be the effect because one of the primary tools of negotiation which we use is to use our contribution as a basis for soliciting the contributions of other industrialized countries for the common effort.

This is the key technique of a consortium organized under the International Bank. It also makes it possible for us to work out with these countries a certain division of labor. We can go to them and say, "We would take a responsibility in this particular area if you would concentrate your responsibility over here," so that we can take only a minor interest in one in which they might take the lead.

Mr. PASSMAN. Mr. Secretary, we started this program downward in keeping with the direct promises of the Executive several years ago. We worked it down to an annual appropriation of about $2.8 billion. It was rather generally understood it should level off at about $2.5 billion. But as far as I read the record, this appears to have been misunderstood when you say the others are helping take the load off. We are not lightening the load by increasing this foreign aid program from the low of a few years ago of $2.8 billion up to the present request

of almost $5 billion. You do not lighten the load when you say the request would have been so much more if this had not done thus and so. I think the people in America are looking for a net reduction. I want it in the record that as far as I am concerned, the present estimate does not indicate you are lessening the load on the American taxpayer.

Mr. RHODES. Will the gentleman from New York yield?

Mr. ROONEY. I yield.

Mr. RHODES. I just wanted to get that table in the record and also to suggest that it be broken down into categories of aid. I refer to the table of countries.

Mr. ROONEY. Very well.

Mr. RHODES. As to whether it is grant aid, credit, et cetera. Could that be done, Mr. Secretary?

Secretary RUSK. Yes, indeed.

Mr. PASSMAN. Intelligent people will never understand that we are lessening the load on their shoulders if at the same time you increase the amount of money that you are going to give away in subsequent years.

Secretary RUSK. I did not say, sir, that we were lessening the load on our shoulders. I am saying these other people are helping to take the load imposed by the needs of these underdeveloped countries.

Mr. PASSMAN. It follows that the program is getting more expensive, though.

Secretary RUSK. It is more expensive.

Mr. ROONEY. What impresses me is the fact that these very nations are nations that the United States of America has helped to get on their feet and their actions in advancing or getting together $2.3 billion is very convincing proof that we are getting somewhere in trying to straighten out the world, which is necessary for our own protection and well-being. That is the point I get out of this.

Secretary RUSK. And moving forward with a vitality that is publicly and obviously of great concern to Mr. Khrushchev in this economic field.

RIGHT OF FREE ACCESS FOR ALL AMERICANS

Mr. ROONEY. While I have agreed with you up to now, I am not so sure I will agree with you on the next one, Mr. Secretary. If you will turn to page 51 of the committee print, you will find there section 108, which language was inserted by me in the bill last year. I will read it at this point in the record. [Reads.]

SEC. 108. It is the sense of Congress that any attempt by foreign nations to create distinctions because of their race or religion among American citizens in the granting of personal or commercial access or any other rights otherwise available to U.S. citizens generally is repugnant to our principles; and in all negotiations between the United States and any foreign state arising as a result of funds appropriated under this title these principles shall be applied as the President may determine.

Mr. ROONEY. Mr. Secretary, this amendment was inserted by me on the House floor during consideration of the bill last year and the

distinguished and kindly chairman of this subcommittee accepted that amendment in behalf of the committee. It is the law at the present time. I am utterly surprised to find that under the instant proposal, since this section has been bracketed out, that the Department of State and/or the AID requests that it be taken out of this bill. I see no reason at all for doing this. This is language designed to protect the rights of American citizens and I wonder what your thinking is in this regard. Perhaps this has not been brought to your attention.

Secretary RUSK. Mr. Rooney, my understanding is a similar provision is in the authorizing legislation.

Mr. ROONEY. I am not so much concerned with that. It isn't in the authorizing legislation as it now stands. It may be in the proposed authorizing legislation, but this language, section 108, known as the Rooney amendment, is the only language in the law which covers the subject as of today. I would be inclined to think, Mr. Secretary, you would agree with me that it certainly at least would not do any harm to carry the same language in this bill and into the next fiscal year.

Secretary RUSK. Mr. Rooney, let me say there is no question whatever on the policy on this point and in all of our discussions with these highest officials of the Government, whether they come here or we negotiate with them out there, we do take up this point with them and our Ambassadors do frequently. We have had more success, quite frankly, with individual visa problems, for example, and individual relationship than we have had with broad Government policies in the case of certain countries but there is no difference whatever on the underlying policy of the clause. I would like to look into the actual legislative point a little bit further because quite frankly——

Mr. ROONEY. The fact it might be in some other bill would not preclude the inclusion of it in this appropriation bill, it would seem to me, since at the moment there is nothing on the law books with regard to the subject; but thanks to this committee it is in the present appropriation act. It is only fair to express our policy for the protection of American citizens.

Secretary RUSK. Let me report back on that, sir, because when I referred to the authorizing bill, there is a similar clause.

Mr. ROONEY. I have discussed this subject with you before, Mr. Secretary, and I know your thoughts in regard thereto. I know that you do not feel that an American citizen of the Jewish faith who applies for a visa to travel in some of these Arab countries should be turned down; that he should have the same rights as a non-Jewish American citizen and I know that you have had conferences with Government officials from some of these Arab countries, and quite recently, so I am sure that your answer will be that it is perfectly all right to continue the policy of carrying this provision in this appropriation bill.

Thank you, Mr. Secretary.

Secretary RUSK. Thank you, Mr. Rooney.

(The following was submitted later for the record:)

PROVISION OF FOREIGN ASSISTANCE ACT OF 1961 ON DISCRIMINATION

Section 102 of the Foreign Assistance Act of 1961, as amended, which is a statement of policy, contains a paragraph on the subject of the right of all private persons to travel and pursue their lawful activities without discrimination as to race or religion. The paragraph reads as follows:

"In addition, the Congress declares that it is the policy of the United States to support the principles of increased economic cooperation and trade among countries, freedom of the press, information, and religion, freedom of navigation in international waterways, and recognition of the right of all private persons to travel and pursue their lawful activities without discrimination as to race or religion. In the administration of all parts of this Act these principles shall be supported in such a way in our relations with countries friendly to the United States, which are in controversy with each other, as to promote an adjudication of the issues involved by means of international law procedures available to the parties."

FOREIGN ASSISTANCE BY OTHER COUNTRIES

Mr. PASSMAN. Before I yield to Mr. Natcher, in reading the Secretary's statement, I asked certain questions. Certain answers prompted other questions.

Almost from time immemorial, since there have been nations and trade among nations, nations have made certain loans or barters with other nations, have they not, Mr. Secretary?

Secretary RUSK. Certain loans or barters?

Mr. PASSMAN. Loans and barters, agreements?

Secretary RUSK. Yes, sir.

Mr. PASSMAN. That practice is almost as old as nations themselves, is it not?

Secretary RUSK. Yes. I think that would be correct, sir.

TERMS OF LOANS

Mr. PASSMAN. We are asking some people to get loans from other countries rather than come to the United States. Some nations indicated they were not in a postion to make loans as they did prior to World War II.

When you insert these statements in the record, in response to Mr. Rooney's question about what other nations in the aid field are doing, would you also indicate the type of contracts and the type of loans?

I want to say that many of them are the same type of loans that were made 50 years ago, and they are good hard-boiled-businessman loans, with a high rate of interest and a short maturity date. I wonder if you would ask members of your staff to cover the type of loans, the length of them, and the rate of interest in the $2.6 billion.

Secretary RUSK. Yes, sir.

Mr. PASSMAN. I want to restate that many of the loans, from the information I have, are the same type of loans they have been making for years. It is not the type of loan you can find any reason to repudiate or cancel. They expect to get the money back. They get it back in most instances with a very high interest rate, much more than we are getting.

Secretary RUSK. This is a very important point of policy because we believe that the terms of assistance which these West European countries are giving should be comparable to our own and in line with the development needs of these recipient countries.

Prior to 1960, for example, German loans were generally of 5 years' duration at commercial interest rates. That does not play the same role in economic development as the loans of the sort we are talking about under the aid program.

They have been extending the terms and reducing the rates on loans.

I would be glad to furnish that.

(The information requested follows:)

FOREIGN ASSISTANCE OF OTHER COUNTRIES

Official grants, long-term loans, and other resources flows to less developed countries and international organizations from other OECD countries, Japan, and the United States, calendar year 1960

[Disbursements in millions of dollars]

	Grants	Loans of more than 5 years	Reparations, refinancings, and other	Total
Belgium	105			105
Canada	75			75
France	771	110	11	892
Germany	67	128	177	372
Italy	21	5	103	129
Japan	29	61	79	169
Netherlands	48	5		53
Portugal	2	32		34
United Kingdom	257	175	9	441
Smaller donors [1]	23		17	40
Total, other OECD and Japan	1,398	516	396	2,310
United States	2,152	836	3	2,991

[1] Austria, Denmark, Ireland, Luxembourg, Norway, Sweden, and Switzerland.

Note on data.—Data are taken from the OECD document "The Flow of Financial Resources to Countries in Course of Economic Development in 1960." Data are all on a gross disbursements basis and do not reflect loan repayments. Column 1 includes bilateral grants, and grants and capital subscriptions to international organizations. For the United States, grants include the net increase in U.S. holdings of local currencies resulting from Public Law 480 title I sales, not yet allocated to country-use grants or loans or used for U.S. purposes. This amount is the equivalent of $436 million in local currencies. Column 2 includes only loans of more than 5 years extended by official institutions; loans of less than 5 years or government-guaranteed private exporter credits are excluded from the tabulation. Column 3 includes, in addition to reparations and refinancings, purchases of IBRD bonds and notes by official institutions, and other minor items.

Note on loan terms.—According to the latest informal reports from the governments concerned, repayment periods and interest rates are currently as follows: Canada instituted in 1961 a new program of loans for financing exports, with repayment periods of 10 to 15 years and interest 1 percent above market rates. French loans for commercial-type projects are at 5 to 15 years and 5½ percent interest and for public infrastructure projects are at 12 to 20 years and 2 to 3 percent interest. In exceptional cases longer repayment periods are sometimes allowed. In the German program, commercial-type project loans are for 10 to 15 years at 5¼ to 5¾ percent interest and infrastructure projects are at 12 to 20 years and 2½ to 4½ percent interest. Grace periods run 3 to 5 years. Under Italy's new Martinelli law enacted in 1961 the Government can guarantee private financial credits of up to 10 years' repayment, and provision is made for approving longer periods as exceptions. Interest rates under a proposed interest subsidy program would be below market rates. Japan's Export-Import Bank normally lends at 5 to 7 years and 4 percent interest. Its loans to India and Pakistan as part of the consortia were for 15 years at 6 percent. In 1961 Japan established a new Overseas Economic Cooperation Fund which normally can lend at terms of up to 20 years and 3½ percent with a grace period of 5 years. There is no legislative limitation on providing even more liberal terms. The Netherlands has made loans up to 12 years and usually 3 percent interest. Portugal has made loans to

her oversea areas at 15 to 24 years and 3 to 4½ percent interest, with grace periods of 2 to 7 years. British loans range up to 30 years at 5½ to 6⅝ percent interest, with grace periods running up to 7 years. U.S. development loans under AID can normally be for up to 40 years' repayment, at interest rates as low as three-fourths of 1 percent, and with grace periods up to 10 years. U.S. loans under the Export-Import Bank run from 7 to 20 years repayment, 5¾ to 7 percent interest, and 1 to 3 years' grace.

Mr. PASSMAN. I am familiar with some of the United Kingdom loans and some of the German loans. I do not have a lot of money, but the small amount I have I would be very happy to invest in the same type of loan that they are making. But, I would not be willing to invest one penny of my savings in the type of loans that we are making.

Mr. NATCHER?

MEMBERSHIP OF NEWLY INDEPENDENT NATIONS IN UNITED NATIONS

Mr. NATCHER. Mr. Secretary, are the underdeveloped nations in the majority in the General Assembly of the U.S. at the present time?

Secretary RUSK. Yes, sir.

Mr. NATCHER. Is that condition good or bad?

Secretary RUSK. I think that condition is good, Mr. Natcher. In the first place, it is entirely appropriate that these independent nations should be members of the U.N. I also think it is very significant that these newly independent nations come to the U.N. with a great sense of the importance to them of the U.N. system and a real commitment to the purposes stated there in the charter. I realize this is a very broad statement, but it works out that way in fact on most of the crucial issues. For example, on all of the votes taken in the U.N. General Assembly, with 104 nations and 100 items on the agenda, you would find that these underdeveloped countries and we are in broad support of each other on the major issues, such as disarmament, such as the Troika proposals for the U.N. itself, and a great many other questions.

There are certain particular issues on which we find ourselves differing from them. For example, they are very sensitive to this question of nuclear testing and although they supported two of the three resolutions which we supported they supported one which we did not like simply because it called for uninspected moratorium on nuclear testing.

There are times when they want to move much faster in the decolonization of remaining colonies than we think might be wise under the circumstances for that particular place because we think there is a relationship between decolonization on the one side and a responsibility of the resulting situation as taken over by local responsibility on the other; a series of Congoes stretched out into the future won't do any of us any good.

PRIDE OF INDEPENDENCE DEMONSTRATED IN U.N.

I think that the independence of these countries is their primary concern. It is also our principal stake in these countries. If 104 members of the U.N. felt themselves to be genuinely independent and genuinely secure, our problems would be much less than they are and the tensions between Washington and Moscow would be reduced very greatly.

None of these countries which have become independent since 1945 have moved behind the Iron Curtain. They have shown a stubborn resistance. We have worried about certain ones at times but they have shown a stubborn resistance to any attempt on the part of the bloc to move in and infringe their independence. They do not always agree with us but I think their presence there is a very great gain.

I also feel that we should not relax our efforts in the U.N.; that the U.N. Assembly is an opportunity for us and other members of the West to work with these delegations, to explain our policies, to get them to understand what our own Western commitments are. I think that we are in a stronger competitive position than the other side of the Iron Curtain.

ECONOMIC CAPABILITIES OF NEW NATIONS

Mr. NATCHER. I certainly am a firm believer in the U.N. At the same time, Mr. Secretary, it seems to me that a number of the new nations that have joined the U.N. during the past 2 years probably received their independence before they were entitled to it from the standpoint of taking care of themselves economically.

I want to direct your attention to the first paragraph on page 5 of your statement in which you state that:

> In many countries there is inadequate administrative machinery to cope with the day-to-day problems of running a government, much less in planning for the years ahead.

Mr. Secretary, I agree with that statement. I do believe that in many countries they are not properly equipped at the present time to take care of the present-day problems confronting their government and in making the necessary plans for the future.

You further point out that one of the greatest encouragements in the development of those countries of needed long-term programs is the assurance of continuing assistance from the United States.

POSSIBILITY OF DECREASING U.S. AID AND INCREASING ASSISTANCE FROM OTHER COUNTRIES

Now, Mr. Secretary, generally speaking, how does the foreign aid picture appear to you at this time from the standpoint of the future? Will we reach the point with the aid and assistance that some of these other nations are granting at the present time in this assistance program throughout the world that the requests made upon our country will go down considerably in amount? How do you feel about the overall picture as far as foreign aid is concerned and especially in regard to assurances of continued assistance that we are giving as far as the future is concerned? I wonder if you would enlighten us a little bit along that line, Mr. Secretary?

Secretary RUSK. I think, sir, on one point we can be reasonably confident and that is more and more countries will come into the business of providing aid for development. This will be true not only as far as the more advanced Western countries are concerned, but also among the countries being aided themselves. For example, in Latin America, countries like Mexico and Chile and Brazil are helping in the various ways their own neighbors in developmental projects, in

such matters as the training of agronomos in Mexico for the extension of services to other Latin American countries, training of specialists in Peru, et cetera.

India is furnishing a considerable number of people for the technical assistance field, both bilaterally and in the multilateral organizations.

In terms of the duration of their commitments, I would think I would have to say in all frankness that I think this is going to be a significant and substantial problem for this decade. In our own development in this country we went through many decades of requiring external capital for our development. We would like to see more and more of this shifted over to the private investment field and have these external needs diminished by the ability of these countries to mobilize their own capital resources, many of which do not have the mechanics for doing it, or the local margins of capital that should be mobilized.

I do not believe that we should expect that our contribution would mount as the capital needs of these countries mount over the next decade or two because the major contribution must come from the mobilization of their own resources. In the entire Alliance for Progress program, for example, 80 percent of these capital investments in the next 10 years will come, in fact, from these Latin American countries. It will have to come from there, and only 20 percent from external sources. I do not see major changes in magnitude upward unless there is a sharp change in the world situation that we do not know how to describe.

PROSPECTS OF CONTINUING U.S. ASSISTANCE

Mr. NATCHER. On the other hand, Mr. Secretary, can you look into the future and give us any idea as to whether or not the amounts requested will be smaller as far as our country is concerned?

Secretary RUSK. Through vigorous action now, both by ourselves and others, the object is to bring about a situation where these requirements will not be needed from the U.S. public funds. I think we are quite a way from that yet. I would not want to try to make such a longer term prediction in terms of time, but certainly the purpose, as it was in the Marshall plan and as it was demonstrated in the Marshall plan, can be accomplished under those specially favorable circumstances of Western Europe.

The purposes are the same. It will take a little longer in some of these other countries. In the case of a country like the Congo, they will need substantial assistance for the immediate future, but it is a rich and potentially richer country in terms of its natural resources and its ability to take care of its own needs. In the case of a country like Cyprus, where we have a very small aid program at the moment, whose President just visited here, there is a finite problem. It is a manageable problem. We think they should be able to get it under control reasonably promptly. But looking at the scene generally, I would have to say in all frankness, that I think we must be in this business for several years yet.

Mr. NATCHER. Mr. Secretary, a number of the underdeveloped countries are not able to pay their proportionate share of the operating costs of the U.N. That statement is correct, is it not?

Secretary RUSK. They have not contributed to the voluntary programs as heavily as at times we would have liked for them to. In terms of their regular assessments to the U.N. they are in reasonable shape. I could furnish that table. I think there are two of them that are now facing the possibility of the question being raised about their voting rights under the charter.

Mr. NATCHER. Mr. Chairman, without objection, I would like to have that inserted in the record at this point.

Mr. PASSMAN. Without objection it will be inserted.

Secretary RUSK. On the special assessment such as the Congo, the record there has not been good. I would be glad to submit the information on both of those.

Mr. PASSMAN. Would you yield?

Secretary RUSK. Yes.

Mr. PASSMAN. Would you also insert in the record all nations that are delinquent? Would you let it be inclusive to list all the nations that are delinquent, either by the voluntary contributions or their regular assessments, and put them in two different sections?

Mr. NATCHER. That would be fine, Mr. Secretary.

(The information follows:)

Summary as of Apr. 30, 1962, of collections and arrearages for 1961 and prior years of United Nations accounts for the regular budget, Emergency Force, and the Congo [1]

Year	Gross assessments	Credits and reductions	Net assessments	Amount received	Percent received	Balance due
United Nations regular budget: [2]						
Calendar yeqr 1959	$61,500,000	$5,274,335	$56,225,665	$56,187,780	99.93	$37,885
Calendar year 1960	[3] 58,399,546	5,241,314	53,158,232	50,041,480	94.14	3,116,752
Calendar year 1961	69,347,807	5,321,143	68,026,664	54,835,857	91.89	5,190,807
Total						8,345,444
United Nations Emergency Force:						
Calendar year 1957	15,028,988		15,028,988	11,040,057	73.46	3,988,931
Calendar year 1958	25,000,000		25,000,000	17,738,664	70.95	7,261,336
Calendar year 1959	15,205,000	41,226	15,163,774	10,795,258	71.19	4,368,516
Calendar year 1960	[3] 20,010,102	3,553,223	16,456,879	11,710,240	71.16	4,746,639
Calendar year 1961	18,989,898	1,754,991	17,234,907	12,248,876	71.07	4,986,031
Total						25,351,453
United Nations Congo account:						
July–December 1960	[4] 48,500,000	3,900,000	44,600,000	25,767,245	57.77	18,832,755
January–October 1961	100,000,000	15,305,596	84,694,404	51,996,082	61.39	32,698,322
Total						51,531,077
Total due, regular budget, UNEF, UNOC						85,227,974

[1] Source: United Nations statement on the collection of contributions as at Apr. 30, 1962.
[2] Contributions to the regular budget prior to 1959 are fully collected.
[3] Includes new members' assessments.
[4] Total costs, including airlift, amounted to $60,000,000.

Balance due, 1961 and prior years, Apr. 30, 1962

	Regular budget	Special assessments		Total
		UNEF	UNOC	
Afghanistan		$38,416	$26,417	$64,833
Albania	$3,535	33,373	27,298	64,206
Argentina	736,049	837,934	488,708	2,062,691
Australia				
Austria			634,210	634,210
Belgium	57,212	43,245	1,917,381	2,017,838
Bolivia	55,050	37,324	27,298	119,672
Brazil			249,083	249,083
Bulgaria		125,586	109,190	234,776
Burma				
Byelorussian S.S.R.		393,591	693,207	1,086,798
Cambodia	24,746		27,298	52,044
Cameroun	27,098	7,968	2,131	37,197
Canada				
Central African Republic				
Ceylon				
Chad			6,640	6,640
Chile		87,037	118,875	205,912
China	5,624,484	3,972,703	3,927,969	13,525,156
Colombia	22,958	37,013	136,486	196,457
Congo (Brazzaville)	27,098	7,968	10,056	45,122
Congo (Léopoldville)				
Costa Rica	11,118	14,893	17,611	43,622
Cuba	271,551	186,993	170,609	629,153
Cyprus				
Czechoslovakia		709,019	1,283,171	1,992,190
Dahomey	934	382		1,316
Denmark				
Dominican Republic		9,356	34,121	43,477
Ecuador			26,416	26,416
El Salvador		17,150	22,013	39,163
Ethiopia		64,178	26,416	90,594
Federation of Malaya				
Finland				
France			9,439,414	9,439,414
Gabon			7,925	7,925
Ghana	43,307	6,514	30,819	80,640
Greece		155,891	101,263	257,154
Guatemala	58,881	17,134	22,013	98,028
Guinea	3,000	7,484	27,298	37,782
Haiti	63,916	13,735	17,612	95,263
Honduras	45,179	7,673	17,612	70,464
Hungary	376,283	348,802	286,624	1,011,709
Iceland				
India				
Indonesia			206,930	206,930
Iran			67,458	67,458
Iraq		74,944	61,420	136,364
Ireland				
Israel	86,614			86,614
Italy			3,318,544	3,318,544
Ivory Coast				
Japan				
Jordan		33,373	27,298	60,671
Laos	24,746	3,722	17,612	46,080
Lebanon		19,845	22,013	41,858
Liberia				
Libya	24,746	33,373	27,298	85,417
Luxembourg				
Madagascar	11,800	3,155	12,698	27,653
Mali			7,925	7,925
Mexico		513,399	484,530	997,929
Morocco	158,728	26,879	95,541	281,148
Nepal	3,589	25,611	17,612	46,812
Netherlands				
New Zealand				
Nicaragua	21,907	3,893	17,612	43,412
Niger	13,925	4,206	8,991	27,122
Nigeria				
Norway				
Pakistan	140,000			140,000
Panama		27,506	17,612	45,118
Paraguay	39,846	29,611	17,612	87,069
Peru		92,582	48,430	141,012
Philippines		40,014	85,191	125,205
Poland		1,208,150	1,342,070	2,550,220
Portugal			136,488	136,488
Rumania		344,414	501,468	845,882
Saudi Arabia		54,012	40,946	94,958
Senegal				
Somalia				
South Africa			7,925	7,925
			825,949	825,949

Balance due, 1961 and prior years, Apr. 30, 1962—Continued

	Regular budget	Special assessments		Total
		UNEF	UNOC	
Spain		$851,444	$634,667	$1,486,111
Sudan		69,821	26,416	96,237
Sweden				
Thailand				
Togo		4,206	8,991	13,197
Tunisia				
Turkey				
Ukrainian S.S.R	$43,036	1,509,085	2,654,835	4,206,956
U.S.S.R		12,774,084	20,088,253	32,862,337
United Arab Republic	152,738	311,920	218,380	683,038
United Kingdom				
United States				
Upper Volta		7,968	10,056	18,024
Uruguay	126,024	22,973	52,833	201,830
Venezuela		46,528	220,138	266,666
Yemen	45,346	33,373	27,298	106,017
Yugoslavia			238,853	238,853
Total	8,345,444	25,351,453	51,531,077	85,227,974

Secretary RUSK. May I make an observation off the record, Mr. Chairman?

Mr. PASSMAN. Yes.

(Discussion off the record.)

FUTURE ROLE OF THE UNITED STATES IN THE U.N.

Mr. NATCHER. Mr. Secretary, a number of people in this country believe and sincerely, that in the future we will have considerable trouble in the U.N. due to the fact that the underdeveloped countries that are now in as members and some others that will probably come in in the next 16 or 18 months will place us in a position where too many of the votes will go the wrong way.

Do you believe that this condition will operate to such an extent that maybe we will have to discontinue the U.N. organization, or from the standpoint of full protection of our own country, be entitled to withdraw as a member?

Secretary RUSK. I do not——

Mr. NATCHER. Mr. Secretary, will the differences economically—those who do not have against those who do change the picture to any great extent?

Secretary RUSK. I do not believe that kind of situation is likely to develop. In the first place, I think that the policies and commitments of the greater part of the membership of the U.N. are congenial with and in the same directions as the basic members of the West, including the United States.

Also, I believe that on questions that involve these basic issues of haves and have-nots, the attitude of the United States is influential in determining what action would be wise for the U.N. to take.

I would not believe that the U.N. would attempt to legislate compulsory assistance to members in behalf of economic social development needs of a large majority of the U.N.

I do not think we will get to that stage or into that situation.

I do not see any problems likely to arise which would indicate any need for us to withdraw from the U.N. in our own protection. I think

the U.N. and its membership have a great stake in our being there and that they will give very serious consideration to our policies on any matters that would raise that kind of an issue.

Mr. NATCHER. Mr. Secretary, do you feel that during the past 2 or 3 years we have had to make certain commitments that have had a tendency to place us over the barrel in order to m intain the necessary number of votes in the U.N.? From the standpoint of economic assistance and different types of assistance that would be granted in the future, are we having to make any commitments that maybe we should not make at this time?

Secretary RUSK. I am not aware of situations where we have made aid commitments that have any relation to votes in the U.N. May I just comment off the record?

Mr. PASSMAN. Certainly, Mr. Secretary.

(Discussion off the record.)

Mr. NATCHER. Mr. Secretary, I want to thank you for your appearance before our committee at this time and for your statement.

Secretary RUSK. Thank you.

Mr. PASSMAN. Thank you, Mr. Natcher.

NATURE OF WEST GERMAN AID CONTRIBUTIONS

Before yielding to Governor Montoya, I ask unanimous consent that an article dealing with German aid be inserted in the record. This reads in part:

> Germany's foreign aid in good part takes the form of relatively short loans of relatively high interest rates. Mr. Ball urged that longer maturities and much lower rates be employed.
>
> To this the Germans can reply in good faith that soft loans are contrary to their demonstrated principles. But the capacity of most underdeveloped countries to service loans at high rates is limited, while the political realities require a high and probably rising amount of aid. The more hard loans are given by the Germans, the more less hard loans will fall to the United States.

That is the essence of the statement and why I was attempting to indicate that what these people are doing in good part is what they were doing before we were born, and that is bartering and making loans repayable on short terms with high interest rates. Without objection, the entire article will be put in the record.

(The article follows:)

GERMAN AID

The United States continues to be concerned that all countries which can do so make the fullest possible contribution to the financing of the less developed countries. Under Secretary of State George Ball's visit to Bonn seems to have reflected this concern. At the present time, American interest turns on the content of German aid, rather than the amount. The latter is moving up to a respectable level, not much below 1 percent of gross national product, although the continuity of the flow remains to be assured by budgetary appropriations. But Germany's foreign aid in good part takes the form of relatively short loans of relatively high interest rates. Mr. Ball urged that longer maturities and much lower rates be employed.

To this the Germans can reply in good faith that soft loans are contrary to their demonstrated principles. The Germans are hard-money people, and, as the strength of the deutsche mark shows, they have made a success of those principles. But the capacity of most underdeveloped countries to service loans at high rates is limited, while the political realities require a high and probably rising amount of aid. The more hard loans are given by the Germans, the more less hard loans will fall to the United States.

The Germans can point out also, in defense of their aid practices, that their loans are untied. The recipient can spend the money where he pleases. The United States is increasingly tying its aid to domestic procurement, and this gives support to those in Germany who would like to see the export business generated by German aid channeled to German producers. Yet it is not illogical for the United States to tie its aid while the German leave theirs untied. The American action is one of many steps that are being taken to correct the balance-of-payments deficit. It makes sense for the deficit countries to tie, pending return to balance, while the surplus countries continue to give aid untied.

Considering how quickly the Germans had to adjust from being a recipient of aid to becoming a provider, the progress made is impressive. Meanwhile the pressure of the developing countries for more aid continues relentlessly. This pressure, even more than American diplomacy, may help to persuade the Germans of the needs of the tie-ins.

Secretary RUSK. Mr. Chairman, I will be glad to furnish the information that has previously been asked. There has been some change in that in the last year.

Mr. PASSMAN. I knew Mr. Ball was trying to get them to change their minds.

Governor Montoya?

DEVELOPMENT GRANTS

Mr. MONTOYA. Mr. Secretary, I notice in the request that you have asked for an increase of $38,500,000 over last year in development grants, for a total of $335 million.

Am I correct in assuming that these grants represent outright gifts by the United States, with no hope of return in kind to our Treasury?

Secretary RUSK. Yes. Those development grants are primarily for such purposes as technical assistance for the development of personnel, for the actual development of economic and social development plans. They would not be on a long-term basis. Last year we asked for $380 million and we were given $296 million. This year we are asking for $335 million.

Mr. MONTOYA. These grants are, according to the authorizing legislation:

(1) To provide the advisers, teachers, and equipment used for the transfer and improvement of education, technical and professional skills, and for the control and eradication of major diseases, and to establish and improve institutions which further economic and social development and to assist in planning and surveys and to establish or improve basic physical facilities, such as communications and transport in the internal economies of these countries, and to provide also, training and technical assistance and services to oversea technicians and training recruits for oversea assignments, among other things.

Don't you feel that the policy heretofore has been rather to reduce these outright grants rather than to increase them?

Secretary RUSK. In the longer run the direction of policy is to shift from grants to loans.

Mr. MONTOYA. This certainly manifests a change of that policy.

Secretary RUSK. This year's request, sir, is less than last year's request, although not less than last year's appropriation.

Mr. MONTOYA. That is correct. Last year's appropriation was $296,500,000, whereas the request this year is $335 million.

Secretary RUSK. The $335 million is comparable to the $380 million requested last year because this is our best judgment as to what we ought to try to do in this field. We see still heavy need for this kind of grant, particularly in the more newly independent countries.

We have additional countries coming into being. We just do not believe some of these countries are in position to finance this type of activity on a straight loan basis.

Mr. MONTOYA. Mr. Secretary, in other words, your established policy is to reduce these grants. You probably would not have too much objection to coming under the appropriation of last year in this category?

Secretary RUSK. We would urge that action, sir. We would like to have what we have estimated we need. You see, we are faced with a considerable number of new needs in the African Continent with new states coming into being. I would hope the committee would do its best by us in this regard.

VOLTA RIVER PROJECT

Mr. MONTOYA. Going to the African Continent, especially in Ghana, will you explain the negotiations and preliminary discussions which led to the granting of the loan to Ghana for the building of the dam?

Secretary RUSK. The original arrangement for the Volta Dam project is a joint undertaking of the U.S. Government, American private industry, the International Bank, the United Kingdom and the Government of Ghana. It involves a commitment on the part of the United States to lend 19 percent, or $37 million of the total cost of building the hydroelectric installation. This installation will be financed, half by loans and half by direct contribution, the direct contribution being $98 million by the Government of Ghana to the Volta River Authority.

These will be disbursed on a matching basis over a 5-year period with the peak probably late in 1964 and an estimated $25 million to be drawn down in the first 3 years.

This is a long-term project which will work itself out over a period of approximately 7 years until the matter is fully completed, where private industry will undertake the aluminum production which will make maximum use of the hydroelectric power itself.

It gives us a chance to do something about the economic development of that country without a direct specific political underwriting of the present Government there and with many safeguards on the possibilities of abuse or failure if the other parties, particularly the Government of Ghana, does not perform on its obligations.

Mr. MONTOYA. How will this money be paid back to us?

Secretary RUSK. It will be a dollar repayable loan.

Mr. MONTOYA. When will the payments start?

Secretary RUSK. Could I furnish the full details on that?

(The information requested follows:)

TERMS AND REPAYMENT SCHEDULES OF THE AID AND EXPORT-IMPORT BANK LOANS FOR THE VOLTA RIVER HYDROELECTRIC PROJECT

The AID loan for this project is for $27 million, at 3½ percent interest, repayable in dollars. Interest payments will be due semiannually, beginning 6 months after the first disbursement of the loan. Principal will be repaid in semiannual installments over 30 years, the first payment being due 1 year after the first disbursement under the loan. No disbursements have yet been made under the AID loan.

The Export-Import Bank loan for this project is for $10 million, at 5¾ percent interest, repayable in dollars. Interest payments will be made semiannually on March 15 and September 15 of each year. Principal will be repaid in approximately equal semiannual installments over 19 years, commencing September 15, 1967. No disbursements have yet been made under the Export-Import Bank loan.

Mr. MONTOYA. In addition to our participation in the amount which you have specified, is there any other loan going into the project from the Development Loan Fund, or any other agency over which we have financial control?

Secretary RUSK. Yes, sir. The U.S. Government will lend up to $110 million to Valco, the sole owner and operator of the aluminum smelter, and we will also provide a guarantee up to $54 million of the U.S. private investment in Valco, so the total contingent commitment to Valco would run $164 million.

Mr. MONTOYA. Plus our actual participation in the dam?

Secretary RUSK. Yes.

Mr. MONTOYA. So it is approximately $200 million of contingent liability that we have, or contingent commitment?

Secretary RUSK. That is correct, sir.

Mr. MONTOYA. Do you think that is good for our country, or justified in view of the urgency for conservation of our funds?

Secretary RUSK. Well, as I hope you would expect, we looked into this with the greatest possible care, both on the political side and the economic side. We were convinced that it made sense from an economic point of view as were those who undertook the studies and came to their conclusions on it. The Valco people were prepared to go right ahead and commit their own effort and some of their own resources to it.

On the political side, we consulted widely, not only with some of our traditional friends, but also with many of the neighboring countries in Africa, including some of those who are not on particularly friendly terms with the present Government of Ghana. On the political side, there was a general consensus that it was important we go ahead if this particular project made sense economically; we would not turn it down on straight political grounds.

So I think on balance—and I would have to say this was an on-balance decision—on balance, we thought it was important to go ahead with it.

Mr. MONTOYA. Did you know, Mr. Secretary, that during the present administration we have not as yet authorized any irrigation or reclamation projects?

To the contrary, we have authorized this loan to the tune of $200 million in diversified financing.

Secretary RUSK. You mean irrigation projects here in the United States?

Mr. MONTOYA. Yes.

Secretary RUSK. I am not familiar with the situation on that, sir.

Mr. MONTOYA. Looking at the commitment on this loan in retrospect, what do you have to say in view of the fact that it has been disclosed there is in Ghana a school for the training of Communists—that was disclosed in the papers a few days ago, for the purpose of infiltrating into the different countries in Africa——

Secretary RUSK. I would not think that in itself would be grounds for not proceeding. There are other relationships between Ghana and Western countries in the military, educational, and technical assistance fields which we believe will serve in the longer run to be a very heavy counterbalance to the type of influence you have just mentioned.

We were playing also for the long-range political stakes in that country besides the economic stakes.

(Off the record.)

Mr. MONTOYA. How would you consider the present Government? Would you consider it friendly, more friendly to the United States, or more friendly to the Soviet Union in view of the performance of the last 2 years?

Secretary RUSK. I think on the formal record it is in the position of being a neutral. If I could go off the record here.

(Off the record.)

Mr. MONTOYA. Would you not say the present Government is more oriented toward Moscow than to us and the Western World?

Secretary RUSK. (Off the record.)

AUTHORIZATION FOR U.S. COMMITMENTS

Mr. MONTOYA. Is not the sum of $200 million in commitment of our own funds large enough so that such a procedure would justify and almost compel the Department of State to come before the Congress and justify it before it is committed?

Secretary RUSK. I think the authorizations under which we acted were there, and the financing will be subject to appropriations. We built into these arrangements a large number of safeguards, and I would be very happy to provide the committee with the safeguards which are built in here.

Mr. MONTOYA. Do you have any escapes in case the Congress does not appropriate these funds?

Secretary RUSK. Oh, yes.

Mr. MONTOYA. What kind of escapes?

Secretary RUSK. These forward commitments are contingent upon appropriations except in the case of certain parts of them that were taken out of current appropriations so they were available at the time.

(The following information was subsequently supplied:)

SAFEGUARDS UNDER U.S. LOAN AGREEMENTS AND EQUITY GUARANTEE ON VOLTA RIVER PROJECT

1. The AID loan to Ghana

Under the terms of its agreement with Ghana, AID may suspend disbursements for failure to pay interest or principal when due, for an event caused by Ghana triggering a takeout under the Development Loan Fund guarantee, suspension of drawdown under the other loan agreements, or where an extraordinary situation makes it improbable that Ghana will be able to perform its obligations or that the loan will fulfill the purposes of the AID legislation. AID may accelerate the debt in all but the last of the above circumstances. Ghana has covenanted to obtain the consent of AID before postponing the cutoff date or rescinding the power contract, to use all equipment financed by the lender exclusively for the Volta project, and to procure equipment and materials in the United States or in certain cases, in Ghana.

2. Eximbank loan to Ghana

Eximbank may suspend credit of the loan agreement in the case of an extraordinary situation making it impossible for the borrower to perform its obligations, where the project is interrupted or unduly delayed so as to affect materially and adversely the completion or operation of the project or where there is an event of default. Acceleration of the obligation may occur upon any of the events of default which include an uncured failure to comply with the agreement or an uncured failure (other than failure to pay indebtedness) to comply with any terms of the other loan agreements with Ghana.

3. Eximbank loan to Valco

Eximbank has the right to declare a default under its loan agreement with Valco and accelerate the debt where Valco fails to pay any charge on or any installment on the principal indebtedness, where Valco is insolvent or bankrupt or where Valco fails to comply with any covenants of the loan agreement. A mortgage on the Valco assets will be expected, but it may only be foreclosed where Valco fails to meet a regular installment and not where the entire obligation becomes due because of acceleration. Valco has made covenants to build a smelter of the most modern design, to complete construction of the smelter no later than 2 years after power is available, to adhere to the other agreements, and to obtain the prior consent of Eximbank before rescinding the master agreement. Advances will be suspended where construction of the smelter project is interrupted so as to affect materially and adversely the completion of the smelter where it becomes impossible for Valco to perform its obligations under the loan agreement or where there is an event of default.

4. Development Loan Fund equity guarantee

The Development Loan Fund is released from its obligations if the investors breach their covenants to pay the guaranteed fee, to take all reasonable measures to protect the assets of Valco and pursue administrative or judicial remedies in the case of an event of recovery, to provide notice of any impediment to currency to credit transfers or of any event of recovery, or to obtain Development Loan Fund consent prior to transfer of the Development Loan Fund equity guarantee contract.

COMMITMENT OF FUNDS FOR VOLTA RIVER PROJECT

Disbursements from the commitments made by lending agencies of the U.S. Government on the Volta River project will be made over a period of years and are subject to performance by Ghana of the terms and conditions of the contract which protect the interests of the United States. Violation of these terms and conditions would permit the United States to withhold further disbursements. The commitments already made were made from funds then available. The possibility of the assumption by AID of part of the Export-Import Bank loan to the Volta Aluminum Co. (Valco) has been discussed and such an assumption might involve AID's funds for fiscal year 1963. However, whether AID does, in fact, assume a portion of this Export-Import Bank obligation, the total amounts for the Volta project have been set aside from current appropriations.

The fact that in this instance funds for the project have been set aside from current appropriations does not affect the points made during the hearing concerning instances where long-term commitments depend upon future appropriations.

EFFECT OF CONGRESSIONAL DENIAL OF APPROPRIATIONS FOR SPECIFIC PROJECTS

Mr. PASSMAN. Where you have made this type of a commitment, what if the committee, in its wisdom, and the Congress supported the committee's view, felt that we would specifically deny country projects similar to the one the Governor is asking about?

Would our diplomatic relations be greatly affected, or is it one of those things they expect could happen?

Secretary RUSK. In this particular instance, I think when the committee sees the very significant safeguards that have been built into these arrangements, the kind of considerations that would lead the Congress to cancel an arrangement of this sort would be, I think, covered by these safeguards.

Mr. PASSMAN. Forgetting that, what if the Congress disagreed in any instance, or many instances, with the type of commitment you have made and did not provide the money? What would be the repercussions against our country—from India, for instance?

Secretary RUSK. It would be serious. It would be embarrassing, there is no question about it.

Mr. PASSMAN. Why would it be embarrassing if the Congress, which is a part of this overall operation, disagreed with the Executive and would say, "No, we are not going to provide the funds"?

You say it will be embarrassing. It naturally follows the case would be made when the commitment, whether it is legally binding, or not, is made. Are you going to blame us for embarrassment if you do not get the money?

Secretary RUSK. You remember last year when we talked about this general problem, the point was made very strongly that under the arrangement by which we had long-term authorizations and annual appropriations, the Executive would be able to proceed with reasonable confidence.

Mr. PASSMAN. I just wanted you to restate that point.

I think it has been made perfectly clear that the committee is gradually losing its authority.

Mr. MONTOYA. Mr. Secretary, would not that policy, if pursued with respect to other possible commitments, just play havoc on the jurisdiction we have as the fiscal committee of the Congress?

If you pursue that policy in different categories, could you not come in and just tell us that our diplomatic negotiations would hit us back in the face if we did not go through with these commitments without any available funds?

Secretary RUSK. I would suppose, Mr. Congressman, if the Congress felt it would not sustain the Executive in a matter of this sort, the Congress itself would take into account all of the factors which bear upon the desirability of the action the Congress has under consideration.

We did have in our discussion last year several references to the fact on this long-range authority that the Executive need not be too nervous about the Congress' readiness to back the Executive in these matters because, over the years, 80 percent of the Executive's requests had been recommended by this committee.

Mr. MONTOYA. As a matter of fact, Mr. Secretary, this Volta project has been under consideration and on the international scene of discussion for quite a few years.

Secretary RUSK. For several years, that is correct.

Mr. MONTOYA. And if our country was thinking of participating, the matter could have been presented last year, or the year before, or the year before that, to the Congress.

Secretary RUSK. I do not believe that I discussed this matter before this committee last year. There have been discussions with the committees of the Congress.

Mr. MONTOYA. I do not recall any discussion with this committee. I did not say that.

Getting back to India, I think the same would apply to India. I notice in your statement, Mr. Secretary, on page 10 you say:

> The support of long-range commitments already made in India, Pakistan, Nigeria, and Tanganyika, will require about half of these development lending funds.

According to my computation, that half would amount to $625 million for four countries, namely, the ones that I have named.

Secretary RUSK. $770 million would be involved in these long-term commitments for India, Nigeria, Pakistan, and Tanganyika.

Mr. MONTOYA. Then it would be more than half; is that correct? Because you have requested $1.250 million in development loans, so it would be more than half actually, would it not?

Secretary RUSK. Yes.

Mr. MONTOYA. About $770 million?

Secretary RUSK. That is correct, sir.

Mr. MONTOYA. Now, in view of the commitments which you indicate in your statement, would you consider that as more or less of an injunction upon the Congress to appropriate this money?

Secretary RUSK. I would suppose when the Congress itself passed the authorizing legislation with the full presentation by the executive that we wanted to be in a position to make long-term development commitments, we were encouraged to make long-term commitments within these limits, subject to appropriation, that Congress accepted a heavy injunction unless there was some overriding consideration which made the Congress feel they should not provide the annual appropriation.

Mr. MONTOYA. Do you have any escape clauses, or procedures, on these commitment arrangements which you make?

Secretary RUSK. Any arrangements we make under these long-term commitments are of course subject to appropriation. There is no way by which we can escape from the political and other disabilities if these arrangements cannot go through because we have negotiated consortia for India and Pakistan, getting other countries to join with us in these efforts, so I am sure the Congress understood that there would be political disability if these arrangements did not work out.

COMMITMENTS TO INDIA

Mr. MONTOYA. I have no objection to any reasonable commitments to Pakistan, Nigeria, and Tanganyika, but I certainly have objections to any big-scale commitments to India in view of the foreign policy which it has pursued in the last few months.

What do you have to say about the direction of its foreign policy and the treatment we have received from its Foreign Ministry?

REASONS FOR LONG-TERM DEVELOPMENT ASSISTANCE

Secretary RUSK. There have been some subjects on which we and India have not been in agreement. There have been others in which we and they have taken the same point of view. But the overriding factor, it seems to me, is, India is a vast country of over 400 million people situated in a most strategic part of the world, committed to constitutional and democratic government, and traditionally associated more with the free world than with anyone else.

I think that the stakes in the long-term development of India under its tradition of constitutionalism are so great that we should not have that entire direction of history diverted unduly by differences on a particular question that might occur in any given period of some months.

In other words, I think there are just enormous stakes involved in what happens in India over the next 5 to 10 years, and we are encouraged by the general direction of their economic development, and we are encouraged by the responsibility of a great many of their leaders.

Mr. MONTOYA. As a matter of fact, would you not say India is the real patriarch of neutralism as we understand it in our foreign relations?

Secretary RUSK. I think in terms of "neutralism," or in terms of "military commitments," I think that is correct, but I do not believe that applies to the commitments on other matters of importance to us in terms of the general shape of the international community, and what kind of United Nations we should have, and what kind of commitments we should make to law and the processes of law in international relations.

Mr. MONTOYA. How has India compared with us in voting in the U.N.?

Secretary RUSK. I would be glad to submit a detailed study of that. We have just finished one.

On some of the key issues, they have supported us. I think on the question of nuclear testing we and they were opposed. On troika, we and they were together.

(Off the record.)

(The information submitted follows:)

India's voting record at 15th session of the United Nations General Assembly

Agenda item	India	United States	U.S.S.R.
Australian amendment to 5-power resolution re summit, Oct. 5, 1960.	No	Yes	Abstain.
Chinese representation, U.S. moratorium resolution, Oct. 8, 1960	No	Yes	No.
Tibet, inclusion, Oct. 10, 1960	Abstain	Yes	No.
Hungary, inclusion, Oct. 10, 1960	Abstain	Yes	No.
Soviet disarmament item proposal, allocate to plenary, Oct. 11, 1960.	Abstain	No	Yes.
Soviet item on U.S. aggression proposal, allocate to plenary, Nov. 1, 1960.	Abstain	No	Yes.
Cuban item on U.S. aggression proposal, allocate to plenary, Nov. 1, 1960.	Yes	No	Yes.
Resolution requesting Spain and Portugal transmit information on territories, Nov. 11, 1960 (Committee IV).	Yes	Abstain	Abstain.
Ghana motion adjourn debate Congo credentials, Nov. 18, 1960	Yes	No	Yes.
Report endorsing Kasavubu credentials, Nov. 22, 1960	No	Yes	No.
Iraq proposal re Mauritania, Nov. 26, 1960 (Committee I) (pro-Moroccan).	Yes	No	Yes.
Resolution calling for steps to redistribute Security Council seats at this session, Dec. 6, 1960 (SPC).	Abstain	No	No.
Soviet amendment to colonialism resolution calling for full independence by end 1961, Dec. 14, 1960.	Abstain	No	Yes.
Afro-Asian colonialism resolution, Dec. 14, 1960	Yes	Abstain	Yes.
Pakistan, Senegal, and Tunisia resolution on "binding legal obligations" re payment of Congo costs (Committee V), Dec. 16, 1950.	Abstain	Yes	No.
Cyprus amendment to resolution on Algeria calling for referendum under U.N. "auspices," Dec. 19, 1960.	Yes	No	Yes.
Resolution on Algeria without paragraph re U.N. auspices but recognizing U.N. responsibility contribute independence and self-determination, Dec. 19, 1960.	Yes	Abstain	Yes.
United States-United Kingdom resolution on Congo supporting SYG, Dec. 20, 1960.	No	Yes	No.
Ghana, India and Yugoslavia resolution on Congo critical of SYG, Dec. 20, 1960.	Yes	No	Yes.
Resolution reaffirming mandate of Committee on South West Africa and bringing matter to attention of Security Council, Apr. 7, 1961 (Res. 1596).	Yes	Yes	Yes.
U.S. motion to invite Representatives of Republic of Korea and North Korea to participate in Korean debate (latter must accept U.N. jurisdiction) (Committee I), Apr. 12, 1961.	Abstain	Yes	No.
African resolution on apartheid, operative paragraph re sanctions, Apr. 13, 1961.	Abstain	No	Yes.
Asian resolution deploring apartheid (without sanctions), Apr. 13, 1961 (Res. 1598).	Yes	Yes	Yes.
Japanese motion to seat Republic of Korea representative without awaiting North Korean reply (Committee I), Apr. 14, 1961.	Abstain	Yes	No.
Resolution on Congo (Belgian withdrawal) operative paragraph threatening sanctions against Belgium, Apr. 15, 1961.	Yes	No	Yes.
Afro-Asian resolution on Congo, operative paragraph requesting SYG take action re arms control, Apr. 15, 1961.	Yes	Yes	No.
Afro-Asian resolution on Congo: Resolution as a whole advocating peaceful settlement, including paragraph re SYG, Apr. 15, 1961 (Res. 1600).	Abstain	Yes	No.
Soviet draft resolution on Congo re convene Congo Parliament within 21 days, Apr. 15, 1961.	Yes	No	Yes.
Resolution on Angola calling on Portugal to "consider urgently * * * reforms in Angola," Apr. 20, 1961 (Res. 1603).	Yes	Yes	Yes.
Resolution endorsing result of plebiscite in U.N.Trust Territory of British Cameroons, Apr. 21, 1961 (Res. 1608).	Yes	Yes	Yes.
Arab resolution on Palestine refugees: Paragraph recognizing need of safeguarding property rights, Apr. 21, 1961.	Yes	No	Yes.
Arab resolution on Palestine refugees as a whole without paragraph re property rights, Apr. 21, 1961 (Res. 1604).	Yes	Yes	Yes.
Resolution on U.N. Trust Territory Ruanda-Urundi: Instructing Belgium and U.N. Commissioner on future actions, Apr. 21, 1961 (Res. 1605).	Yes	Yes	Yes.
Pakistan and Tunisian resolution on Congo financing: Apportioning cost among all U.N. members, Apr. 22, 1961 (Res. 1619).	Yes	Yes	No.
Mexican draft resolution on Cuban charges of U.S. aggression: Implicit criticism of United States, Apr. 22, 1961.	Yes	No	Yes.
7-power Latin American resolution on Cuba: Operative paragraph OAS responsibility, Apr. 22, 1961.	No	Yes	No.
7-power Latin American resolution on Cuba as whole without operative paragraph re OAS, Apr. 22, 1961 (Res. 1616).	Abstain	Yes	No.

India's voting record at 16th session of the United Nations General Assembly

Agenda item	India	United States	U.S.S.R.
Disarmament/nuclear testing radiation items:			
25-state resolution on Atomic Radiation Committee report: Implicit criticism of U.S.S.R. testing, Oct. 20, 1961 (Res. 1629) (SPC).	Abstain	Yes	Abstain.
Czech resolution merely noting Atomic Radiation Committee report, Oct. 20, 1961 (SPC).	Yes	Abstain	Yes.
Resolution appealing to U.S.S.R. not to explode 50-megaton bomb, Oct. 27, 1961 (Res. 1632).	Yes	Yes	No.
Indian resolution calling for urgent, uncontrolled moratorium on nuclear testing, Nov. 6, 1961 (Res. 1648).	Yes	No	No.
United States-United Kingdom resolution calling for nuclear test ban treaty with effective international control, Nov. 8, 1961 (Res. 1649).	Yes	Yes	No.
African resolution on creation of African denuclearized zone, Nov. 24, 1961 (Res. 1652).	Yes	Abstain	Yes.
Afro-Asian resolution on banning use of nuclear weapons, Nov. 24, 1961 (Res. 1653).	Yes	No	Yes.
Swedish resolution on agreement by nonnuclear powers not to acquire nuclear weepons or allow them to be stationed on their territory, Nov. 30, 1961, Committee I (Res. 1664).	Yes	No	Yes.
Colonialism/African items:			
Censure of South African Foreign Minister Louw for general debate speech, Oct. 11, 1961.	Yes	Not participating.	Yes.
Resolution asking France to recognize imprisoned Algerians as political prisoners, Nov. 15, 1961 (Res. 1650).	Yes	Abstain	Yes.
Indian resolution on West New Guinea calling for direct negotiations between Dutch and Indonesians.	Yes	No	Yes.
French-African resolution on west New Guinea stressing self-determination and establishing United Nations Commission, Nov. 27, 1961.	No	Yes	No.
38-state resolution on colonialism establishing United Nations special committee to make recommendations on granting independence, Nov. 27, 1961 (Res. 1654).	Yes	Yes	Yes.
Soviet amendment to 38-state resolution on colonialism, setting 1962 as year of elimination of colonialism, Nov. 27, 1961.	Abstain	No	Yes.
Sanctions and expulsion paragraphs of African resolution on apartheid in South Africa, Nov. 28, 1961.	Abstain	No	Yes.
Indian resolution on apartheid, condemning South Africa but without call for sanctions or expulsion, Nov. 28, 1961 (Res. 1663).	Yes	Yes	Yes.
Resolution on South-West Africa proclaiming right of people to independence, Dec. 13, 1961 (Res. 1702).	Yes	Yes	Yes.
Noncompliance of Portugal with GA Resolution 1542 (XV) recarding reporting to U.N. on its oversea territories, Dec. 19, 1961 (Res. 1699).	Yes	Yes	Yes.
Algeria, resolution calling for renewal of negotiations; with specific reference to PGAR, Dec. 20, 1961 (Res. 1724).	Yes	Abstain	Yes.
Angola, Bulgaria-Poland resolution calling for sanctions against Portugal, Jan. 30, 1962	Yes	No	Yes.
Angola, Afro-Asian resolution calling for self-determination of Angola, Jan. 30, 1962 (Res. 1742).	Yes	Yes	Yes.
Resolution calling on U.N. Committee of 17 to consider whether Southern Rhodesia is fully self-governing, Feb. 23, 1962 (Res. 1745).	Yes	No	Yes.
Resolution of Ruanda-Urundi envisaging termination of U.N. trusteeship on July 1, 1962 and allowing for possible continued Belgian presence after independence, Feb. 23, 1962 (Res. 1743) Committee IV.	Yes	Yes	Abstain.
East-West items:			
Inscription of item on Tibet, Sept. 25, 1961	Abstain	Yes	No.
Inscription of item on Hungary, Sept. 25, 1961	Abstain	Yes	No.
Mongolian motion on seating 2 Koreans, as amended, Dec. 31, 1961, Committee I.	Abstain	Yes	No.
U.S. motion not to seat North Korea, Dec. 19, 1961, Committee I.	Abstain	Yes	No.
Korea, reaffirming earlier U.N. resolution and extending U.N. committee for unification and rehabilitation, Dec. 20, 1961 (Res 1740).	Abstain	Yes	No.
Recognition of right of self-determination for Tibet, Dec. 20, 1961 (Res. 1723).	Abstain	Yes	No.
Resolution deploring U.S.S.R. and Hungarian lack of cooperation with U.N. special representative on Hungary, Dec. 20, 1961 (Res 1741).	Abstain	Yes	No.
Chinese representation: Important question resolution, Dec. 15, 1961 (Res. 1668).	No	Yes	No.
Chinese representation: Soviet resolution to seat Chinese Communists, Dec. 15, 1961.	Yes	No	Yes.
Cuban charges versus United States, Czech-Rumanian resolution operative paragraph urging United States to stop interference in Cuba's internal affairs, Feb. 15, 1962, Committee I.	Abstain	No	Yes.
Cuban charges versus United States, Mongolian resolution stressing principle of nonintervention, Feb. 20, 1962.	Yes	No	Yes.

India's voting record at 16th session of the United Nations General Assembly—Con.

Agenda item	India	United States	U.S.S.R.
Miscellaneous items:			
Admission of Mauritania, Oct. 27, 1961 (Res. 1631)	Abstain	Yes	Abstain.
U.S. resolution on UNRWA endorsing PCC efforts without Arab amendments, Dec. 20, 1961 (Res. 1725).	Yes	Yes	Abstain.
UNRWA: Arab amendment re property rights, Dec. 20, 1961	Yes	No	Yes.
16-power resolution urging direct Arab-Israel negotiations, Dec. 19, 1961 (SPC).	No	No	No.
Arab League resolution calling for self-determination in Oman and withdrawal of United Kingdom troops, Dec. 14, 1961.	Yes	No	Yes.
Resolution authorizing ONUC financing, from Nov. 1, 1961, to June 30, 1962, Dec. 20, 1961 (Res. 1732).	Yes	Yes	No.
Resolution authorizing UNEF financing, from Jan. 1, 1962, to June 30 1962, Dec. 20, 1961 (Res 1733).	Yes	Yes	No.
Resolution requesting ICJ opinion re legal obligation of ONUC and UNEF payments, Dec. 20, 1961 (Res. 1731).	Abstain	Yes	No.
Resolution approving $200,000,000 U.N. bond issue for peacekeeping operations, Dec. 20, 1961 (Res. 1739).	Abstain	Yes	No.

INDIAN PROCUREMENT OF RUSSIAN MILITARY EQUIPMENT

Mr. MONTOYA. Now, I understand they have put in an order for some Russian MIG's in the last few weeks. Are they going to use part of this money for the purchase of those MIG's?

Secretary RUSK. No, sir.

The reports we have indicate what has been discussed, but not concluded, would be a sale of Russian MIG's for rupees. But those conversations have not come to a conclusion. I would not want to say today this transaction would necessarily be concluded.

Mr. MONTOYA. But the effect of making a commitment and disbursing moneys on the basis of this commitment to the Indian Government is to release rupees for this type of purchase; is that not right?

Secretary RUSK. You mean these funds here?

Mr. MONTOYA. Yes.

Secretary RUSK. These funds are to provide foreign exchange requirements for the Indian development program.

Mr. MONTOYA. But that will strengthen their internal position so they can finance the purchase of these MIG's, that is the effect of it, whether we like it or not.

Secretary RUSK. I think it would be difficult to deny any contribution to the economy of India would help make it possible for India to do various things with its economy.

Mr. MONTOYA. Do you have any suspicion this might involve some kind of commitment, or closer relationships with the Soviet bloc?

Secretary RUSK. I would just have to wait, Mr. Congressman, to see how this comes out before I could really answer that question. I think it would be most unwise for me to comment on it at this point.

(Off the record.)

LEGISLATION AGAINST COMMUNIST PARTY IN LATIN AMERICA

Mr. MONTOYA. With respect to Latin America and the Alliance for Progress, are we exerting any pressure or making any approaches to the different governments to pass laws outlawing the Communist Party?

Secretary RUSK. We have gotten at that in two or three different ways. In the first place, there is cooperation with Latin American governments on internal security. This is an activity of the AID program itself. We help them with their police functions, civil disturbance problems, and things of that sort.

Secondly, there is a vigilance committee of the Organization of American States which is making recommendations with respect to the control of such things as illicit traffic in arms and agents who might come out of Cuba. Then at the Punta del Este Conference, the hemisphere agreed with unanimity that Marxism-Leninism is basically incompatible with the commitments of the inter-American system. We have been reluctant ourselves to say within a particular constitutional system exactly how they should proceed, so we have been working closely with several of the governments about how in fact they can best handle the problem in their own country.

Mr. MONTOYA. Is not the crux of the whole difficulty in Latin America that they have permitted the Communist Parties to come out in the open?

Secretary RUSK. I think, sir, in countries where they are not in the open, you still have a Communist problem. I am not sure of the differences between legality and illegality so much as the other steps which have to be taken to combat this kind of Communist conspiracy. It is true in certain countries the Communist Party is a legal party.

Mr. MONTOYA. Mr. Betancourt in Venezuela is outlawing the Communist Party.

Secretary RUSK. That is correct.

Mr. MONTOYA. Is there any other place in Latin America where it is outlawed?

Secretary RUSK. I would like to check that and give you the names of the countries, if I may.

(The information requested follows:)

ILLEGAL COMMUNIST PARTIES IN LATIN AMERICA

Legal Communist Parties exist only in Cuba, Chile, Colombia, Mexico, Uruguay, Bolivia, and Ecuador. In Ecuador the party has never been able to obtain the 5,000 signatures needed to enter a slate in national elections. The Communist Parties are specifically outlawed in Haiti, the Dominican Republic, Guatemala, Honduras, El Salvador, Nicaragua, Costa Rica, Panama, Brazil, and Paraguay. In Peru the party is outlawed in effect by article 53 of the constitution, which forbids it to enter candidates in elections. The same has been true in Argentina since decree 11,751 of September 1961. In Venezuela the party's activities were declared illegal on May 10, 1962.

COUNTRIES PARTICIPATING IN CONSORTIA

Mr. MONTOYA. Would you include in the record a list of the consortia which have been entered into to which the countries of Japan, Germany, and the others listed in your statement have been parties?

Secretary RUSK. Yes, sir. I shall be glad to do that.

Mr. MONTOYA. Including the extent and nature of those consortia.

Secretary RUSK. Yes, sir.

Mr. MONTOYA. Also, in a separate category, the amount of aid extended by each country.

Secretary RUSK. Within the consortia?

Mr. MONTOYA. No. Outside the consortia.

Secretary RUSK. Yes, sir.

Mr. MONTOYA. I believe there was a partial request along those lines.

Mr. PASSMAN. I thought it was a complete request that you cover the entire $2,600 million, the type of loan, the length of the loan, the interest rate, and by what country.

Secretary RUSK. I think we could have a special page on these consortia, because the combinations of the particular countries would be of interest.

Mr. MONTOYA. That is all. Thank you, Mr. Chairman.

(The information supplied follows:)

PAKISTAN CONSORTIUM

Members include Canada, France, Germany, Japan, the United Kingdom, the United States, and the IBRD–IDA. Assistance pledged for the first 3 years of the second Pakistan 5-year plan is as follows:

Pakistan fiscal years (beginning July 1)

[In millions of dollars]

	1960	1961–62	Total
United States	130	500.0	630.0
IBRD–IDA		209.4	209.4
Other member countries	100	235.6	335.6
Total	230	945.0	1,175.0

INDIAN CONSORTIUM

Original membership was identical to the Pakistan consortium; however, in May 1962, Austria, Belgium, and the Netherlands also indicated their intention to join. Consortium contributions for the first 2 years of the third Indian 5-year plan are as follows:

Indian fiscal years (beginning Apr. 1)

[In millions of dollars]

	1961	1962	Total
United States	545	500	1,045
IBRD–IDA	250	150	400
Other member countries	500	280	780
Total	1,295	930	2,225

The figures for Indian fiscal year 1962 are preliminary and the U.S. commitment for that year is contingent on a comparable commitment from other donor countries. Additional financing for Indian fiscal year 1962 will be considered by the consortium in the near future.

INDUS BASIN DEVELOPMENT FUND

A consortium of donor countries, including Australia, Canada, Germany, New Zealand, the United Kingdom, the United States, and the IBRD, has made commitments in support of the Indus Basin settlement plan, over the 10-year period 1960–70. Contributions are as follows:

[Millions of dollars (equivalent)]

United States:	
Grants	177
Loans	70
Local currency grants and loans	235
IBRD	80
India (treaty payment)	175
Pakistan (local currency)	28
Other donor countries	130
Total	895

RELATIONSHIP OF FOREIGN AID TO OVERALL ECONOMIC PROBLEMS OF RECIPIENT NATIONS

Mr. RHODES. Mr. Secretary, what is your concept of foreign aid, as regards charity? I notice on page 2 of your statement you have these words:

> But there is another struggle which may prove to be even more important and of longer duration, that against poverty, disease, and injustice, long endured by a large portion of the world's population.

I have always taken what I, at least, consider to be a pragmatic view of foreign aid—that it is an adjunct of our foreign policy. If it is not good for the American taxpayer, it is not good at all; that charity begins at home and it must be voluntary. Is there anything in the words I read which would indicate you do not share that opinion?

Secretary RUSK. Mr. Rhodes, I would think we cannot connect a hose at one end to the American productive capacity and at the other end try to take care of the consumer needs of the rest of the world. We are talking about a small fraction of the total effort which must be made if these problems of poverty and disease are to be dealt with. The overwhelming proportion of that effort can only come from within these countries themselves.

It is true that under certain circumstances we can make gifts of food in emergency situations, or contribute food to help with the development effort, but we cannot meet human needs in the consumer sense simply by contributions from the American production. So, everything that we do ought to be aimed at the goal of putting these countries in position to meet their own needs from their own productive capacity. This has been the long-term experience here in this country. Just the arithmetic of it compels this conclusion, because it is quite beyond our capability to deal with these needs on what might be called a charitable basis.

IMPORTANCE OF A FREE AMERICAN ECONOMY

Mr. RHODES. I have also said, Mr. Secretary, that the most important single factor to the free world in the struggle with the Communist world is the free American economy, and if anything happens to harm it, nothing else will be of any great significance in terms of

the struggle. Whether the undeveloped nations are being helped, whether we build roads and factories here and there, would be of little moment.

If that is true, as I think it is, at what stage of the preparation of this budget was the ability of the American economy to absorb this expenditure compared with the needs around the world?

Secretary RUSK. This proposal was gone over very carefully by an interdepartmental group, and then, of course, was discussed in considerable detail with the President in order that this point could be taken into account, because we know we cannot possibly meet the development needs of all of the countries that would like to turn to us for assistance. We also know that the strength of the United States depends as well on its economic strength as on its military and political, technical, and scientific strength. We did believe that this amount could be provided and ought to be provided to help us build strength abroad, and that this could be done without serious danger to out strength here at home.

Mr. RHODES. Were all of the affected portions of the Government taken into confidence in determining this? I am thinking of the economic advisers, the Bureau of the Budget, the Treasury Department, and all of these.

Secretary RUSK. Yes; this was discussed with these agencies.

EFFECT OF FOREIGN AID PROGRAM ON BALANCE OF PAYMENTS

Mr. RHODES. Have you any study on the probable effect on the balance-of-payments situation if the budget as submitted is enacted into law?

Secretary RUSK. Yes; I could furnish detailed estimates on that. We are trying in the administration of the aid program to keep very much in mind the effect of the techniques of aid on the dollar balances problem. The Development Loan Fund, for example, is putting primary emphasis on financing goods and services of U.S. origin. We have excluded 19 financially strong industrialized countries for assistance purchasing. We are adjusting our policies on ocean freight payments to take into account the gold problem. We estimate that about 80 percent of grant funds and nearly all Development Loan funds obligated for commodities will be used to finance U.S. exports.

So, we are trying to take fully into account Secretary Dillon's and the President's concern with the gold, because, as you point out, it is vital to the soundness and strength of this country that our gold position be adjusted if we possibly can.

Mr. RHODES. Is it possible to determine the probable dollar credits which would be generated in the hands of foreign nations as a direct result of the expenditure of funds in this budget?

Secretary RUSK. I will see if we cannot furnish some more information on that.

Mr. RHODES. A decent estimate is probably all you can get on that.

(The information supplied follows:)

FOREIGN U.S. DOLLAR HOLDINGS RESULTING FROM EXPENDITURES UNDER THE AID PROGRAM

It is estimated that out of the total appropriations requested for economic assistance to be administered by AID in fiscal year 1963, roughly 76 percent will be spent directly for U.S. goods and services. Of the remaining 24 percent, approximately $800 million, AID estimates that practically all will be spent for

goods and services procured from other sources, rather than accumulating in gold and dollar reserves held by the aid recipient countries. Many of the dollar funds spent in third countries, rather than adding to the reserves of those countries, will ultimately be respent for U.S. goods and services. AID is unable to state with certainty what percentage of these funds will be so spent, but it believes it to be substantial.

USE OF CONTINGENCY FUND IN BERLIN CRISIS

Mr. RHODES. Mr. Secretary, on page 13 of your statement you have a sentence which caused some question in my mind as to its exact meaning. The very first sentence on the page reads like this:

Assistance to strengthen our NATO ally, Greece, during the Berlin buildup might have been seriously limited if we had not been able to rely upon the contingency fund.

Why did we strengthen Greece during the Berlin buildup?

Secretary RUSK. Berlin is a NATO commitment. We cannot imagine any military engagement in Berlin which would not immediately involve the NATO flanks, particularly Greece and Turkey. One of the reasons we felt Greece and Turkey should take part in the general NATO buildup was if we seemed to be taking action simply on the central front and were taking no action over on the other flank, Moscow would not believe we were serious in our preparation.

TECHNICAL ASSISTANCE TO IMPROVE ADMINISTRATIVE CAPABILITIES

Mr. RHODES. On page 4 of your statement and at several other places, as I recall, you have mentioned "the more effective use of existing planning and administrative organizations" as an objective of foreign aid. I thought I detected in other areas of the statement a preoccupation with administrative organizations within recipient governments. Is there to be more money used from this budget to perfect or expand recipient governments or their bureaucracies than we have previously expended for that purpose?

Secretary RUSK. I think this falls largely within fairly limited technical assistance types of activities. It has been difficult in some countries to find personnel with sufficient experience and talent to head up or staff planning and fiscal agencies. As you know, the International Bank has been conducting an annual class of fiscal experts in the public finance field to try to fill this in. Some of the foundations have been working at this problem for some time. The Chileans now have a cooperative economics training program to help develop those who can take part in such planning organizations.

We recognize that there are some inherent limitations on what some of these agencies can do, because in some countries the basic data they would need for planning are not available.

Administrative talent is something that they need as well as we, and we think technical assistance can help in strengthening their capacity in this field.

AMERICAN TROOPS IN THAILAND

Mr. RHODES. There was an interview by a Scripps-Howard reporter with, I think, General Weller, in Thailand, in which the general indicated that when his troops were deployed along the border, they had no bullets. Do you know whether that was the actual situation

and, if so, why troops would be sent in to what would have to be called combat conditions without ammunition?

Secretary RUSK. I saw that press report. Actually, the troops were moved in by air, and some of them from a task force in the Gulf of Siam. The ammunition was at hand, but it was not issued to the troops in the circumstances in which they were then located. They were stationed initially in central Thailand. We had some troops there who had been there earlier for SEATO exercises. The question of stationing them in a particular location and providing them with ammunition in the immediate neighborhood I think was well taken in hand.

I do not know whether you have detailed information on that, General Palmer, but this was a matter of hours, and had to do with the logistics of getting the troops in a particular place at the particular time. We did not expect them to engage in combat at that state of their movement because they were still in Thailand, and there was no combat problem there.

General PALMER. I think you have stated it correctly.

Secretary RUSK. The task force certainly had its ammunition with it, and these troops had ammunition with them. Whether in this situation they actually issued live ammunition to each soldier in a peaceful country before being committed or exposed to a combat area is another matter. My guess is that they are quite careful about that.

Mr. RHODES. The ammunition was not in the hands of the troops, but it was within a certain period of time of being in a position to be delivered, I presume. From the interview which I saw, I do not think the ammunition was there. My days of being in the Infantry are far behind, but I would have thought that in a situation in which troops were being put in a combat area, they should have had personal ammunition for their rifles. This is outside your bailiwick, so I shall not belabor the point with you. We will get to that later.

Secretary RUSK. My information was, if the commanders wanted ammunition, it was there. Whether it was issued to the troops or not was a matter for them.

Mr. RHODES. Could we at this point in the record, General Palmer, have a rather full report as to this situation?

General PALMER. Yes.

(The information requested follows:)

AMMUNITION FOR U.S. TROOPS IN THAILAND

Press stories of May 23, 1962, stated that the U.S. Army force ordered to block any Communist incursions into Thailand had no ammunition. The facts:

The 1st Battle Group, 27th Infantry, was sent to Thailand in April to participate in SEATO exercise "Air Cobra," and remained in Thailand on the conclusion of that exercise on May 2 to participate in further joint training with the Thai Army. Both exercise "Air Cobra" and the later joint training had been planned several months in advance, long in advance of the President's later decision to station forces in Thailand for defensive purposes.

For "Air Cobra" and the joint training which followed, the 27th Infantry did not have ammunition with them but ammunition was available, however, in Thailand.

When the 1st Battle Group, 27th Infantry, was ordered to remain in Thailand as part of the Thai-United States mutual agreement, preparations were made to issue ammunition from the stocks in Thailand, and it was actually issued May 24 (which was May 23 in Washington). At the same time, additional ammunition was ordered forward from Okinawa.

WITHDRAWAL OF FOREIGNERS FROM LAOS

Mr. RHODES. You mentioned that the Lao situation, in your opinion, would be improved if all the foreigners were withdrawn. I think I am quoting you almost directly.

Secretary RUSK. Yes.

Mr. RHODES. But were not the Pathet Lao in existence and rather active before we were very active in Laos?

Was there not Communist activity prior to the time of very great Western involvement?

Secretary RUSK. There was a Pathet Lao group who in the Geneva accords in 1954 were to be withdrawn and did in fact withdraw up in the northern part of the country. There were two groupments there.

It has been the Viet-Minh, who have been responsible for the seriousness of the present situation. The Viet-Minh, who are infiltrating people into southeast Asia since the settlement of 1953 and 1954, did send in cadres, leaders, teams, for crew-served weapons, communications personnel, transportation personnel, and they have stiffened and supported this Pathet Lao group. The Pathet Lao still is in a very small minority as far as the Lao are concerned. Had the Government forces to deal with only the local Pathet Lao there would not have been anything like the present situation. Under the agreements reached at Geneva, the idea would be that these existing armed forces would be converted into an integrated force. At the present time I understand that the three princes are now in negotiations, or discussing an arrangement by which the Defense and Interior Ministries would be under Souvannah Phouma if he becomes Prime Minister, with under secretaries from the Defense Ministries in each of the three factions. Decisions on any changes would require agreement and the existing forces would not disband or move until there had been an agreed substitute provided.

Further, Laos would not be used as a channel or avenue of infiltration into neighboring countries. This would be policed inside Laos by international machinery, and, outside Laos, in places like South Vietnam, by other types of intelligence.

We ourselves would not agree to withdrawal of foreigners unless there would be some assured basis on which the Viet-Minh were leaving while other foreigners were leaving.

Could I go off the record?

Mr. RHODES. Yes.

(Discussion off the record.)

U.N. BOND ISSUE

Mr. RHODES. In the event the Congress does not approve the $100 million United Nations loan, could the administration, by use of the contingency fund, in your opinion, go ahead and buy the United Nations bonds?

Secretary RUSK. Well, that would create a very serious problem in the Congress if, as a matter of policy, it decided it did not wish to support the U.N. bonds.

Mr. RHODES. I agree with you.

Secretary RUSK. I would think we ought to confront that problem straight on and decide that one as between Congress and the Execu-

tive. That would be a case where there would be a major policy problem between the two branches of the Government we would very much like to avoid.

Mr. PASSMAN. Mr. Secretary, is that not another indication where the Executive obligates the legislative branch even before the committees consider the merit of the request?

Secretary RUSK. We have not made any commitment to the U.N. We have told them we would ask the Congress for this authority. We have told them we would hope to be able to buy $100 million worth of these bonds.

Mr. PASSMAN. If the Congress did not give you the authority, there would be no great harm done?

Secretary RUSK. I think, sir, I would be greatly surprised for two reasons.

Mr. PASSMAN. But we are talking about what harm would be done, and if it is not just another case where the Executive committed the Congress and got in such a position that some people think we have no alternative other than to carry out the request.

Secretary RUSK. I think, though, the reasons for my surprise have a bearing on that.

When I left the last session of Congress, if I had any feeling that we were under a mandate from the Congress on accomplishing two things with respect to U.N. financing, it was the following: First, to do everything we could to collect these arrearages; secondly, get the general membership of the U.N. to pay its proportionate share of such costs as the Congo operation. The central idea behind these proposals is to accomplish these two things; the question of collecting the arrearages has gone to the International Court for a ruling on whether they are compulsory or not. The arguments have been completed and we should get a decision from the Court, we hope, in July.

If the Court agrees with our view that these are compulsory, these UNEF and Congo assessments, then an article of the Charter comes into operation which would affect the voting rights in the Assembly of those members who are in arrearages beyond 2 years. We think quite a number of these countries would pay on that basis.

What the Soviet Union would do, I do not know, but it is interesting that they actually came into the Court and at least made an argument. I do not think that that means they are necessarily going to comply with the decision of the Court. As to the bond issue, that is a means by which the costs of these Congo operations can be put into the regular budget of the U.N. on the regular ratios so that our fraction is in the neighborhood of 32 percent rather than in the neighborhood of 48 to 50 percent.

Mr. PASSMAN. Would the gentleman yield further?

Mr. RHODES. Yes.

Mr. PASSMAN. If the Members of Congress should go out and commit Federal judgeships and tell two-star generals we are going to recommend them for three stars and the three stars for four stars, the Executive would consider such acts as being ridiculous. Yet, the Executive goes out and issues public statements about a $100 million bond issue, so as to rally public support before it has ever received the approval of the committees of Congress.

As far as I am concerned it is not a legal commitment. If the Congress should specifically deny it, there would be repercussions?

Secretary RUSK. I think that would require us to go back to the United Nations General Assembly. I think the result of that would be to try to finance this on the basis of the older system of special assessments which would cost us at least as much.

Mr. PASSMAN. The commitment was indirectly made prior to any approval by the Congress. That is the point I am trying to clear up.

Secretary RUSK. The statement to the United Nations that we hoped to be able to buy $100 million, if the Congress approved, was made before the Congress approved; yes, sir.

Mr. PASSMAN. Thank you.

CONTRIBUTION OF U.S. CAPITAL TO THE INTER-AMERICAN DEVELOPMENT BANK

Mr. RHODES. I have just one more question which concerns the payment of capital to the Inter-American Bank.

When General Cutler was here testifying, I noticed in the profit-and-loss statement of the Bank a rather large amount of earnings. Since the Bank had not been in business long enough to make very many loans, I questioned the figure. I was told the profit occurred because we had actually paid our capital contribution in before we needed to and before the Bank needed the money. They had taken this capital contribution and bought U.S. Government bonds with it. We, in effect, at least by my interpretation, paid interest on money which we had prepaid in the first place.

It was explained to me that this policy was initiated under the previous administration so there is nothing political about this. There was another payment made under this administration, however, and it is my understanding that there is still another payment to be made to the contribution of the capital of this bank.

My question is: What do you intend to do about this third payment? Are you going to make it and let them buy some more bonds so we can pay some more interest, or shall we look at it this time from the American standpoint?

Secretary RUSK. Sir, I am afraid that is one I would have to look into. I am not briefed on that.

Mr. RHODES. Very well.

Secretary RUSK. If I may, I would like to submit a comment on it.

Mr. RHODES. Certainly.

(The information supplied follows:)

PAYMENTS TO INTER-AMERICAN DEVELOPMENT BANK

The payment of the third installment of the paid-in capital stock subscribed by the United States is due on or before October 31, 1962, in accordance with the provisions of the agreement establishing the Bank and the resolution of the Board of Executive Directors of April 9, 1961. The U.S. Government, therefore, has a legal obligation to make payment of the final installment of $60 million by October 31 of this year.

With regard to this final installment, it is understood that the Secretary of the Treasury, who is the U.S. Governor of the Inter-American Development Bank, proposes to substitute non-interest-bearing, non-negotiable notes for 50 percent of the payment, in accordance with the provisions of the authorizing legislation and the Bank's articles.

Mr. RHODES. I want to thank the Secretary for his appearance here and for the very fine statement he has made.

Secretary RUSK. Thank you very much, Mr. Rhodes.

Mr. PASSMAN. If the Secretary could just take a few more minutes for a summary and if the members of the committee would be tolerant until I do a bit of summarizing, it may be helpful to the committee as well as to the Executive.

USE OF CONTINGENCY FUND DURING BERLIN BUILDUP

Mr. Secretary, on page 13 of your statement you say that assistance to strengthen our NATO allies during the Berlin buildup might have been seriously limited if we had not been able to rely upon the contingency fund. How much did we commit to Greece?

Secretary RUSK. $20 million in the contingency.

Mr. PASSMAN. What date did we make the commitment?

Secretary RUSK. I will have to report that, Mr. Chairman.

Mr. PASSMAN. Do the supporting witnesses have any idea as to the date you committed the $20 million?

Mr. GORDON. Not precisely.

Mr. PASSMAN. Approximately?

Mr. TENNANT. The amount was programed in January.

Mr. PASSMAN. This year?

Mr. TENNANT. Yes, sir, it was programed in January 1962. The actual obligation documents were not signed until several months later.

Mr. PASSMAN. That is about 4 months after the money became available, is that correct?

Mr. TENNANT. Yes, sir.

PRESIDENTIAL AUTHORITY TO TRANSFER BETWEEN APPROPRIATIONS

Mr. PASSMAN. Under the legislation under which you were operating during fiscal year 1962, it is not true that the President could have transferred as much as 10 percent of the total amount out of any other program into this program?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. This emergency commitment of $20 million could have been met out of some other program if the President had elected to do so; is that a statement of fact?

Secretary RUSK. By reducing the amount in any other program.

Mr. PASSMAN. That is understood; he would have to reduce it.

All right. We pinned that one down.

RECOUPMENT OF FUNDS

Now as to the military assistance program, Secretary McNamara and General Lemnitzer and others, in discussing the military assistance appropriation request with this committee, brought up some interesting points.

The $1.5 billion requested is $200 million less than the amount authorized for fiscal year 1963 and $385 million less than was requested for fiscal year 1962.

May I ask the Secretary if he knew this, that between the time the Congress adjourned last year and the time these witnesses appeared before the committee this year, they had deobligated, or planned to deobligate, or recoup, $521 million out of the military, and $317 million of that sum would be reobligated against the 1962 program? Am I making a statement of fact, as you understand it?

Secretary RUSK. I would have to check that for the figures.

Mr. PASSMAN. Did you understand that, General?

General PALMER. That is not exactly correct.

Mr. PASSMAN. Under the squeezeout, recoup, or deobligation, it is anticipated that there will be an additional $205 million available for new obligational authority in fiscal year 1963; is that a statement of fact?

General PALMER. No; it is not new obligational authority.

Mr. PASSMAN. You deobligated, or recouped $521 million total? You made it available?

General PALMER. We planned to do so in fiscal years 1962 and 1963.

Mr. PASSMAN. The total was $521 million?

General PALMER. It was estimated that it would be $521 million in fiscal 1962 and fiscal 1963 together.

Mr. PASSMAN. $317 million would apply to fiscal 1962?

General PALMER. That was our estimate.

Mr. PASSMAN. $205 million would apply to fiscal 1963?

General PALMER. That is correct.

CONGRESSIONAL CONTROL OVER PROGRAM

Mr. PASSMAN. Now, you can understand why the committee is always concerned. The foreign aid program in the past has been considered to be on a long-range basis, even though the program is authorized and funded on an annual basis. Such procedure enables the Congress to maintain some degree of control over the program, does it not?

Secretary RUSK. Yes, sir.

Mr. PASSMAN. By putting more and more of the program into development lending, Congress is losing more and more of its control over the program, is it not?

Secretary RUSK. I would say that Congress is exercising its constitutional powers to decide how it will deal with a matter in which it, on the one side, understands and wants this Government to be in a position to make long-term commitments; on the other side, it wants to be in a position to have an annual review of expenditures and if there are serious considerations militating against an appropriation to withhold an appropriation.

Mr. PASSMAN. Mr. Secretary, I have profound faith in your ability and leadership and I want to apologize for asking this question over, even though there may be reasons why it should be otherwise, but by putting more and more of the program into the development lending field, Congress is losing more and more of its control over the program, a type of control which we have exercised in the past?

We found out while were in a foreign country recently that somewhere in the legislation last year there was a clause whereby any unobligated 1962 funds could be obligated for payrolls against 1963 programs.

I am not suggesting that you put it that way, but we can see where the control has gone.

EFFECT OF CONGRESSIONAL REJECTION OF SPECIFIC PROJECTS ON U.S. COMMITMENTS

Now, I would like to ask this question, and would you please respond to both of them together?

If Congress decided that commitments were made for unsound projects and refused to appropriate funds to carry out the commitments, in what position would such action place the Congress and the administration?

Secretary RUSK. You are now referring to commitments under the long-term commitments?

Mr. PASSMAN. Yes; if the commitments were made.

The country was expecting the money but the Congress, in its wisdom, decided upon investigation that the projects were not sound. In the past hundreds of projects were canceled when we had control, but this way the control is moving out from under the committee and the Congress. We could specifically deny funds for an unsound project if upon investigation we found such was the case. If we specifically denied funds now for the projects committed, in what kind of position would this put the Congress and the Executive?

Secretary RUSK. I would think, sir, the Congress would take such action only for very grave reasons because the Congress has decided that, in the exercise of its own constitutional authority, it would authorize these long-term commitments subject to appropriations with the full knowledge and understanding we would be negotiating with other governments and that if the Congress did take action to withhold appropriations, this would be a very serious matter.

Mr. PASSMAN. Even if the projects should be proven as not meeting reasonable criteria? If you had a ratio of maybe 60 cents in benefits for each $1 spent by our country on the project, then if the committee and the Congress should specifically deny the appropriation, we would be placed in an embarrassing position, would we not?

Secretary RUSK. We would be placed in an embarrassing position, Mr. Chairman, but I do not really believe we can deal with this one on the basis of ordinary types of business or administrative judgment as to the value of a particular project. That would, in effect, mean that the committee of the Congress would be administering the program.

Mr. PASSMAN. No; we do not want to put it that way. We do not say we want to administer it.

The question is: If the committee and the Congress did not attempt to administer it, but if we should be able to establish that a project will not pay dividends, that the cost is excessive compared with the benefits, and so as to save money we deny funds, then what position would we be placed in?

Secretary RUSK. I think there would be some of these that the executive branch itself would act on. I think there would be some that the executive branch and the Congress would agree on.

Mr. PASSMAN. What if the Congress did it? I do not find that you, on your side of the table, agree with the position of the committee often, even though we have found literally hundreds of unsound projects around the world.

Many times they took deobligated funds and started scores of projects. They came in to us and had the words "continuing project" on them. We were appropriating hundreds of millions for these projects out of deobligated funds.

If we specifically denied funds for a project, regardless of how sound our reasons may be, then we would be placing our Government in an embarrassing position on account of prior commitments; that summary is correct, as I understand it?

Secretary RUSK. Mr. Chairman, I do not see how I can possibly say any more than that the Congress has authorized long-term commitments subject to annual appropriations with the full understanding——

Mr. PASSMAN. Mr. Secretary, as usual you are fair.

We have abdicated much control and authority to the Executive by the authorization of last year. Regardless of what this committee recommends, the agency can always go back on the claim that the Congress gave authority to do these things.

Secretary RUSK. Mr. Chairman, what I am saying is that if under these circumstances and after negotiations with other governments, including many additional governments who are also providing aid in some of these joint efforts, if under those circumstances, the Congress saw fit not to provide the appropriation, we would expect it would be for a very serious and grave reason.

Mr. PASSMAN. It is a question of what is a serious and grave reason.

What if, for each dollar you are going to spend you get 35 cents back? Maybe the project will do some good; but the cost is so far in excess of the benefits, on that basis can we specifically deny funds? Would that place you in an embarrassing position?

Secretary RUSK. I really do not see how this could be answered as a general proposition. Maybe we will have a specific case on which we can agree.

There may be others in which we would not agree but I do not see how we can answer such an important question——

Mr. PASSMAN. I do not think it is an unfair question because we find many cases where money is being wasted.

Thank you very much, Mr. Secretary.

It is not your fault we abdicated our powers to the Executive.

Secretary RUSK. Thank you, Mr. Chairman.

Mr. PASSMAN. The committee will stand adjourned until 10 o'clock tomorrow morning, and at that time we shall hear the new AID Director, Mr. Fowler Hamilton.

FRIDAY, JUNE 8, 1962.

ECONOMIC ASSISTANCE PROGRAM

WITNESSES

HON. FOWLER HAMILTON, ADMINISTRATOR, AGENCY FOR INTERNATIONAL DEVELOPMENT
EDWARD F. TENNANT, ACTING CONTROLLER, AID
LEIGH M. MILLER, LEGISLATIVE PROGRAMS COORDINATOR, AID
KENNETH M. RABIN, PRESENTATION COORDINATOR, AID

Personnel summary

	1961 actual	1962 estimate	1963 estimate
AGENCY FOR INTERNATIONAL DEVELOPMENT			
Total number of permanent positions	11,150	11,148	11,465
Full-time equivalent of other positions	54	50	50
Average number of all employees	9,443	9,974	10,095
Number of employees at end of year	9,905	10,043	10,147
Average GS grade	9.1	9.3	9.4
Average GS salary	$8,143	$8,315	$8,561
Average grade, grades established by the Foreign Service Act of 1946, as amended (22 U.S.C. 801–1158):			
Foreign Service Reserve	4.1	4.0	4.0
Foreign Service staff	11.1	11.0	11.0
Average salary, grades established by the Foreign Service Act of 1946, as amended (22 U.S.C. 801–1158):			
Foreign Service Reserve	$11,326	$12,539	$12,508
Foreign Service staff	$5,316	$5,612	$5,656
Average salary of ungraded positions	$1,875	$1,900	$2,000
ALLOCATION ACCOUNTS			
Total number of permanent positions	1,172	906	828
Full-time equivalent of other positions	46	53	53
Average number of all employees	972	899	854
Number of employees at end of year	1,033	906	839
Average GS grade	8.1	7.8	8.1
Average GS salary	$7,265	$6,961	$7,188
Average grade, grades established by the Administrator, Agency for International Development (75 Stat. 450)	5.2	4.7	4.7
Average salary, grades established by the Administrator, Agency for International Development (75 Stat. 450)	$10,996	$11,772	$11,886
Average grade, grades established by the Foreign Service Act of 1946, as amended (22 U.S.C. 801–1158):			
Foreign Service officer	4.1	----------	----------
Foreign Service Reserve	3.2	3.0	----------
Foreign Service staff	9.8	10.1	----------
Average salary, grades established by the Foreign Service Act of 1946, as amended (22 U.S.C. 801–1158):			
Foreign Service officer	$11,802	----------	----------
Foreign Service Reserve	$12,011	$13,067	----------
Foreign Service staff	$6,118	$5,857	----------
Average salary of ungraded positions	$2,569	$3,134	$4,493

Object classification

[In thousands of dollars]

		1961 actual	1962 estimate	1963 estimate
	AGENCY FOR INTERNATIONAL DEVELOPMENT			
11	Personnel compensation:			
	Permanent positions	59,810	62,357	65,666
	Positions other than permanent	803	1,104	616
	Other personnel compensation	6,239	6,295	6,766
	Total personnel compensation	66,852	69,756	73,048
12	Personnel benefits	5,973	6,478	7,013
21	Travel and transportation of persons	11,602	12,958	13,895
22	Transportation of things	80,856	78,974	80,092
23	Rent, communications, and utilities	6,553	7,362	7,689
24	Printing and reproduction	657	827	854
25	Other services	108,615	106,516	118,716
	Services of other agencies	19,009	19,522	22,127
26	Supplies and materials	546,812	533,660	622,797
31	Equipment	121,542	117,507	141,989
32	Lands and structures	391		
33	Investments and loans	76,500	40,000	20,000
41	Grants, subsidies, and contributions	181,342	176,933	212,850
42	Insurance claims and indemnities	12	2	5
	Unvouchered	25	25	25
	Total, Agency for International Development	1,226,741	1,170,520	1,321,100
	ALLOCATION ACCOUNTS			
11	Personnel compensation:			
	Permanent positions	7,607	7,088	6,987
	Positions other than permanent	340	397	395
	Other personnel compensation	724	642	637
	Total personnel compensation	8,671	8,127	8,019
12	Personnel benefits	602	605	529
21	Travel and transportation of persons	998	1,156	1,131
22	Transportation of things	31,082	35,375	35,279
23	Rent, communications, and utilities	132	190	122
24	Printing and reproduction	60	82	70
25	Other services	14,178	3,323	2,587
	Services of other agencies	7,588	6,103	3,247
26	Supplies and materials	2,324	1,181	909
31	Equipment	5,298	791	105
33	Investments and loans	260	1,300	
41	Grants, subsidies, and contributions	158,911	162,302	154,123
	Subtotal	230,105	220,535	206,121
	Deduct—			
	Quarters and subsistence charges	1	1	1
	Portion of foregoing obligations originally charged to other object classes under Agency for International Development:			
	Department of Agriculture	37,399	42,567	42,691
	Department of Commerce	10,029	1,822	1,800
	Army	20		
	Farm Credit Administration	41	48	48
	Department of Health, Education, and Welfare	4,722	7,430	7,466
	Housing and Home Finance Agency	289	540	545
	Department of the Interior	3,996	5,513	5,353
	Department of Labor	2,661	3,181	3,290
	National Science Foundation	27	27	27
	Department of State	133	160	
	Total, allocation accounts	170,787	159,246	144,900
	Total obligations	1,397,528	1,329,766	1,466,000
	Obligations are distributed as follows:			
	Agency for International Development	1,226,741	1,170,520	1,321,100
	Atomic Energy Commission	678	2,750	
	Department of Commerce	165		
	Army	600		
	Department of State	165,255	142,936	144,900
	Department of Health, Education, and Welfare	4,089	13,560	

Program and financing

[In thousands of dollars]

	1961 actual	1962 estimate	1963 estimate
Program by activities:			
1. Development grants:			
(a) General:			
(1) Far East	73,582	85,790	
(2) Near East and South Asia	63,518	77,700	
(3) Europe and Africa	72,239	117,100	338,000
(4) Latin America	20,196	26,750	
(5) Interregional and special programs	29,471	32,650	
(b) Development research	513	5,000	
Total, development grants	259,519	345,000	338,000
2. Surveys of investment opportunities		1,500	5,000
3. International organizations and programs:			
(a) United Nations technical assistance and special fund	36,950	40,000	
(b) United Nations Congo military operations	36,413	27,000	
(c) United Nations Congo economic assistance	28,512	33,000	
(d) United Nations Relief and Works Agency	17,000	18,200	
(e) United Nations Emergency Force	3,200	1,800	
(f) United Nations Children's Fund	12,000	12,000	
(g) International Atomic Energy Agency	640	750	
(h) World Health Organization malaria eradication	4,000	2,500	
(i) World Health Organization worldwide water supply	175	400	
(j) World Health Organization medical research	500	500	148,900
(k) Organization of American States technical cooperation	1,500	1,500	
(l) North Atlantic Treaty Organization science program	1,327	1,800	
(m) Indus Basin development program	6,807	16,900	
(n) United Nations Education, Social, and Cultural Organization	1,000		
(o) Asian Productivity Organization	165	200	
(p) Commission for Technical Cooperation in Africa	12	1,700	
(q) International Control Commission, Laos		100	
Total, international organizations and programs	150,201	158,350	148,900
4. Migrants, refugees, and escapees:			
(a) Intergovernmental Committee for European Migration	9,052		
(b) United Nations High Commissioner for Refugees	1,300		
(c) U.S. escapees	3,516		
(d) Cuban refugees	4,089	13,560	
Total, migrants, refugees, and escapees	17,957	13,560	
5. Supporting assistance:			
(a) Far East	412,792	274,528	
(b) Near East and South Asia	289,290	172,400	
(c) Europe and Africa	153,947	68,233	515,500
(d) Latin America	50,580	53,707	
(e) Nonregional	10,274	470	
Total, supporting assistance	916,883	569,338	515,500
6. Contingencies		190,405	400,500
7. Administrative expenses (Agency for International Development)	45,204	48,577	[1] 55,000
8. Administrative expenses (State)	7,765	3,036	3,100
Total, obligations	1,397,528	1,329,766	1,466,000

See footnote at end of table, p. 99c.

Program and financing—Continued

[In thousands of dollars]

	1961 actual	1962 estimate	1963 estimate
Financing:			
Comparative transfers to other accounts	51,931		
Unobligated balance brought forward:			
Annual appropriation acts	−22,666	−56,693	−22,000
Other legislative authority: Authorization to expend from public debt receipts	−312	−312	−312
Recovery of prior year obligations	−71,542	−95,000	
Unobligated balances transferred from other accounts (68 Stat. 849)	−210		
Unobligated balance carried forward:			
Annual appropriation	56,693	22,000	
Other legislative authority: Authority to expend from public debt receipts	312	312	312
Unobligated balance lapsing	34,616		
New obligational authority	1,446,350	1,200,073	1,444,000
New obligational authority:			
Appropriation	1,431,350	1,202,100	1,447,000
Transferred from "Military assistance" (68 Stat. 849)	15,000		
Transferred to "Advance acquisition of property" (75 Stat. 441)		−2,000	−3,000
Transferred to "Operating expenses, Public Buildings Service," General Services Administration (75 Stat. 353)		−27	
Appropriations (adjusted)	1,446,350	1,200,073	1,444,000

[1] Does not include funds for 267 positions previously financed from this appropriation. Cost of these positions in 1961, $2,800,000; 1962, $3,000,000.

Mr. PASSMAN. The committee will come to order.

We have with us this morning the Honorable Fowler Hamilton, Administrator of the Agency for International Development, who is in charge of the economic aid phase of the mutual security program.

I think the record should show that this is only one facet of an approximately $12 billion foreign aid program, if all segments are included, such as Public Law 480, the military oversea construction program, the Inter-American Development Bank, the International Development Association, certain parts of the Export-Import Bank, as well as about $3.5 billion annual interest on the money borrowed to give away.

Even though the total, if put together as it should be, would exceed $12 billion, Mr. Hamilton is primarily interested in the economic assistance category, which represents approximately 28 percent of the total bill.

Mr. Director, we welcome you to the committee this morning. If you have a statement to make, we shall be pleased to hear from you, sir.

GENERAL STATEMENT

Mr. HAMILTON. Thank you very much, Mr. Chairman. I will be glad to read my statement at this time if that is agreeable with you.

Mr. Chairman, members of the committee, I welcome the opportunity to meet with the committee to report to you on matters pertinent to your consideration of the legislation and appropriations proposed for the economic part of the Foreign Assistance Act of 1962.

My remarks shall be addressed first to those aspects concerning the background of foreign aid that relate to the fiscal year 1963 program. Next, I shall report to you on the progress of the reorganization of the AID agency in the 1962 program, including the Alliance for Progress, and on measures underway toward coordinating and increasing foreign aid contributions by other developed nations. Finally, I shall outline the appropriations that are being recommended for the fiscal year 1963 program.

BACKGROUND

The basic purpose of our various foreign assistance programs over the years has been to advance the national interest of our Nation by fostering a community of free nations strong enough to withstand Soviet-Sino subversion from within or overthrow from without. Different programs have been required at different times as changing conditions have presented different international threats to the security and well-being of our Nation.

The Marshall plan provided the impetus for recovery by our European allies whose people's economies and institutions had reached an advanced stage of development but whose stability and capacity for growth were imperiled in the immediate post-World War II years. With Point IV in fiscal year 1950 we began to extend modest amounts of technical assistance to less-developed countries and thereafter we

began to extend military assistance and development support to aid nations desiring to do so to withstand Communist pressure whether in the form of aggression or subversion. The bulk of assistance since the Marshall plan (apart from Public Law 480) has been appropriated for immediate national security considerations, primarily military. We have in recent years increased economic assistance to strengthen independent societies in less-developed areas, largely through development loans.

REORGANIZATION OF U.S. ASSISTANCE PROGRAMS

Over the years, aid programs significantly contributed many important objectives. Among these have been revitalizing Western Europe, restraining the power of communism, and contributing in many ways to the strength of the free world in the national interest of the United States. The programs had evolved through a series of legislative measures and administrative procedures required at different times and for different purposes. Last year the legislative framework of foreign aid was substantially revised to deal more effectively with the challenges to our national interest.

Last year President Kennedy sent to the Congress proposals to reorganize foreign aid programs and their administration. The principal features of the new program are—

(1) Consolidation of foreign aid in the Agency for International Development,

(2) Greater emphasis on overall long-term development of recipient countries,

(3) Increased participation by other industrialized nations,

(4) Establishment of standards of self-help, and

(5) Comprehensive long-term planning.

In the 7 months since November 4, 1961, when the Agency for International Development became operational, it has not, of course been possible to complete the formidable tasks of reorganization and attain the desirable degree of administrative efficiency required by the legislation last year. This is and must be a year of transition.

NEW AGENCY FOR INTERNATIONAL DEVELOPMENT

When I assumed my duties on October 4, 1961, it was clear that the first task would be to organize the new Agency and provide it with the best available top management. The selection of the top executive team has been completed. For your information, I am appending a list of these principal executives with a brief biographical note covering each.

The new Agency was given responsibility not only for the technical and supporting assistance programs of the former ICA but also for very large lending operations. In addition, the Agency has responsibility for certain aspects of the Food-for-Peace Program and coordinates military assistance with economic assistance.

The personnel immediately available to the new Agency were almost exclusively from the former ICA, which was staffed primarily

along functional lines for a wide range of technical assistance programs. The new Agency was organized essentially along geographical lines, as the Congress had been informed would be done. This required substantial reassignment and recruitment of personnel and a very considerable amount of time. It inevitably produced a period of change and uncertainty. A partial evaluation of Agency personnel had to be made to meet the November 4 deadline set under section 621(d) of the Foreign Assistance Act of 1961, and approximately 287 ICA employees were determined not to be necessary for the operations of AID.

The process of organizing the administrative structure in Washington and in the field is still underway. Line operations are being concentrated in the four regional bureaus. The new office of Director of Engineering has been established to keep check on engineering plans. To encourage private enterprise to play a larger development role as well as to insure adherence to sound standards for development lending, a new Office of Development Finance and Private Enterprise has been established.

PROGRAM DIRECTED AT OVERALL COUNTRY DEVELOPMENT

The ICA development activities consisted largely of a wide variety of technical assistance projects in such fields as education, public health, public administration, agriculture, industry, and transportation and labor. The Development Loan Fund and the Export-Import Bank made loans on a project-by-project basis.

With major U.S. development assistance authority, except Export-Import Bank, vested in AID, it is now possible to assess the overall development needs of a country on a comprehensive basis and to focus grants, loans, or technical assistance to those projects that will best further the overall development of the recipient country.

EMPHASIS UPON SELF-HELP

The new AID program places important emphasis on self-help in such field as prudent fiscal management, progressive tax and land laws, honesty and efficiency in government and social justice.

LONG TERM PLANNING AND COMMITMENTS

Countries receiving our assistance are being urged and encouraged to improve their planning capabilities. Countries with meager per capita physical resources must budget their limited capital and personnel resources even more carefully than do highly developed countries if they are to achieve significant economic growth. The purpose of planning is to provide a framework for rational government action and private initiative. It corresponds to sound budgeting procedures followed by government and successful private enterprises in more advanced countries.

Here, again, progress has been made during the past year. In Latin America, many countries have intensified their efforts to improve their planning processes. Several African countries have made

good progress. Nigeria has a 6-year plan, Tunisia is moving forward rapidly; Pakistan's third 5-year plan, developed with the assistance of a U.S. private foundation, and reviewed and revised by the IBRD and an international consortium of assisting countries, provides the basis for substantial long-range commitments from the United States and other consortium members.

Despite the increase in planning activity, less developed countries still face serious obstacles to adequate planning. In many cases planning organizations and techniques must be perfected and information must be assembled. If a country's leaders appreciate and apply a rational approach to resource allocation and are actively working toward a national plan, this justifies our assisting a program conditioned on progressive implementation of planning standards.

A principal stimulus to better long-term planning by the developing countries is the capacity of the Agency to enter into long-term commitments with countries having sound and feasible plans. Long-range commitments under new AID legislation have been made thus far to Pakistan and Tanganyika. Programs now being developed in several other Asian and African nations may warrant additional commitments by the end of fiscal year 1963. However, on the basis of the criteria proposed to and approved by Congress last year, use of this technique will continue to be limited in the immediate future.

ALLIANCE FOR PROGRESS

President Kennedy proposed the Alliance for Progress in March 1961 as a means of mounting a vast cooperative effort to satisfy the basic needs of the people of Latin America for work, land, health, schools, and homes. After congressional appropriation of $500 million to help implement the principles of the Act of Bogotá, the Alliance was enunciated formally last August when the United States joined with other free republics of Latin America—

> in a common effort to bring their people accelerated economic progress and broader social justice within the framework of personal dignity and political liberty.

The Alliance is a long-term program contemplating a decade of development. The Assistant Administrator of the Latin American Bureau of AID was appointed on November 14, 1961, and the Bureau itself was formally established on November 21, 1961. It will obviously take time for such a large enterprise to gain momentum. While there is still much to be accomplished, significant progress has already been made. A number of Latin American nations have moved ahead on tax reform, land reform, labor legislation, economic stabilization, and national planning. Bolivia, Chile, Colombia, Panama, and Venezuela have completed country development plans or major sections of such plans. The Organization of American States, the Economic Commission for Latin America, and the Inter-American Development Bank are providing technical assistance in development planning to a number of countries which have requested it. In the social development field, the IDB has approved loans for projects in rural living and land use, public housing, and water supply and sewage.

During the first year of the Alliance, members have received more than $1 billion of U.S. assistance from the Export-Import Bank, Food for Peace, AID loans and grants and the Social Progress Trust Fund

administered by the Inter-American Development Bank. Much of this aid has been used to meet immediate short-term needs. A major portion of this assistance, however, has been directed toward the long-term development goals set forth in the Charter of Punta del Este.

MULTILATERAL COOPERATION

The past year has seen notable progress in the coordination of and increase in the flow of assistance from our allies to the less-developed countries. Economic aid to the underdeveloped areas from public free world sources other than the United States is now in the neighborhood of $2.3 billion per year, as compared with such assistance from the United States of about $3 billion. Several other free world countries are contributing larger proportions of their gross national products to foreign assistance than is the United States. Several nations have substantially liberalized their loan terms in the past year. Germany, France, Belgium, and Canada have established new aid agencies, while the United Kingdom and Japan have also made organization changes evidencing their assumption of greater responsibility in this area.

To encourage closer cooperation and coordination of efforts among the nations supplying capital and technical assistance to the developing areas, several types of multilateral organizations and groups have been formed. The World Bank has taken the lead in organizing consortia to support the development plans of countries such as India and Pakistan. The Development Assistance Committee of OECD is undertaking a similar coordinating role with regard to technical and capital assistance to countries where its members have substantial interests. The International Development Organizations Staff of AID has just been structured to give new force and leadership to our efforts to correlate our assistance activities with those of all other free world countries.

OBLIGATIONS AND EXPENDITURES

It is recognized that the Agency must continually scrutinize its fiscal management policies. The problem of imposing effective and appropriate financial controls upon this program is one to which the Agency is now giving careful consideration. It is one which requires continuing vigilance, and I am asking the regional administrators and the Controller to give you full particulars in their individual testimony.

MILITARY AND SUPPORTING ASSISTANCE

The military assistance program has been discussed with you by Secretary McNamara, General Lemnitzer, and other witnesses from the Department of Defense.

Military assistance in the form of military weapons and supplies is vital. But it alone is not sufficient. In addition, in our own national interest we must make financial supporting assistance available to strengthen the contribution that these nations can make to the free world. The successful resistance of the free world to communism directly concerns the self-interest of the United States. Certain nations need financial supporting assistance. Without it, they would be faced with internal economic and political disintegration which would

seriously weaken and might defeat their ability to build a society impervious to attack. In these cases, supporting assistance is just as vital to security and freedom as is military assistance.

We are endeavoring to reduce the number of countries receiving supporting assistance. During the past year, it has been decided that several countries, such as Greece, Iran, Pakistan, and Afghanistan, will not in the future require this form of assistance. Supporting aid remains essential in certain cases, e.g., military budget support, access to base rights, and prevention of political and economic collapse.

REQUIREMENTS FOR FISCAL YEAR 1963

For fiscal year 1963, the President has requested Congress to appropriate a total of $4,878 billion in new funds. You are doubtless aware that the authorizing legislation has not as yet been passed, and the amounts originally requested are subject to adjustment in those categories in which new authorization is needed. However, since final passage of the authorizing bill is in the future, reference will be made to the original requests. The funds so requested are as follows:

	Millions
Development lending	$1,250.0
Development grants	335.0
Supporting assistance	481.5
Contingency fund	400.0
Alliance for Progress	600.0
Investment guarantees	100.0
Investment surveys	5.0
Administration:	
AID	55.0
State	3.1
International organizations	148.9
Total	$3,378.5

DEVELOPMENT LENDING

Dollar repayable development loans now constitute the major instrument of U.S. development assistance. In fiscal year 1963, about 52 percent of the new funds requested (apart from those for military hardware, etc.) will be utilized for loans. One billion two hundred fifty dollars (not including Alliance for Progress funds) is requested for appropriation in 1963 under this authorization. These loan funds will be concentrated in countries capable of utilizing development loans most effectively—countries which either have sound and well-administered long-term development programs or have the capability to devise sound projects which can be individually financed.

DEVELOPMENT GRANTS

The request for development grant activities in fiscal year 1963 is $335 million (excluding Alliance for Progress funds). The development grant funds represent less than 10 percent of the total proposed in this legislation. Their primary purpose is to help the less-developed countries to develop their most priceless and abundant resource—their people. Accordingly, these funds will go primarily for programs in such fields as education, health, agriculture, public administration, and community development.

During the past year, we have made an intensive review of development grant programs, asking each USAID mission to evaluate each project in terms of its priority in the country's development plan or program, the degree to which it accelerates the development process of the country as a whole, and its effect on encouragement of self-help.

As a result of this review, the fiscal year 1963 development grant program is much more highly concentrated than it has been in the past. Most USAID missions identified education and training, public administration, and agriculture as among the top priority goals.

SUPPORTING ASSISTANCE

Supporting assistance generally is used (*a*) to support the military establishments they could not otherwise afford of friendly countries along the periphery of the Sino-Soviet bloc, (*b*) to afford U.S. access to military bases, (*c*) to prevent political and economic collapse of independent countries, and (*d*) to keep open the prospect of independence from domination by Sino-Soviet aid. In fiscal year 1963, $481.5 million in new funds are being requested for activities of this kind. Most of these funds are provided to three Far Eastern countries, Vietnam, Korea, and Laos, on the periphery of the Sino-Soviet bloc which are subjected to direct and massive Communist pressures.

It is significant to note that it is proposed to grant supporting assistance to 20 fewer countries than those receiving this form of assistance in fiscal year 1962. Supporting assistance is proposed for fiscal year 1963 to 15 countries and 1 regional organization. This reduction reflects efforts during the past year to replace supporting assistance, whenever appropriate, with development loans. Unexpected natural disasters, economic or military crises, or accelerated insurgent activity may make it necessary to extend supporting assistance to some of these countries.

MILITARY ASSISTANCE

The request for military assistance funds for fiscal year 1963 of $1,500 million—$385 million less than that requested last year—has already been presented to you by Secretary McNamara and his colleagues.

CONTINGENCY FUND

The need for an unprogramed reserve for contingencies is crucial in a large and complex operation such as our foreign aid program, for it is impossible to foresee for a year in advance all critical situations that may require action.

Experience has shown that the most likely use of these funds is to provide additional aid to meet unforeseeable contingencies in countries receiving supporting assistance. The programed level of supporting assistance has been held to an absolute minimum, to save money, and to induce countries receiving some such assistance to utilize to the utmost their own resouces or to qualify for development loans.

The contingency fund constitutes a reserve against the unexpected. In fiscal year 1963, we are requesting that the Congress make available for this purpose $400 million against a total sum of $4.878 billion.

CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS

In addition to providing economic and military assistance to the developing countries on a bilateral basis, the United States supports those multilateral institutions which participate in helping to stabilize and expand the economic strength of the free world. An aggregate of $148.9 million is programed for fiscal year 1963 for voluntary contributions to such U.N. organizations or programs as the United Nations Special Fund, the Expanded Technical Assistance Program, UNICEF, World Health Organization, the U.N. Congo Economic Program and the U.N. Relief and Works Administration, and for the U.S. contribution to development of the Indus Basin.

ALLIANCE FOR PROGRESS

This historic program will provide the framework for a partnership effort to produce real progress in the entire hemisphere. A long-term authorization is being sought in this new category of assistance. The funds requested for appropriation this year within the multiyear authorization are $500 million for development lending and $100 million for development grants. These funds are needed to help provide momentum toward the goals of the Charter of Punta del Este.

ADMINISTRATIVE EXPENSES

The sum of $55 million is required to provide sufficient funds for the administrative expenses of this program. The effective administration of this foreign assistance effort requires that sufficient funds be available; in order to fulfill the goals which you have set for us through legislation and we have set for ourselves, the sum of $55 million is recommended as being necessary.

INVESTMENT GUARANTIES AND SURVEYS

One important objective of the foreign aid program is encouragement of private investment in less developed areas. In most countries aid is only a small fraction of the total investment required for progress and development. Private investment must play an important role in the process. But an investor in a less developed country faces special risks against which conventional insurance is unavailable. Our investment guaranty program is designed to bridge this insurance gap and thus stimulate the flow of private capital.

Response of American business to our investment guaranty program has been such that our present authorization limits appear inadequate and authority has been requested for an increased $300 million in the ceiling on special risk guaranties and $90 million in the ceiling on all risk guaranties. Authority also has been requested for an additional $50 million of guaranties for investment in the important pilot housing project programs in Latin America. An appropriation of an additional $100 million to finance the reserves for these guaranties is requested.

Five million dollars is requested to finance surveys for investment opportunities in less developed lands.

This summary and general review will be amplified in detail by the four regional administrators and other officials of the agency who appear before you.

In the meantime I shall be pleased to discuss with you any matters in which you may be interested.

BIOGRAPHICAL SKETCHES

(The biographical sketches of personnel referred to follow:)

FOWLER HAMILTON, ADMINISTRATOR

Last previous position was that of senior partner in the New York law firm of Cleary, Gottlieb, Steen & Hamilton (1946–61). Associate attorney with New York law firm, Watson, Ess, Groner, Barnett & Whittaker from 1935 until 1938. Special Assistant to the Attorney General of the United States, 1938–42. Director of the Economic Warfare Division of the American Embassy in London, 1943. Headed enemy section of the Foreign Economic Administration, 1943 to the end of the war, when he was appointed Chief Legal Counsel of the Department of Justice. Educated at the University of Missouri and at Oxford University, England, as a Rhodes scholar.

WALTER L. LINGLE, JR., THE DEPUTY ADMINISTRATOR

Last previous position was as executive vice president, Procter & Gamble Co., Cincinnati, Ohio, in charge of the firm's oversea operations (1948–62). Has been associated with Procter & Gamble since 1931. Educated at Davidson College, Davidson, N.C. Has been serving AID as consultant on organization and management since early January 1962.

FRANK M. COFFIN, DEPUTY FOR PROGRAM

Last previous position was that of Managing Director of the Development Loan Fund (1960–61). He served in the 85th and 86th Congresses as a U.S. Representative from Maine, during which time he was a member of the House Foreign Affairs Committee and the Joint Economic Committee and was one of the drafters of the legislation which created the Development Loan Fund. Initiated, with Representative Brooks Hays, the study of United States-Canadian relations which led to formation of the United States-Canada Interparliamentary Group, of which he was a member. Carried out a study of the European Common Market for the House Foreign Affairs Committee. Prior to congressional service practiced law in Portland and Lewiston, Maine. Educated at Bates College and Harvard University Law and Business Schools.

WILLIAM S. GAUD, ASSISTANT ADMINISTRATOR, REGIONAL BUREAU FOR NEAR EAST AND SOUTH ASIA

Last previous position was as a partner in the New York law firm of Carter, Ledyard & Milburn (1946–61). Served on General Stilwell's staff in charge of all military lend lease to China, Burma, and India during World War II, and became Special Assistant to the Secretary of War in 1945. Prior to World War II was assistant corporation counsel in New York City and was a member of the faculty of the Yale Law School.

EDMOND C. HUTCHINSON, ASSISTANT ADMINISTRATOR, REGIONAL BUREAU FOR AFRICA AND EUROPE

Last previous position was as a senior financial officer of the International Division of the Radio Corp. of America. Was Assistant Deputy Managing Director for Operations of the Development Loan Fund and, prior to that, served in the Bureau of the Budget as Special Assistant to the Director for National Security and Foreign Economic Affairs and as Deputy Chief of the International Division. Also served in the Department of State as Associate Chief of the Monetary Affairs Staff. Educated at Southwestern University, Memphis, Tenn., and at the University of Virginia.

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TEODORO MOSCOSO, ASSISTANT ADMINISTRATOR, REGIONAL BUREAU FOR LATIN AMERICA

Last previous position was as U.S. Ambassador to Venezuela (1961). General manager of Moscoso Hermanos & Co., Inc., drug wholesalers of Ponce, P.R.; head of the Ponce Housing Authority, and president of the Puerto Rico Industrial Development Co. In 1950 became administrator of the Economic Development Administration of Puerto Rico and held that post until March 1961, when he became American Ambassador to Venezuela. Educated at the Philadelphia College of Pharmacy and Science and the University of Michigan.

SEYMOUR J. JANOW, ASSISTANT ADMINISTRATOR, REGIONAL BUREAU FOR FAR EAST

Last previous position was as vice president and chief executive officer in Asia of U.S. Consultants Overseas, Inc. (1949–62). Served on the staff of Gen. Douglas MacArthur in Japan as an adviser on international currency and trade agreements; earlier had served as special consultant to Maj. Gen. Claire Chennault, commander of the U.S. 14th Air Force in China. Prior to that had served with the Department of Agriculture and the Foreign Economic Administration. Educated at the University of California, Berkeley, Calif.

JOHN L. SALTER, ASSISTANT ADMINISTRATOR FOR CONGRESSIONAL LIAISON

Last previous position was Deputy Director for Congressional Liaison, International Cooperation Administration. Born at Everett, Wash. Attended St. Joseph's College, Mountain View, Calif. Received an M.A. degree from St. Patrick's College, Menlo Park, Calif., 1935. Worked for Washington State Department of Social Security and in 1938 was appointed director of employment for the State of Washington. Served with the National Youth Administration during 1939–40 and became administrative assistant to Representative Henry M. Jackson of Washington. Named regional director, Office of Price Stabilization, for Northwest, in 1951. Served as administrative assistant to Senator Henry M. Jackson of Washington from 1953 until 1961. Appointed as Deputy Director for Congressional Liaison, International Cooperation Administration, early in 1961.

HERBERT J. WATERS, ASSISTANT ADMINISTRATOR FOR MATERIAL RESOURCES

Last previous position was Special Assistant to the Director of the International Cooperation Administration. Born at Santa Rosa, Calif. Education in Santa Rosa public schools and for 18 years was associated with Santa Rosa daily newspaper as a reporter, farm editor, managing editor, and editor. Joined staff of U.S. Department of Agriculture in 1949 at the request of Secretary Charles A Brannan. During his work with USDA was actively interested in work of United Nations' Food and Agricultural Organization, and took a leading role in interagency development of U.S. policy on encouragement of land reform policies abroad. In 1953 he joined staff of Senator Hubert H. Humphrey of Minnesota as agricultural specialist. Later became legislative aid and administrative assistant from 1955 until 1961.

EDWIN R. BAYLEY, DIRECTOR OF PUBLIC AFFAIRS

Last previous position was special assistant in Office of White House Press Secretary. Born at Chicago, Ill. Educated in Wisconsin public schools and graduated from Lawrence College, Appleton, Wis. Attended Yale University Graduate School. Reporter for Green Bay, Wis., Press-Gazette, 1941–42. Served as gunnery officer in U.S. Navy during World War II. Political reporter for the Milwaukee Journal, 1946–49, when he became executive secretary to Gov. Gaylor A. Nelson of Wisconsin. Appointed Director of Public Information for the Peace Corps in February 1961.

HOLLIS B. CHENERY, DIRECTOR OF PROGRAM REVIEW AND COORDINATION STAFF

Last previous position was professor of economics and codirector of research center in economic growth at Stanford University. Born at Richmond, Va. B.S. degree in mathematics, University of Arizona, 1939; B.S. in engineering, University of Oklahoma, 1941; Ph.D. in economics from Harvard University, 1949. While studying for his doctorate he was a member of the economics faculty at the Massachusetts Institute of Technology. He served as chairman of a group of programing experts for the United Nations Economic Commission for Asia and the Far East; as economic consultant to the U.N. Economic Commission for Latin America and U.S. Foreign Operations Administration in Turkey, as an economic adviser to the Bank of Sicily, the Bank of Israel, and the Government Planning Boards of Japan and Pakistan; as Chief of Program Division of Mutual Security Agency's Mission to Italy (1951 and 1952) and as economist with Economic Cooperation Administration analyzing economic development programs in Portugal, Greece, and Turkey.

THOMAS A. KENNEDY, DIRECTOR, MANAGEMENT INSPECTION STAFF

Last previous position was Assistant Commissioner for Transportation and Utilities, General Services Administration. Born at Chicago, Ill. Educated at Wilson College, Chicago; DePaul University, LL.B., 1939. Attended Harvard University, Communications and Intelligence School while in U.S. Navy. Loyola University, B.Sc., 1949. With General Services Administration since 1953, assistant general counsel, 1953–56. General counsel, House Committee on Government Operations, 1949–53. Private law practice, Chicago, 1946–49. U.S. Navy 1942–46. Illinois Department of Labor, part time, and National Youth Administration, Chicago, 1936–39. Industrial Bank, Chicago, 1940–41.

DONALD L. ROBERTS, DIRECTOR OF OFFICE OF ENGINEERING

Last previous position was special consultant to Bechtel engineering companies analyzing economic and engineering feasibility of major projects. Born in South Dakota and graduate of South Dakota School of Mines and Technology, B.S. 1933, C.E. 1939. Graduate studies, University of Tennessee, 1941. He has extensive engineering experience in foreign countries. While with Bechtel engineering companies for nearly 20 years, he supervised projects in Venezuela, the Philippines, Iraq, Syria, Lebanon, England, and Canada. As vice president of Bechtel International Corp. in San Francisco, he headed public works projects in Saudi Arabia and oil terminal installations in Kuwait. Prior to his association with Bechtel, Mr. Roberts had Government engineering experience with the Tennessee Valley Authority, and as project engineer in building dams, highway bridges, and land utilization projects.

AUTHORITY OF COMMITTEE TO DISCONTINUE SPECIFIC PROJECTS

Mr. PASSMAN. Thank you, Mr. Hamilton. As this is your first appearance before this committee, it may be well for us to acknowledge an understanding that both the legislative and the executive branches have roles to play in this foreign aid program. Would that be your understanding of it?

Mr. HAMILTON. Certainly.

Mr. PASSMAN. We feel that many times the committee can be helpful in conducting investigations, obtaining information from the AID people in the field, from interested citizens overseas, as well as from members of the free enterprise system who may have investments, and an occasional careful meeting with certain nationals who are inclined to be friendly and will talk without too much urging.

Mr. Director, I am wondering if you feel that when these committees go out and can actually establish that projects planned or under

construction are not feasible, and that the benefit-cost ratio is unfavorable, we would be out of order in recommending that they be discontinued?

Mr. HAMILTON. Since you and your colleagues have the authority and responsibility for the appropriation of funds——

Mr. PASSMAN. That is right, but you do know we go out on inspection trips occasionally.

Mr. HAMILTON. Yes.

Mr. PASSMAN. Where we can actually establish projects as being unsound, or not feasible, or that the benefit-cost ratio is unfavorable, would it not be our responsibility to the administration and, for that matter, to the country to recommend that such projects be discontinued, and first to give the agency an opportunity to do so and, if it fails to do so, then take specific action accordingly? Do you think that would be within the jurisdiction of the committee?

Mr. HAMILTON. I would suppose that you gentlemen would have full authority to determine the overall scope of it.

Mr. PASSMAN. I am glad you feel that way, because we have had witnesses before the committee who have indicated it would be interference if we did not give you carte blanche authority to do whatever you want to do. We are being confronted with that kind of situation more and more every year.

Mr. HAMILTON. Mr. Chairman, I would hope that at least under my administration of the AID program and that of my colleagues that what we do, once it is done, is a goldfish bowl operation and that you gentlemen should know all about it, and express whatever views you may think appropriate.

Mr. PASSMAN. And to take action to discontinue projects if it is a foregone conclusion they should not have been started, even if we have to do it by specific legislation?

Mr. HAMILTON. I would think as to that, one would have to consider the particular case.

Mr. PASSMAN. I agree there. But there is an inclination among many people downtown that the Congress should abdicate to the Executive. They say, in effect, "Make it more liberal, more flexible, cut us loose, let us run the race."

Mr. HAMILTON. I do not want the kind of irresponsible authority you suggest.

Mr. PASSMAN. It has been suggested, even in written statements: "Don't make it too rigid, we want more flexibility." We find it more difficult each year to consider the request based upon the merits. They want us to buy it absolutely on faith.

TREASURY WITHDRAWALS

I have a Treasury statement here which shows that the total withdrawals from the U.S. Treasury to run the Government from July 1 last year to June 4 this year were $99,308 million, as compared to $90,181 million for the comparable period last year. We have withdrawn approximately $9 billion more to operate the Government this year than we did in the same period last year.

Of course, many people with good intentions usually say it is the military that has increased it. However, if we go to the very first

item, we find that military withdrawals, including the military assistance program, have been $44,852 million, as compared to $41,123 million last year, which represents an increase of about $3.7 billion. So, it is not just the military, but it is all across the lot that the expenditures are increasing.

As to the revenues, if we state the intake of the Treasury during the first 11 months and 4 days of this fiscal year, it has been $89,983 million. So we are overdrawn at this point in excess of $10 billion.

These are matters which cause us considerable concern.

U.S. GOLD RESERVES

Mr. ANDREWS. Do you have a late report on the gold stock in Fort Knox?

Mr. PASSMAN. Yes. I shall put it in the record. I think these statistics will stand the acid test.

I think sometimes we had better take a 5-year period or a longer period because it establishes a definite trend, so I shall point out that in 1952 our gold reserves stood at $23,252 million. As of December 31, 1961, our gold holdings amounted to $16,947 million. This represented a loss during that period of $6,305 million in our gold reserves.

The so-called free nations of the world increased their gold reserves from $13,028 million to $23,683 million over the same period of time. Not only did they have sufficient dollars to buy $6,305 million worth of our gold, but they had sufficient hard currencies to buy gold elsewhere in the amount of $3 billion, which brought their gold gains up by $10,655 million. Therefore, they found themselves from $13,028 million up to $23,683 million in gold holdings, while our reserves went from $23,252 million down to $16,947 million. It is even lower than that now.

During this same period of time the number of dollars held by foreign free world countries increased from $10,546,100,000 to $22,558 million.

I remember that some 10 years ago, when we were discussing this matter, we were thinking in terms, using round figures, that our gold reserves stood at about $23,252 million and approximately $11.5 or $12 billion of this was required to support our own monetary system. So, then there was sufficient gold to meet our obligations of redeeming the foreign-held dollars, if necessary, and we had about $4 billion in gold which was free of any other obligation.

However, this situation has deteriorated to the extent that if we subtract the $12 billion today from the $16.9 billion, then we find we only have about $5 billion in gold with which to meet foreign dollar holdings of approximately $22.5 billion, if those demands should be made. And they are being made in entirely too many instances.

We were talking yesterday about the aid given by other nations, Mr. Hamilton. But, as was pointed out then, the record will show that from time immemorial nations have been making loans to each other, or they have had barter agreements.

So, to completely confuse the American people, what other nations are doing in the way of hard loans are being mixed in with the give-away program in America, to make it look as if other nations are

participating to a larger extent than they are. We are familiar with a good many German loans and Canadian loans, and usually they are short-term with a high rate of interest.

POSITION OF THE U.S. DOLLAR

On a recent trip I picked up in London a copy of the Daily Express of May 25, 1962. It says:

> Has the U.S. dollar abdicated? Big opportunity for Britain's pound.

It goes on:

> How mighty is the dollar? Last week Mr. Douglas Dillon, Secretary of the Treasury, and his right-hand man, Robert Roosa, made surprisingly revealing statements at a bankers meeting in Rome. They indicated in effect America's surrender from the gold standard and an end to the dollar's dominating position in world finance.

The further I read the more disappointing it became:

> Gold losses: America's concern over her gold reserve is easy to understand. It has been whittled away from a peak of $25,603 million worth and is now standing at $16,435 million. But only a quarter of that is true reserve for the rest is already committed as gold backing of dollar notes and the U.S. stake in the International Monetary Fund. America's reluctance to settle her debts in gold and her apprehension about lending dollars abroad amounts to an abdication from the previous position of the mighty dollar being way out in front of all other currencies in the world. Challenge? The throne is vacant, creating a golden opportunity to financiers and merchants of the city of London. They can move in and take over where America left off. By accepting the challenge they can restore London to its old prewar supremacy and importance in world finance, especially as our pound is already being used for one-third of total world trade.

OUTSTANDING OBLIGATIONS

We know you cannot meet $22 billion worth of dollar obligations with $4 billion of gold. Just any time these people decide it is to their interest to take over the monetary system of America, they can move in. They are so sure they can do that now that they now boast about it.

Those countries are making some good, hard-boiled loans, for short terms, at profitable interest rates. We are involved in a giveaway program, although many people in high places downtown have led the American people to believe that much of our aid is in the form of loans. However, even Secretary Dillon, before our committee, said: "No, we do not refer to them as loans; they are development credits." We get a little back, just to scratch the surface. Nevertheless, people in high places downtown know these things are not loans; they know that a high percentage of them are not going to be paid back.

The quicker we can approach these matters realistically, either prove that you are right or we are right, and get back to a sensible operation, the better it will be. We will at least lessen what the impact is going to be when it hits, and it appears to be just about on the verge of hitting.

You have a very fine statement. However, as I mentioned yesterday to our distinguished Secretary of State, those of us who have to count a dollar occasionally in order to meet a payroll might be inclined naturally to give more attention to matters such as these than some others perhaps might be.

We have statutory obligations already on the books that call for a payout of $746 billion. We have no reserves set up with which to meet the $746 billion of statutory obligations, but they are just as much obligations as the $300 billion borrowed money that constitutes the current public debt, so that total is $1,046 billion.

If you take the Nation's population and break it up four to a family, then that means every family in America is mortgaged to the tune of $20,185.

These are some of the reasons why we asked the question in the beginning whether you felt that if the committee should do a creditable job, working with your people in the field, find projects that should not have been started perhaps, that are unsound, that if we should recommend they be discontinued, you would have a good close look at them on that basis.

Mr. HAMILTON. I would certainly have a good close look at that recommendation or any other, Mr. Chairman.

Mr. PASSMAN. I am sure we are in accord, Mr. Director, that no program, regardless of its nature, can be any better than the personnel who administer it.

Mr. HAMILTON. That is so.

HIRING OF FORMER ICA OFFICIAL

Mr. PASSMAN. I try to be a realist. I think only by being a realist and facing these things head on can we do a good job and help you do a good job.

Along the way we have had good Americans in the AID program who were given maybe more authority than they were actually capable of discharging with credit to our country. In some cases, it even got so far that if another employee disagreed, regardless of how meritorious his position, if he did not get fired, he would immediately be transferred to a less desirable post.

I succeeded in checking some of it, even held a man up at Hawaii, thanks to Mr. Dillon, because he realized what one particular man had done. It was so unreasonable that it was necessary to have this fine American down before the committee and find out why he would do some of these things. We tried to be as reasonable as we could, but the case speaks for itself. The man had assumed this attitude: "I am the whole show; if you disagree with me, you will immediately get a transfer to a place you do not want, regardless of your seniority."

I think the blame is in the people over him and not the individual himself. All of us are inclined to go far afield if we are left alone to go unchecked.

It was my understanding that this good American, Dr. Fitzgerald, had been separated from ICA. Did I understand that correctly?

Mr. HAMILTON. No, Mr. Chairman. What happened was that he was not brought over from ICA into AID in an administrative or authoritative capacity.

Before AID was set up and ICA was merged with the DLF and some of the functions of the Eximbank, the ICA was organized into 4 geographical areas and 11 technical areas. They had 840 people in them. Those 15 offices reported to Dr. Fitzgerald.

I had a talk with him, and we decided that he should not continue in AID in any administrative, operating, or policymaking post. I think his salary then was $19,000 a year or thereabouts.

I asked him to stay on. He had been in the Government service since he began with the Department of Agriculture. My impression of him was that he was a fine and dedicated man. He had unquestionably rendered loyal service to the Government over a long period of years and he had a profound knowledge of the background of the ICA and its various programs.

We were engaged in bringing in a team of new top executives, some of whom had an ICA background but many of whom had not.

I asked him to stay on as a consultant. I think his fee is $75 a day which is about equivalent to the salary he had been getting, so we would have his services available during the months of the reorganization in a purely advisory capacity—so we could get the benefit of his extensive knowledge of the program. I understand he may be considering a position elsewhere.

Mr. PASSMAN. I shall not press the point. Neither shall I discuss any conversation that I had with ICA personnel downtown. I appreciate your making some defense of the doctor, a defense that I could not have made, but I admire you for making it. The fact that you did not bring him over, and did not want to bring him over, and the fact that he is going elsewhere, those things are all I need to hear.

I have no desire to hurt the man other than, speaking for myself, I could not believe much that he would say about the program.

U.S. GROSS NATIONAL PRODUCT

Mr. Director, I am trying to understand some things so that when these questions are asked, and other questions come up from various individuals regarding the per capita income of nations and their gross national product, I can give some intelligent answers.

Taking the GNP as we read it in the statistics, this indicates a wide difference between other nations and our Nation, and certainly there is a wide difference, but not so much as the record would indicate.

We speak in terms of $500 billion gross national product in America, but in that gross national product total figure it is my understanding about $137 billion of it is in taxes, and we must continue to keep it high if we are to draw off the $137 billion to meet our commitments to our own people and those abroad.

Am I making a statement of fact about that?

Mr. HAMILTON. I cannot answer that. I should be delighted to check into it.

(The information supplied follows:)

In 1961, with a GNP of some $520 billion, government receipts (Federal, State and local) about $150 billion. This included $22 billion of social insurance payments and an unspecified total of other nontax receipts. Expenditures of all levels of government for goods and services were only $108.7 billion. This is the element of government operations which shows up in national income calculations. The balance of total government receipts goes to such uses as transfer payments to individuals and for public debt service, and is reflected in the national accounts as part of private consumption and investment.

Mr. PASSMAN. I am sure that you would like to have that answer.

Mr. HAMILTON. That is right, sir.

Mr. PASSMAN. If this shirt cost me $8.95 in America, it moves into the GNP at $8.95. Is that right?

Mr. HAMILTON. Yes; I believe so.

Mr. PASSMAN. If I buy this same shirt in Japan for $2.30 it moves into their GNP at $2.30. Is that right?

Mr. HAMILTON. That is right.

Mr. PASSMAN. Even though you may transfer the yen into dollars to get its value, before you could ever actually compare it you would have to get the unit production and apply America's price tag to be able to actually compare it. Is that a true statement?

Mr. HAMILTON. I would think so.

Mr. PASSMAN. You are very fair about that. I wish people could understand that. In some places you could take $300 a year and live well.

Mr. HAMILTON. The figures on gross national product and per capita gross national product in underdeveloped countries are in some cases inadequate. They are data of the roughest kind.

Mr. PASSMAN. It depends on what you can buy with the money.

Mr. GARY. Conjectural.

Mr. HAMILTON. Highly conjectural.

Mr. PASSMAN. It depends on what you can buy for that dollar.

Mr. HAMILTON. That is right.

Mr. PASSMAN. You have to get the unit production and apply the American price tag to get a true comparison. If you were to take our $500 billion gross national product of today and apply the 1939 price label you would have a gross national product of about $239 billion.

Mr. HAMILTON. Is that what it works out to be?

Mr. PASSMAN. The dollar is worth about 46 cents as compared with the 1939 figure. About the only way we can decide how fast we are traveling is to consider the unit production, and not the dollar price tag, because that can throw us off considerably.

AID PROGRAM IN LATIN AMERICA

Mr. Director, we are all interested in Latin America. I feel that Louisiana is a close and friendly neighbor of Latin America.

Mr. HAMILTON. So I understand.

Mr. PASSMAN. We understand their problems and we respect the people. There are some very intelligent people in Latin America, in banking circles, in business, and in government. Would you concur with that as a statement of fact?

Mr. HAMILTON. I have met some highly intelligent Latin Americans, yes, Mr. Chairman.

Mr. PASSMAN. In the beginning, for the Bogotá Conference, the Congress gave Mr. Dillon legislation which showed we were willing to assist the Latin Americans in every way possible. I think the bill passed without a rollcall vote in the amount of $500 million, as the amount to start the program.

Mr. HAMILTON. Is this the appropriation or the authorization?

Mr. PASSMAN. The authorization passed without a rollcall vote.

REFORMS IN LATIN AMERICA

Time after time, during the debate, it was declared: "If you give us the authorization, we will not ask for any money until such time as these reforms have been made effective."

However, for obvious reasons, the request came down for $500 million before they had any reforms. Because of the general situation then prevailing in Latin America, we appropriated the money requested even though it could not be justified in accordance with the authorization.

In so doing, however, we convinced the Latin Americans that they did not have to do the things that were agreed upon in order to get our money, because we started making commitments, entering into obligations, and even started disbursing money.

Now we are up with the long-range program regarding what they are going to do.

It would seem perfectly obvious to some of us, and we agree they are intelligent people, that if they can get the money without having to tax themselves, or go through with any other reforms, that is the program they will follow.

I am just wondering, as this record will be very clear regarding the authorization you received last year, if, when you make these obligations, whether they are good or bad, wise or unwise, you expect Congress to appropriate the money to carry them out.

I am just wondering what position we will be placed in with the Alliance for Progress program with that record of giving money without the reforms, even after telling them we would not do so. I wonder if they might not expect us to disburse funds from this year's bill in the same manner as has been done.

Mr. HAMILTON. My understanding of the nature of the Alliance for Progress is that the United States and the Latin American countries jointly stated in the charter that, conditioned upon those countries taking certain measures which they declared were necessary for them to take, the United States would endeavor to make available to them—in the form of loans, credits or grants—about one-tenth of the amount of money that the Alliance for Progress contemplated would be invested in Latin America over a 10-year period. The United States would, subject to the Latin American countries undertaking the required measures, help them get an additional tenth from other public sources; and that the countries themselves would be responsible for furnishing the remaining 80 percent of the funds; that is to say, either by increasing their taxes, increasing their tax collections, selling their securities, inducing savings and investment by their own people, and attracting investment from abroad, they would get the other 80 percent. We are talking about $100 billion over 10 years—80 percent of that would be $80 billion which would be invested by the Latin Americans themselves.

As to the question of whether or not we are now insisting that we see evidence of action and good faith on the part of the country with whom we are dealing before we disburse funds—I think when Mr. Moscoso, who is more familiar with the Alliance, appears before you, he will be able to present the facts to you to show you that is the case.

Mr. PASSMAN. Mr. Director, we have a record now of giving them the money without the reforms. You are familiar with the Bogotá Conference agreements are you not?

Mr. HAMILTON. You mean back in 1960?

Mr. PASSMAN. That is only a year and a half to 2 years ago.

Mr. HAMILTON. I can speak only to what has happened since November 4.

Mr. PASSMAN. We did pass an authorization bill for $500 million.

Mr. HAMILTON. That is right.

Mr. PASSMAN. That was done with the understanding they would not ask for any money to implement the bill until certain reforms had been made effective. However, the following January, we were hardly back in session before the request got down. They did not wait for the regular bill, but we had to get out a special bill giving them the money, before they had brought about these reforms. They started obligating the money and disbursing the funds.

I am wondering if we are going to pursue the same course in the future.

Mr. HAMILTON. We have not pursued it since November 4 of last year.

Mr. PASSMAN. You have not received authorization for the long-range plan yet.

Mr. HAMILTON. No, but we have made loan arrangements with several countries since November 4, and I think when Mr. Moscoso goes into those in detail with you gentlemen, you will find that the general pattern has been one in which we would say—

We will work with you on an arrangement of X magnitude over a period of years; that the money will be made available to you in installments conditioned upon your performing the various measures that we have talked about and which are spelled out in the agreement between us before the money becomes available.

Mr. GARY. Would you yield there?

Mr. PASSMAN. I shall be glad to yield.

Mr. GARY. I have an article here printed in the Richmond Times Dispatch on June 6 by Mr. William L. Ryan, who apparently has been studying this situation. I was very much interested in these two paragraphs:

In most countries—

Talking about Latin America—

there has been no lack of publicity about U.S. plans to help Latin America. There has been a dearth of publicity concerning what the Latin American Governments themselves plan to do as their own contribution to the effort.

As a result the program in the public mind is stamped with the image of the United States. If their irritations would delay and cause lack of tangible results, United States tends to get the blame. The Communists and extreme leftists watch from the sidelines ready to shout jubilantly "I told you so."

Mr. HAMILTON. That is right. What the Communists try to do is to put us in a dilemma. They try to say that if we insist on the reforms, we are interfering in the affairs of the country, and they use that to try to discredit the United States.

If we insist on the countries performing these measures, such as land laws, tax laws, which take time, then they say we are holding out the promise to the ear and breaking it to the heart—that we are not performing.

ATTITUDE OF COMMUNISTS TOWARD ALLIANCE FOR PROGRESS

I have been told—and I am no expert on Latin America since the only country I know is Venezuela—that the Communists are making an attack upon the Alliance as their No. 1 target because they feel it is the No. 1 threat to them, so they are trying to get us into a difficult position.

There is no doubt that officials of various Latin American countries have been irritated by our position and some have complained to me personnally because we are insisting on these criteria.

RESPONSIBILITY OF LATIN AMERICANS IN ALLIANCE FOR PROGRESS

Mr. GARY. This article says that the people are impatient. It seems as though they are expecting us to finance them without any help from their own people at all. They have a lot of rich people down there, and I personally am not in favor of financing them unless the rich people or those in South America who can afford to do so shoulder their share of the burden.

I am not willing to burden U.S. taxpayers unless their own citizens will bear their proportionate share.

Mr. HAMILTON. That is our understanding of the instructions you gentlemen are giving us. It is in trying to live up to them that we get criticized because of delays.

Mr. PASSMAN. Let me say, Mr. Director, that we all have the same objectives. But saying it and doing it are two different things. That was said in 1960, over and over again, getting the authorization in that way. But the ink had hardly dried on the authorizing act before they were up to get the money, and they got the money. They started obligating and started disbursing.

We pay up to 91 percent of Federal income tax in America in top brackets.

Mr. HAMILTON. I used to be aware of that.

Mr. PASSMAN. I am still aware of it, not that I get that high, but I represent some people who do.

Then, including State income taxes, we take as much as 94½ percent of the top-bracket individual's earnings.

Many Latins will tell you, and I want to leave this in the record because this is a business proposition, that they have no intention of paying any such rate of income tax as we do here in the United States.

FLIGHT OF CAPITAL FROM LATIN AMERICA

Let me quote here from the U.S. News & World Report on comments of an American official:

> Yes, it is about right that when the United States puts a billion dollars into Latin America, a billion leaks out at the other end into hideaway accounts into Switzerland and New York, but what can you do about it?

Mr. HAMILTON. I have tried my best to find out what the facts are about the so-called flight of capital.

Mr. PASSMAN. I know that.

Mr. HAMILTON. As regards the United States, the only information I have been able to get is information from the Federal Reserve Bank.

The Latin American balances here, as published in the Federal Reserve Register, were $970 million in 1958; in 1959 they were $1,051 million; in 1960 they were $1,104 million; and in 1961 they were $1,108 million. I have been advised that if there had been over that period of time—and I am no expert on this—a great flight of capital from Latin America of the kind one reads about, that such a flight would have been reflected to some extent in those figures; because part of it naturally would have been expected to come to the United States and would have resulted in larger balances than this indicates.

That is the only information I have available. I talked to the Chairman of the Federal Reserve bank and his economist about this and these are the only facts I have been able to get. I have no opinions on it, but they tell me if there had been this fantastic flight of capital it would have shown up in larger increase in the U.S. balances for Latin America.

Mr. PASSMAN. Maybe not necessarily so. They know what they are doing.

Mr. HAMILTON. I say, Mr. Chairman, these are the only facts I have been able to get.

Mr. PASSMAN. Would you care to have someone ascertain from the U.S. News & World Report what U.S. official made that statement, and then move a bit further:

> Representative Judd asked Assistant Secretary of State Goodwin about persistent reports about flight of the capital from Latin America. "Can you tell us how much truth there is to these reports," asked Judd? According to them, Latin American capital is being withdrawn and invested in Europe and other places while we are pouring hundreds of millions into Latin America to develop it. There have been estimates that $8 billion of Latin American capital has been withdrawn since 1959, admitted Goodwin.

(The information supplied follows:)

> A member of Mr. Hamilton's staff requested the information from the Washington office of U.S. News & World Report. He was told that the magazine would not disclose the source of the statement under any circumstances.

Mr. PASSMAN. We are told it is $11 billion. If we are going to start a program, and, according to the interpretation of the Latins, Mr. Dillon pledged $20 billion, it seems they might get angry and work both sides of the street.

Do you not think there should be an investigation as to whether or not those people actually have any faith in their own governments, whether they intend to implement our money with their money, or whether they intend to continue to take their profits and invest them in foreign lands, and so forth?

I want some information which will permit me to say more than, "I am supporting it because the President wants it." I want to be able to support the program because of merit.

Mr. HAMILTON. I saw the $11 billion figure you mentioned in a national magazine. I called the magazine because I am very much concerned, as I am sure you are, to see that we do not just put money in one end of the pipe and have it run out through the other end, particularly if it is in someone else's pocket.

I asked the official where he got the $11 billion figure. He checked with the researchers and said he had the impression it came from the Federal Reserve bank.

I then called the Federal Reserve bank and was referred to one of their people by Chairman Martin. I asked him about this.

He said that the Federal Reserve bank had published the figures on Latin American balances that I gave you gentlemen earlier, which has been on the order of an average balance of about $1 billion for the past 4 years. He also told me that a national bank, which is owned and run by the Mexican Government, puts out a trade letter, or a bulletin, which gave an estimate of $10 billion, which was based upon a quotation alleged to have been made by the president of a Swiss bankers association.

The people at the Federal Reserve Bank said it was inconceivable to them that any Swiss banker, in view of their notorious desire for secrecy, would make any such statement, or, indeed, any one man would have the information necessary to make that statement because the Swiss keep such information very secret.

We checked through our people in Switzerland and they confirmed it would be very, very unlikely that any one man would have the necessary information. That is all I can add to that.

Mr. PASSMAN. Is Mr. Goodwin still an Assistant Secretary of State?

Mr. HAMILTON. I believe he is a Deputy Assistant Secretary of State for American Republic Affairs.

Mr. PASSMAN. He should know as much about this as any other individual, should he not?

Mr. HAMILTON. I don't know.

Mr. ROONEY. Not necessarily.

Mr. HAMILTON. He is a very bright and able man.

Mr. ROONEY. He is that.

Mr. PASSMAN. Mr. Rooney says not necessarily.

Mr. HAMILTON. I cannot even qualify myself, so I cannot qualify Mr. Goodwin.

Mr. PASSMAN. We will take Mr. Goodwin's figure of $8 billion.

Mr. ROONEY. I am abiding by the Director's figures.

Mr. PASSMAN. The Director has already said he did not know anything about it. You take his figures, and I will take Secretary Goodwin's.

Mr. HAMILTON. I tried to tell you what I did know about it.

Mr. PASSMAN. You are fair about it.

It follows, nevertheless, if this is true we have a problem on our hands.

Mr. HAMILTON. If it is true.

Mr. PASSMAN. I am not ready to discount it, and neither am I ready to confirm it. It does not mean, though, that I will vote to throw the overburdened American taxpayers into a bottomless pit.

ACCUMULATION AND USE OF DOLLAR CREDITS BY LATIN AMERICANS

We discussed earlier the flight of gold and we discussed our national debt. We do have friendly relations with many people all over the world, including 19 of the Latin American countries.

Mr. HAMILTON. I think with the Dominican Republic there may be as many as 21 in the not too distant future.

Mr. PASSMAN. It is my understanding that even the newly formed nations deal in commerce across the world. They are all privileged to deal in world trade, are they not?

Mr. HAMILTON. Yes, so far as I know.

Mr. PASSMAN. And they earn dollar credits, either large amounts or small amounts, depending upon their exports and the size of the country. They earn dollar credits from their exports, do they not?

Mr. HAMILTON. I suppose some do. I can get the figures.

Mr. PASSMAN. It would naturally follow that in Latin America they do earn dollars from their exports?

Mr. HAMILTON. I think so.

Mr. PASSMAN. We do not actually have any control over what disposition they make of their own dollars; that is, the dollars they earn from their exports is their own business. We do not control their

budgets, their treasuries, and tell them what they can do with dollars they earn from their own exports?

Mr. HAMILTON. No, I think some of them have an unfavorable balance of trade with us, which means that most of the dollars come up here to buy things.

Mr. PASSMAN. We had a trade deficit with Latin America for 2 or 3 years running. We did not have a plus but a minus position, export versus import. Is that not so?

Mr. HAMILTON. You mean we bought more from them than they bought from us?

Mr. PASSMAN. That is right.

Mr. HAMILTON. I think probably because of Venezuelan oil that may be the case.

Mr. PASSMAN. We, too, export oil, do we not?

Mr. HAMILTON. Yes, but except for Venezuela most of the other countries have a trade deficit.

Mr. PASSMAN. I speak of the average. The people nevertheless have control of the dollars they earn?

Mr. HAMILTON. That is right.

Mr. PASSMAN. We have no control over their dollars.

Mr. HAMILTON. We do not exercise control over their foreign trade.

Mr. PASSMAN. And naturally the dollars they earn under normal conditions move into world trade and they take those dollars and buy something from us, do they not?

Mr. HAMILTON. I think it is difficult to generalize. Generally speaking most of those dollars would come back to the United States except in the case of Venezuela, perhaps, where there are large oil exports.

Mr. PASSMAN. The dollars they earn from their own exports, when they enter into commerce and trade, many of those dollars purchase goods or services from the United States, do they not?

Mr. HAMILTON. Yes.

In other words, Brazil sells coffee to us and uses dollars to buy tractors.

Mr. PASSMAN. You will make my point for me and I am grateful for it.

Now, we credit to the account of these nations which earn dollars from their exports X number of dollars, then they requisition the needs of their own country for either goods or services against the dollars we credit to them?

Mr. HAMILTON. It would depend upon whether or not the dollars we lent to them bought additional goods from the United States over and above the goods that they would have otherwise purchased.

Mr. PASSMAN. You would have an awful time ever establishing that point, but you have a good try at it.

We do not control their dollars; therefore, we do not know how many they earn. However, we do credit these countries with X number of dollars in this aid program, and against those dollars they requisition what we manufacture, whether it be tractors, or whether it be services.

Mr. HAMILTON. But don't we know how many dollars they earn—in the sense that we know the value of their sales to the United States in dollars? Wouldn't that show up on the import list?

Mr. PASSMAN. We have a foreign aid program in some 97 countries.

Mr. HAMILTON. I am told it is about 80.

Mr. PASSMAN. I say 97. If you can cut out the others do so, because I am talking about the overall aid program.

Mr. HAMILTON. I thought it was about 80 presently receiving assistance.

Mr. PASSMAN. Even 80, you understand——

Mr. HAMILTON. That is a lot of countries.

Mr. PASSMAN. If you credit to the account of these 80 nations, or 97 nations, whichever the case may be, X number of dollars to requisition their needs, whether it be tractors or Bourbon whiskey or cigarettes or services——

Mr. HAMILTON. I don't believe we give them money for whisky.

Mr. PASSMAN. We have done it. We have been in the rum business ourselves. We do not want to put them out of business.

When you credit these nations with the dollars, and we do, that releases the dollars they earn from their exports to do with whatever they please.

I believe the Secretary of State yesterday admitted that is true. I think the record will show the Secretary of State did agree that we have no control.

Therefore, with the dollars they earn they do whatever they want, whether it is to buy gold from us or whether it is for some other purpose.

PURCHASE OF U.S. GOLD BY LATIN AMERICANS

If the other countries had not used the dollars they received from their exports to do with as they please, they could never have increased their gold reserves from $13 billion to $22 billion since 1952, and at the same time build up their dollar assets from $10 billion to $22 billion.

The U.S. Treasurer's statement makes it clear that many of the Latin American countries have taken their dollars and bought our gold. Argentina, in 1960, against strong resistance from downtown, still said, in effect, "These are our dollars and we want $60 million worth of gold." We were paying them substantial interest on the $60 million but they did not need it for commerce, so they demanded gold.

Mr. HAMILTON. My recollection is, and I am speaking about the past, that we did not at that time have an aid program with them which was comparable in size to the present one.

Mr. PASSMAN. Certainly not. We were paying them a rate of interest on the $60 million which they said was not acceptable. We tried to keep them from buying the gold but they said, "We want gold."

Last year, in the second and third quarters, they said the same thing and said they wanted $90 million worth of gold for their dollars, and not $60 million, which brought the total up to $150 million.

I am wondering in what type of position we are being placed. It was the first quarter, and not the second and third.

Mr. HAMILTON. That is what I thought. You refer to the $90 million.

Mr. PASSMAN. That is right, bringing it up to $150 million.

Mr. HAMILTON. Was that in the first quarter of 1961?

Mr. PASSMAN. Yes; but they had to reinvest it. Here is the net withdrawal on this sheet. This gives you all the proof you want that we have no control of the situation. They will take what we give

them and when they get ready to dispose of their dollars, whether it is buying our gold or not, then they will buy it.

These are some of the things which need to be discussed downtown. These are some of the things which also need to be discussed here.

The question with relation to this program is whether you can justify what the President wants, and not merely a question of the President wanting it. That is what we are trying to ascertain, whether or not——

Mr. HAMILTON. At least since I have had responsibility for these funds I do not think there has been any of these large gold withdrawals of the kind you talk about. I think the problem to which you are addressing yourself is a very serious one.

Mr. PASSMAN. The gold is still disappearing. The gold is down a half billion dollars since December 31. It is more frightening today than it was yesterday.

I think the net drain has been a half billion dollars since December 31. The foreign-held dollar credits still are mounting.

Those are the things we should reconcile. Those are the things which worry us.

LEVEL OF FOREIGN ASSISTANCE PROGRAM

We were told time and time again, just a few years ago, that the foreign aid program was going down. This committee cooperated with the people downtown, and we worked this appropriation down to about $2.8 billion. We were hoping to round it out at an annual amount of $2½ billion, and we were given much encouragement.

Mr. HAMILTON. When was this, Mr. Chairman?

Mr. PASSMAN. Two or three years ago. Your supporting witnesses have the record. We got it down to $2.8 billion. We were working for $2½ billion.

Then we began to make too good a case about the wastage of money, about unwise projects, about projects being canceled, about a program through which they would take deobligated funds, perhaps $2,000, and start 400 projects from it, come before the committee, call them continuing projects, and we would appropriate more money.

When we began to put some sense into this program, as I told the distinguished Secretary of State, yesterday, the people downtown started figuring out some way to get it to where we could not actually make the reductions; that is, get it on long-range commitment; get the commitment, start the project, and whether or not it was worthy, then they would say the prestige of the country would be damaged if we did not go through with it.

At that point, the program started upward again. So far as I am concerned it is frightening. They say the other nations are doing thus and so, taking the load off of our shoulders. Yet the request for funds is up.

PROPOSED FISCAL YEAR 1963 ECONOMIC ASSISTANCE FUNDS

For fiscal 1963 the estimate under "Economic assistance" is $3,378,500,000.

The 1962 appropriation was only $2,914,600,000, so you have an increase of $463,900,000 for 1963.

Mr. HAMILTON. What was that figure?

Mr. PASSMAN. You are requesting $3,378.5 billion.

Mr. HAMILTON. That is right.

Mr. PASSMAN. As compared to an appropriation last year for the same program of $2,914,600,000. That includes the Alliance for Progress. Is that correct?

Mr. HAMILTON. $2,914,600,000; that is correct.

Mr. PASSMAN. The sum requested for 1963 is an increase of $463,900,000.

Mr. HAMILTON. That is correct.

Mr. PASSMAN. Even though we have pushed from $2.8 billion up to close to $4 billion, $2.8 billion being for the overall program and not just this one section——

Mr. HAMILTON. Was this back in the period you spoke of earlier?

Mr. PASSMAN. The $2.8 billion, we thought, was getting it down to a reasonable point. We were working toward $2½ billion, and then we lost control. Rather than going down, it started going up. We reached $4 billion last year. We thought we could hold that for a year or two, but here we are now with an increase requested of $463,900,000 just for your part of it.

Mr. HAMILTON. Sir?

Mr. PASSMAN. $463,900,000 just for your part of the overall foreign aid program.

Mr. HAMILTON. Is that figure $3,378.5 billion?

Mr. PASSMAN. I refer only to the increase.

Mr. HAMILTON. I see, yes; that is correct.

Mr. PASSMAN. So it is going up again?

Mr. HAMILTON. That is right.

ALLIANCE FOR PROGRESS FUNDS

Mr. PASSMAN. The 1962 program includes $600 million for the Alliance for Progress, appropriated in fiscal 1961. Is that correct?

Mr. HAMILTON. That is correct, sir. That breaks down into the $100 million Chilean Relief Fund and $500 million to the Inter-American Program for Social Progress, of which $100 million was administered by AID and about $400 million by the Inter-American Development Bank.

BREAKDOWN OF 1963 REQUEST BY PROGRAM

Mr. PASSMAN. That is right. We shall insert table 2 of the green book at this point in the record.

(Table 2 follows:)

AGENCY FOR INTERNATIONAL DEVELOPMENT

Proposed fiscal year 1963 appropriations compared with fiscal year 1962

[In millions of dollars]

	Fiscal year 1962	Fiscal year 1963
Development lending	1,112.5	1,250.0
Development grants	296.6	335.0
Contributions to international organizations and programs	153.5	148.9
Supporting assistance	425.0	481.5
Contingency fund	275.0	400.0
Alliance for Progress	[1] 600.0	600.0
Investment guarantee program		100.0
Surveys of investment opportunities	1.5	5.0
Administrative expenses (AID)	47.5	55.0
Administrative expenses (State)	3.0	3.1
Total	[1] 2,914.6	3,378.5

[1] Includes supplemental fiscal year 1961 appropriation for Alliance for Progress pursuant to Public Law 87-41, dated May 27, 1961, effectively available in fiscal year 1962 and subsequently.

Mr. PASSMAN. Of the $600 million we will first consider the $100 million for Chile. Have you disbursed those funds yet?

Mr. HAMILTON. I can provide the answer, Mr. Chairman. I would suggest when Mr. Moscoso appears he will be much more knowledgeable.

Mr. PASSMAN. Mr. Director, if it is your wish, as you are new in the program, that these questions dealing with the program be asked of later supporting witnesses, we shall accommodate you.

Mr. HAMILTON. I would appreciate that, Mr. Chairman. I could provide the information but I believe it would be more productive if we waited.

Mr. PASSMAN. It would be better to let you first get the knowledge of the program you are seeking to acquire and let the others answer the questions so we can get the proper detail? We have at least 300 questions dealing with it.

Mr. HAMILTON. I would think that would be a good procedure; yes, sir.

Mr. PASSMAN. I want to be abundantly fair about this. You are new in the program, and even though these are policy questions, they are nevertheless dealing with important matters, and one just does not acquire the knowledge overnight of a program which is this complicated. It is impossible.

Mr. HAMILTON. Mr. Chairman, I am perfectly prepared to respond to any policy question.

Mr. PASSMAN. Then I shall proceed as I started.

Mr. HAMILTON. Shall we stay on the record and go ahead?

Mr. PASSMAN. Surely.

EFFECT OF FOREIGN AID ON PUBLIC DEBT

This committee and the Congress have the responsibility, not only of appropriating money, but also the responsibility of passing legislation to raise the money to take care of our commitments. We would figure that discussing our public debt and the flow of gold out of the country and its relationship to our economy and the prestige of the dollar worldwide—that would be a policy matter, would it not?

Mr. HAMILTON. Unquestionably.

Mr. PASSMAN. Then, to what extent can we permit this program to continue building up our public debt, reducing our gold supply, before we recognize it for the burden it is and call a halt? Has any limit been set downtown? It might be a guideline for some of us here as to just what policy has been established, so far as to how much we are going to continue and let our gold flow out of the country and to what extent we are going to permit these countries to build up their dollar holdings for which they can demand gold when we have no gold to pay it. Is that type of discussion current downtown?

Mr. HAMILTON. Yes, I think it is a matter of serious concern to all responsible people.

As to what the overall policy is, I really think that is a matter that falls more especially in the jurisdiction of the Secretary of the Treasury.

RETURN OF AID DOLLARS TO UNITED STATES IN PROCUREMENT

What we are endeavoring to do is to take steps as promptly as we can to see to it that to the maximum extent practicable the funds that are made available to us for administration under the foreign

aid programs are limited to U.S. procurement, and to take such other measures as we can to try to see to it that we minimize the risk that they can contribute to the production of a dollar drain.

For example, if you take the total program at the present time as it is being obligated—now we cannot control all expenditures because we carry out some things that have been obligated earlier—but if the military assistance program and Public Law 480 are included, approximately 85 percent of the funds that are currently being obligated are being obligated for expenditure in the United States in dollars. If Public Law 480 and the MAP are excluded, it is running in the order of 73 percent. Of the balance, 23 percent of the total is being obligated in the underdeveloped areas, many of whom have unfavorable balances of trade with us. It is one of the purposes of the program to try to help develop these underdeveloped countries. Of the remaining 4 percent, 2 percent is spent in countries like England and Japan which have unfavorable balances of trade with us, so presumably those dollars come back to the United States. This leaves 2 percent which is spent in countries of the kind you mentioned, Mr. Chairman, like Germany, which has a favorable balance of trade and a favorable gold position. This 2 percent is spent for things like parts for existing equipment and in situations where you look at the issue and decide on balance that it is more prudent to spend these funds to keep a machine going or a plant going than to try to work out a substitute source in the United States.

Mr. PASSMAN. By your analysis, then, the dollars we appropriate for this program are spent for things produced in America?

Mr. HAMILTON. To the extent that I have indicated for current obligations.

EFFORTS TO CONDITION TERMS OF AID

We are also trying to work out an arrangment with one country—it is a very difficult arrangement to police effectively for reasons which will be obvious to you gentlemen—where our aid will not supplant purchases they would nave otherwise made from the United States. In other words, if they were buying $50 million of goods a year and our aid amounts to $30 million, their imports from the United States will go up by $30 million of aid. Our assistance would be conditioned on this arrangement.

I will be able to report to you next year on how far you can police an arrangement like that, because our money is fungible.

Mr. PASSMAN. Is it not uncertain that you can have any degree of reliance on that kind of a deal?

Mr. HAMILTON. Because we haven't had the experience.

Mr. PASSMAN. That is what you would call direct interference with Government business and the operation of the Government, is it not?

Mr. HAMILTON. Well, yes, but we must move in that direction, it seems to me, if we are going to administer this program as we understand it. We are facing up to the problem of saying to a government—and this is what we mean by planning—"You fellows are selling $100 million worth of goods to the United States. You are getting that $100 million and you are asking us to put in $50 million over a 5-year period. Well, there is no point in our putting in the $50 million if the $50 million is simply going to supplant the $100 million of purchases you would have made in the United States."

Mr. PASSMAN. Then, are you going to direct their treasuries, go into their governments, attempting to take over control of dollars they earn from their own exports? Is that a fair question?

Mr. HAMILTON. I may illustrate it by a point. I do not know whether this ought to be off the record, but one man said to me, "Are you trying to put strings on me?"

I said, "I do not think that is the way to describe it but if you want me to describe it as a case where you are trying to put the bite on me, yes I am trying to put strings on you."

Mr. ROONEY. Isn't it the fact that we are but we shouldn't say it?

Mr. PASSMAN. There are too many things we are doing and not doing that these people do not know about. They should learn we are not as gullible as they think we are. I suggest we put this all on the record.

Mr. HAMILTON. We will sit down with them and say, "You have been earning $100 million a year. You have a sensible plan. It looks as though it would be in our interest and yours to put in $50 million over a period of 5 years, but unless you are willing to plan the $100 million, we cannot plan the $50 million because money is fungible and to the extent that is a strain on you, we will have to recognize it."

Mr. GARY. Is not that an agreement under the Alliance for Progress?

Mr. HAMILTON. Yes.

Mr. PASSMAN. Let us hope it works out that way. So far it is not working out that way.

ADHERENCE TO BOGOTÁ AGREEMENT

Mr. ANDREWS. Mr. Hamilton, as I understood the agreement made at Bogotá, we are to help certain nations in South America if those nations help themselves and do principally two things: Get land and tax reform laws passed. These were the conditions precedent before we would put a dime down there; isn't that right?

Mr. HAMILTON. I was not here at that time——

Mr. ANDREWS. I would like to ask this question: Have we made loans or grants to countries who have not lived up to the agreements that they made at Bogotá?

Mr. HAMILTON. I do not know whether you will regard this as a fully satisfactory answer and if not I will supplement it, but what I understand about it is this: A very large refinancing of Brazil was worked out—it was before my time—in the spring of 1961, which involved rollover of credits, putting in additional funds, extension of private credits, and it involved a very large sum of money. As a part of that, an arrangement was made for the commitment of certain funds from the AID-type funds.

Mr. ANDREWS. Before Brazil lived up to its agreements made at Bogotá?

Mr. HAMILTON. I cannot answer. All I can say is since I have been down there we have tried in every case to see to it that we made a sound program that these countries could carry out.

(Off the record.)

When Mr. Moscoso comes before you he will go into the Chilean and Argentine loans and will spell out in detail what we have done. As to the Act of Bogotá, I do not know what the commitments were that were made.

Mr. ANDREWS. My thought is this, Mr. Director: If we are living up to the law that Congress passed, there shouldn't be any need for additional appropriations because there should not have been any grants or loans made down there unless those countries had lived up to the agreements at Bogotá.

Mr. PASSMAN. May we go off the record?

Mr. ANDREWS. Yes.

(Discussion off the record.)

Mr. PASSMAN. On the record.

AID AGREEMENTS CONTINGENT UPON REFORM MEASURES

Mr. ALEXANDER. Mr. Hamilton, one of the things that disturbs me about our AID program in Latin America is that we have made these agreements and that we are fulfilling our part upon the promise of these Latin American countries to do certain things in the field of land reform and tax reform and so forth. Instead of actually having the condition met, we are going forward with their assurances that they intend to do it, that they are on their way, that they are giving us assurances but they never come through with them.

Now the question that I have—and it seems to me that the time has come when we ought to think of what is good for America rather than what other countries think about us.

Mr. HAMILTON. I could not agree with you more.

Mr. ALEXANDER. It seems to me we ought to begin working out agreements more like the Federal-State grants in which Federal funds are appropriated for a purpose.

Mr. HAMILTON. Conditioned upon——

Mr. ALEXANDER. Conditioned upon matching funds by the States and meeting certain conditions as conditions precedents—and we have many programs of that kind in which the Federal Government and the States of the Union work, and it works very well and the people understand it.

Now would it be your feeling as Director of this program that we should not work toward that goal?

Mr. HAMILTON. I agree with you, sir. I can only speak of the period since I came in as to what the policies have been. The commitments that have been made since I have been the Administrator in the case of Latin America have been conditional commitments and they have been on an installment basis in which we would make a payment only when, as, and if certain things had been done; we would make another advance when they had been done.

The largest commitment underway is in northeast Brazil. There is a quasi-independent government organization up there. It is a very distressed part of the country. About a third of the people live up there, there are bad conditions and the Communists are working there.

We have agreed to put in $129 million over a period of years if they will put in $134 million.

Mr. ALEXANDER. I am delighted to hear what you say, but——

Mr. HAMILTON. The program is to be back to back. They are putting in a little more than we are.

Mr. ALEXANDER. I was here when the justification and the commitments our chairman is talking about were discussed. I just wanted proof that it is being carried out.

Mr. HAMILTON. That one is one that just falls in precisely the same.

Mr. PASSMAN. Let me say that as far as I am concerned, I would be frightened out of my hide if I thought our country should ever slip so far as to get on a worldwide matching basis, where there are 109, or more, nations against 1 nation—and you just said this 1 nation put in slightly more than we did—when we represent only 5 percent of the population of the world, and we already have a public debt that exceeds by $23 billion the combined public debts of the other nations of the world. We would be in a terrible mess if we ever got into one of these matching deals on a very much more extensive scale, because practically every place we have had it in the past they are permitted to substitute manpower and services against our dollars.

EXPENDITURE OF DOLLAR CREDITS IN THE UNITED STATES

You spoke about 80 percent or 73 percent—use whatever figure you want to—of the dollar credits buying something produced in America.

Mr. HAMILTON. 85 percent.

Mr. PASSMAN. Is it not true that you are taking the taxpayers' appropriated dollars and paying for these invoices, rather than taking the dollars these countries earned from their own exports to pick up these invoices?

Mr. HAMILTON. Well, the funds are being spent in the United States.

Mr. PASSMAN. If you are shipping 25 tractors to country X against the dollar credits, then, of course, this factory gets its check, if this is an aid program from the U.S. Treasury, do they not, to pay for those tractors? Whereas, under normal commerce, before we got into this proposition of substituting dollars for diplomacy and commonsense, the country would have taken its earned dollars from its exports, had it bought the tractors, and would have paid for the tractors, would it not?

Mr. HAMILTON. I do not see how one could tell, Mr. Chairman, because I do not know whether or not they would have the money.

Mr. PASSMAN. If they had the money and wanted the tractors—and they do have $22 billion in dollar credits, if you take it across the board, and if they need it, and wanted the tractors, and we were competitive, at least they would have paid for them out of their money earned from exports, other than having the U.S. Treasury pick up the check, would they not?

Mr. HAMILTON. It seems the question is impossible to answer unless one knows whether or not they had the dollars.

Mr. PASSMAN. Let us say they had the dollars and you credited this nation—some of the nations you are giving aid to do have substantial dollars to their credit.

Mr. HAMILTON. We do not ordinarily give aid to any country which has a sufficiently favorable balance of trade.

Mr. PASSMAN. You do not? How about Europe? Do you not have a very substantial aid program in Europe this year?

Mr. HAMILTON. I am sorry. I thought we were talking about this economic development assistance——

Mr. PASSMAN. I do not care whether the aid comes from one source or the other.

Mr. HAMILTON. I thought we were talking about the kind of aid that could be used to supplant purchases from a country.

Mr. PASSMAN. All right, let us say that for these shipments, where you say 85 percent of it is bought in America, the invoices to the factories are paid by U.S. Treasury check?

Mr. HAMILTON. That is correct.

Mr. PASSMAN. That is the question.

WEST GERMAN TRADE AND PROCUREMENT

Does Germany have a favorable trade balance with the United States? I wonder if this would have anything to do with it [indicating].

[From the Herald Tribune Bureau]

RUHR ROLLING STEEL FOR U.S. MISSILE SHIPS

WASHINGTON, May 24.—Many surface vessels constructed in American naval shipyards for our atomic-age fleets may be built with foreign steel because of much lower costs.

Now being rolled by the Hymetten Werke at Oberhausen in the German Ruhr are 3,500 tons of steel for three guided-missile frigates. The price averaged 30 percent under American bids.

Two of these destroyer-type vessels will be built at the Puget Sound Naval Shipyard. One will be built at the San Francisco Naval Yard.

The German price included duty and transportation to the west coast. The high-tensile plates and frames met all the Navy's specifications.

Faresstaal Overseas Co. and Metal and Alloy Corp., New York City brokers, submitted bids on four job lots which were 18.3 to 39 percent below American prices. The Navy saved $153,000 by this procurement policy.

I wonder if that had anything to do with their favorable balance, by this country getting so far out of the world market they have to go buy from our competitors to save money? That is a sad situation.

Mr. FORD. Will the chairman yield?

Mr. PASSMAN. Yes.

Mr. FORD. It should be said the West German Government is our biggest cash purchaser in dollars of military hardware in this country, reaching a magnitude I think in the current fiscal year of around $700 million.

U.S. BALANCE-OF-PAYMENTS DEFICIT

Mr. PASSMAN. I think that is good for the record, but it follows nevertheless—let us take the past 10 years—that we have had a balance-of-payments deficit of $19.6 billion. Only one time in 10 years have we had a favorable balance, and that was $500 million in 1957.

But this program certainly would add to it, would it not?

If you want to go back for the past 5 years, across the board, we imported 4.5 million tons of steel more than we have exported, because we are no longer competitive on the world market.

Mr. RHODES. Mr. Hamilton, you have mentioned several times that when we buy something abroad we try to buy from nations with which we have a favorable balance of trade. I understand that and I have no objection to it. However, the thought strikes me there might be a misconception as to how favorable a balance of trade can get. In other words, we could have a more favorable balance of trade with certain nations possibly than we do have, which would help us in the overall balance-of-payments situation.

Mr. HAMILTON. That is right. Money is fungible and those figures are purely illustrative. You are quite right.

Mr. RHODES. You do agree we should handle the program with the idea of our total balance of payments?

Mr. HAMILTON. The point of whether they borrow dollars from us or get them in private trade—you are quite right.

Mr. RHODES. Our having a favorable balance of trade with nation X doesn't mean it is in trouble, because it may have an equally favorable balance of trade with country Y.

Mr. HAMILTON. That is right.

Mr. PASSMAN. Thank God for America and the fact that we can express our views forthrightly, whether we are down in the Fifth District or here in the Congress. If it ever ceases to be that way it would be a sad state of affairs.

A lot of people believe, and I am inclined to agree, that our foreign policy is just about Uncle Sam's checkbook. All of these things are so artificial. We do not know what is real and what is not real. With our gold going out and foreign-held dollar credits going up, our balance-of-payments deficit is still truly alarming. I wonder when we are going to come back down to earth and look at the record, that world trade and diplomacy were able to make not only this country great, but many of the European countries very great. This is a new concept, and apparently we want to see how fast we can give everything away, and it seems to me we are well on the road.

These are the figures you wanted to look at, Mr. Secretary [indicating].

We shall reconvene at 1:30 p.m.

AFTERNOON SESSION

Mr. PASSMAN. The committee will come to order.

HIRING OF MR. JAMES B. CASH, JR.

Mr. Director, in referring to one other personnel matter, I do so only for clarification. This newspaper clipping reads in part as follows:

> Cash to leave for Caracas Sunday. FHA aide fired in gambling episode is rehired by Alliance in $17,030 job.
>
> A former high-ranking Federal official fired last fall over a gambling episode, has been rehired by the Alliance for Progress Latin American aid program. This was disclosed yesterday by the Agency for International Development in a formal announcement issued after inquiries from newsmen. The man involved is James B. Cash, Jr., formerly Deputy Commissioner of the Federal Housing Administration. AID, which handles the foreign aid program, said Cash had been in training since April 19 for duties as a Housing Adviser at Caracas. He is slated to leave Sunday for the Venezuelan capital, where his salary will be $17,030 a year.

This item is self-explanatory, but before accepting it at face value, we wonder if you would like to comment concerning the matter.

Mr. HAMILTON. I would be very happy to. He was recommended to us as being a man who had very considerable experience in the field of housing and had a very good career in the Government.

The incident to which the clipping refers came to our attention and an investigation was made. What the facts appeared to be were that an indiscretion was committed.

(Discussion off the record.)

His immediate supervisor at the Agency gave him a fine recommendation. Our appraisal was that, while that was a matter of certainly an indiscretion, there was no indication in the investigation we conducted, from what we could find out, that indicated this man had been guilty of any moral turpitude or any improper conduct in terms of the discharge of his official duties, apart from this indiscretion.

Mr. PASSMAN. Was he fired?

Mr. HAMILTON. He was fired by the head of that agency.

Mr. RHODES. How did this gambling episode come to light?

Mr. HAMILTON. I do not know. It came to light while he was still employed by this other Government agency.

Mr. RHODES. I wonder if it came to light by the contractor having asked for some sort of advantage.

Mr. HAMILTON. No. In the investigation that was what we focused on and the facts as revealed by our investigation were that there was no question of anybody asking this man for any favors or anything of that kind.

(Discussion off the record.)

Mr. RHODES. Does it not seem that if it were that innocuous that it would not have come to light, or that he would have been fired? That is, if everybody agreed it was just one of those things that happen.

Mr. HAMILTON. I cannot say why. Was it Mr. Weaver who discharged him?

Mr. RHODES. I think so. No; it was Neal Hardy.

Mr. HAMILTON. Hardy was the man I understood to be his supervisor and Hardy was the man who told us—I think this is right——

Mr. PASSMAN. Is the man who fired him still with the Government?

Mr. HAMILTON. I cannot answer that because I believe it was the head of the Agency who discharged him.

Mr. PASSMAN. Is the head of the Agency still with the Government?

Mr. HAMILTON I will have to check.

(The following was submitted later for the record:)

Mr. Neal Hardy, Commissioner of the Federal Housing Administration, signed the dismissal notice in the case of Mr. James B. Cash, Jr. Mr. Hardy is still the Commissioner of FHA. Mr. Weaver, Administrator of the Housing and Home Finance Agency, was consulted in this matter and concurred with the proposed action.

Mr. RHODES. Off the record.

(Discussion off the record.)

EFFECTIVENESS OF AID PROGRAM

Mr. PASSMAN. Mr. Director, there are many people who say that this program is more out of control now that ever, that there is less appreciation on the part of the recipients, that the program is less effective than ever before. No doubt you have heard it from many quarters. I never thought it could be much less effective than heretofore. I never thought it could be much more expensive, but this year's request indicates it could be considerably more expensive.

We are trying to find out. If you will give us some information on this——

Mr. HAMILTON. We will do that.

Mr. PASSMAN. We have been very good to India, for instance. We have the problem of the stability of the dollar. But, India's Economic Newsletter says:

Mr. Iyengar said that in respect of the stability of the currency, India could be proud of the fact that during the last 10 years there had been only 20-percent

depreciation in the value of the rupee as against much higher depreciation in the currencies of the United Kingdom, the United States of America, Germany, and some other countries.

As they are the recipients of billions of dollars of our aid, does it not come with just a little bad grace that they should point in such manner to the great progress they are making, in contrast to our difficulties?

Mr. HAMILTON. That would seem so.

VALUE OF GOLD AS A MEDIUM OF EXCHANGE

Mr. PASSMAN. It is my understanding that through the ages, in all civilizations, people have thought of gold itself as the ultimate in economic security.

Mr. HAMILTON. Gold has certainly been the basis in recent centuries for most of the currencies.

Mr. PASSMAN. Almost anywhere in the world, in all civilizations, people could take this yellow metal and command services and goods of just about any country; could they not?

Mr. HAMILTON. Of course, except in our country where one was not permitted to deal in it since 1933.

Mr. PASSMAN. I am speaking of the fact that through the ages, and through all civilizations, gold itself has represented something of great value to the holder, whether in a primitive land or in a developed country, and usually you can exchange it for just about any goods or services produced by the individual or country?

Mr. HAMILTON. Mr. Chairman, there have been situations since the great depression in the early thirties, the last 25 or 30 years, where many countries, including ours, as I say, have prohibited dealings in gold.

Mr. PASSMAN. That was not my question.

Mr. HAMILTON. I am sorry.

Mr. PASSMAN. If they had the gold, and if it could be spent freely, it usually would command the services or goods of any country; is that right?

Mr. HAMILTON. If they had the gold and if they had the right, which we do not have, to spend it, then people could exchange their goods and services for it.

Mr. PASSMAN. You can go out in some of the less developed countries and you will find they can buy gold very freely. You can find it in almost unbelievable quantities, 99½ percent pure. The people of those countries usually take their money and exchange it for gold. You can find gold markets, maybe a stall 30 feet long, with maybe nothing but pure gold composed of coins, necklaces, and so on. They exchange their currency for gold and wear it for their possessions, their wealth.

Bangkok is one of the most evident indications of this condition which I have observed, and also Hong Kong.

Mr. HAMILTON. You have trading in Hong Kong and Macao.

Mr. PASSMAN. I want to be fair about this. I want to show that in all ages, and in all civilizations, where the individual possessed this gold metal, the individual as well as the treasuries of the country

could take it and it would purchase the services and goods of any country on the face of the earth.

Mr. HAMILTON. Has that really been true in the last 25 years?

Mr. PASSMAN. I think it has been true always.

Mr. HAMILTON. In the developed industrial societies?

Mr. PASSMAN. I am just asking if you agree with me that gold within itself, if it is owned by the individual or by the country, commands respect, and they prefer gold over any other medium of exchange.

Mr. HAMILTON. Gold certainly has value.

INFLUENCE OF GOLD RESERVES ON CURRENCY VALUES

Mr. PASSMAN. Is it not true that any time a nation builds up its treasury of gold then the prestige of its currency is enhanced worldwide?

Mr. HAMILTON. Certainly generally speaking the higher your gold reserve, I should think, given the convertibility factor——

Mr. PASSMAN. Any time the country permits its treasury to be divested of its gold, then its currency begins to lose prestige and respect worldwide; when they build up gold, the currency begins to be attractive and maintains a high prestige. I think the Italian lira—you can check on this, and I can name some 20 countries which are reaching a comparable position, some at a greater degree than others—is just as valuable currency as U.S. currency. There are about seven countries with currencies on a par with the dollar now.

The point I want to make is this: Where countries permit their treasuries to be depleted of their gold, then the prestige and influence of that currency drops worldwide. Where they build up their gold reserves, the prestige and the value and the stability of the currency goes up.

My point is that somewhere along the way if we do not do something to keep many of the recipient countries of our aid program from taking their earned dollars—the record is completely clear that they have done so—to buy our gold rather than our goods, our worldwide fiscal condition will become even more unstable. I want to know if we are in accord that gold is valuable to any currency, to have it as a reserve.

Mr. HAMILTON. Gold is certainly valuable, but has it been the case that the value of the dollar in reference to the other currencies has diminished?

Mr. PASSMAN. The value of the dollar?

Mr. HAMILTON. In terms of exchange values over the period.

Mr. PASSMAN. I would like for you to answer that question. If you want to take 1940——

Mr. HAMILTON. I am talking about the relation of the dollar to the pound, the relation of the dollar to the mark, the relation of the dollar to the lira, the relation of the dollar to the Canadian dollar.

Mr. PASSMAN. The Canadian dollar is in trouble. The purchasing power of the American dollar has gone down. If you want to plug the dollar, take the 1939–40 period for round figures as being worth a hundred cents on the dollar, and it is worth about 45¼ cents today.

Mr. HAMILTON. In terms of its purchasing power, perhaps, yes. I understand the thrust of your question to be as to whether the decline in our gold reserves has weakened the exchange value of our

dollar. My recollection is that it had not. I am subject, of course, to correction.

Mr. PASSMAN. It is a question of when it will do so. When a country backs up its currency with gold, it has a strong position. The dollar is still strong, but is it maintaining confidence worldwide? We no longer have the gold in sufficient quantities to support our currency as provided by law and to meet the foreign demands that could be made. It is well known to all of us that the gold reserve is not there.

Mr. HAMILTON. Is it really, Mr. Chairman? If that were the situation——

Mr. PASSMAN. It is the situation. It is not "if it were." Let me say, so there will be no misunderstanding, it is the situation.

Not only have our gold reserves been reduced since 1952 from $23,252 million to $16,947 million, but the so called friendly nations have built their gold holdings from $13 billion to $23 billion, and during that same period they have had sufficient dollars, that we have given them or which they earned from their exports, to increase their dollar holdings from $10 billion to $22 billion. There is some thing out of kilter.

Mr. HAMILTON. I can assure you there is a great deal of concern about this gold.

Mr. PASSMAN. If there is concern, that is what I want to know. I wanted to be sure there is concern.

Mr. HAMILTON. It is a question of degree.

SUPPORTING ASSISTANCE AS COMPARED TO DEVELOPMENT LOANS

Mr. PASSMAN. If you go down to the food store to pay a $65 grocery bill, it does not matter a great deal whether you pay it with currency or by check. When you have paid it, using whatever medium, it serves the same purpose, does it not?

Mr. HAMILTON. Yes, sir.

Mr. PASSMAN. If you have throughout the world what we refer to as supporting assistance, the item in this bill, and later you substitute for the supporting assistance, we shall say, the development credit part of the bill, it makes available the same amount of dollars; is that right?

Mr. HAMILTON. On different terms it does.

Mr. PASSMAN. On different terms?

Mr. HAMILTON. Assuming they balance out, yes.

Mr. PASSMAN. That is understood, of course, assuming that the allocation is in the same amount. If there is now $50 million out of supporting assistance, and later you gave them $50 million out of development credits, as far as the country is concerned, it would accomplish the same purpose?

Mr. HAMILTON. It would be quite different objectives but it would be the same amount of money.

Mr. PASSMAN. I was speaking of the use that could be made of the $50 million.

Mr. HAMILTON. No, sir, it would not.

Mr. PASSMAN. You explain the difference.

Mr. HAMILTON. The supporting assistance which is granted could be granted to a country without any real restrictions or limitations or

strings, as compared to the degree of control that you can exercise or do exercise in the case of the development loan.

For example, we are now shifting aid to Greece from the supporting assistance type to the development loan type. The supporting assistance type of aid, as I understand it—and speaking generally now—is aid that is made available for, among others and perhaps the principal purpose, to enable governments of countries that control areas that are of strategic importance and in our interest to support, to maintain a necessary scale of military effort and to strengthen them to prevent Communist subversion from within and contribute to security from without—a scale of effort they have undertaken at our instance which their own economies could not support. Of course, you are more familiar than I with the mechanism by which it operates, in the case of Korea the generation of hwan to pay for the troops, and so forth.

Mr. PASSMAN. Confining our discussion to Greece, they could take that and, with our approval, build bridges or railroads or anything that would support an army. They have to first have a military force in being before they would be eligible, but if they have that force in being, then this would be the supporting part, would it not?

Mr. HAMILTON. But at least as presently administered, they could not take the funds in the ordinary case and use them for just anything.

Mr. PASSMAN. But they could use the funds for things that would contribute to the——

Mr. HAMILTON. They could purchase iron or other things that would go into the economy.

Mr. PASSMAN. Build roads, if the military needed them, or water tanks?

Mr. HAMILTON. Yes, if approved, but it is my understanding that the principal purpose of the aid is to provide the Greek economy with resources it needs to support the military effort and in so doing to put the Greek Government in funds to enable it to meet military or defense expenditures from local currency which would be generated by the sale of goods.

In the case of the development loan, on the other hand, when we shift the Greeks over from supporting assistance to loans, in the first place there would be an obligation to repay. Secondly, the projects for which the funds were expended would have to meet the development criteria, the criteria of self-help. In practice the degree of control that we would exercise could be somewhat more intimate.

Mr. PASSMAN. That statement surprised me, Mr. Director, because in the past they have said that all these items had to be firmed up, justified, and that no expenditures could be made until they could show it was a contribution toward their military effort. This was the economic aid part of it.

Mr. HAMILTON. That is the supporting assistance?

Mr. PASSMAN. Yes. That is the same thing this other is for, to support an economy that cannot support the military out of its own earnings.

Mr. HAMILTON. No, sir, that is not my understanding of the purpose of development loan funds at all. In my mind—I may be quite wrong and, if so, you should correct me—as I see it, we have actually two foreign aid programs by and large provided for in these laws.

One is the foreign aid program, which has the purpose of dealing with the immediate national security considerations, primarily military, which is the military supplies, the guns, the tanks, and the supporting assistance. There are countries like Korea, Vietnam and Taiwan, which maintain forces which are more than they could otherwise afford.

It seems to me that under these circumstances one has to deal with life as one finds it. One must take the people as they are. The alternatives are: Are they going to be for the kind of thing you are interested in or are they going to look somewhere else, or are they going to collapse?

Mr. PASSMAN. Can you tell us specifically what projects would be eligible under the program of development credits?

Mr. HAMILTON. Let us move to the development side.

Mr. PASSMAN. You call them loans, but Secretary Dillon said they were credits. I will stick to his language.

Mr. HAMILTON. When we get to the development side——

USE OF DEVELOPMENT LOANS IN GREECE

Mr. PASSMAN. We are talking about development credits, or development loans. For what purposes can Greece use that money?

Mr. HAMILTON. In the case of Greece, where we are switching from supporting assistance to development loans, the funds will not be used except for projects or programs which in our opinion will contribute to the long-term economic development of Greece.

Mr. PASSMAN. Mr. Director, that is what the defense support category and its successor, the supporting assistance, did.

Mr. HAMILTON. That was not my understanding.

Mr. PASSMAN. It is my understanding, and the record is clear. We have the projects listed in two pages in the record. It includes roads, bridges, railroads, water tanks.

Mr. HAMILTON. My understanding—I may be wrong, certainly I defer to your greater knowledge and experience—my understanding was the principal U.S. national self-interest purpose of the supporting assistance was to enable the local government to generate local currency, that that was the primary purpose, although it was indeed true that an attempt was made to see to it that funds were expended in a way that would be as prudent and as useful as possible.

But the primary purpose was in a sense balance of payments and budget support, whereas, the Development Loan Fund type of assistance—this is what we have in mind in making this shift—take Greece, for example, the situation, according to people who are advising me on it, is that Greece has now gotten to a point—thanks to the very large amount of aid from 1947 to the present—Greece has gotten to the point where their economy can utilize development loans effectively. I think they have about $250 million of foreign exchange reserves.

Therefore, the position we are taking with them, to which as you know from the press there has been some resistance, is that now they have gotten to the point where they no longer need this support sort of thing. They are producing sufficient resources to maintain their forces and can find funds to pay the troops. If they won't help, the help should be limited to the kind of wealth-producing projects.

If I am wrong in this, I certainly hope you gentlemen will tell me because I am stressing in our agency and also the political part of the Department, the fact that the immediate kind of support should come from the Supporting Assistance and the Contingency Fund, and that we should not use development loans or grants except for long-term projects with some prospects——

Mr. PASSMAN. Would drainage projects come under this category?

Mr. HAMILTON. It would depend upon circumstances.

Mr. PASSMAN. We discussed Ghana yesterday. How about irrigation projects?

Mr. HAMILTON. Yes.

Mr. PASSMAN. How about forestry resources development?

Mr. HAMILTON. Yes.

Mr. PASSMAN. Fishery conservation?

Mr. HAMILTON. I do not know whether it is for this year.

Mr. PASSMAN. It is commercial. How about improvements of water supplies?

Mr. HAMILTON. They would be long-term.

Mr. PASSMAN. Land and water resource development?

Mineral development?

Mr. HAMILTON. Long-term.

Mr. PASSMAN. Other than coal?

Mr. HAMILTON. Yes.

Mr. PASSMAN. Hydroelectric power development?

Mr. HAMILTON. Those are long-term. I did not want to give the impression that our predecessors——

Mr. PASSMAN. I want to know whether we understand the program, and if it is to serve the same purpose. Here is a list of things you can do out of the defense support and supporting assistance. Substituting these new names every year, I have a hard time keeping up with them. The very same things that you can do with development credits you can do with this other category. Here is a list they put in the record. It was very heavy on railroads and permanent fixtures.

Mr. HAMILTON. I am sure that is the case, and I do not want to give the impression that my predecessors did not strive with success to see to it that the dollars were used for developmental purposes. My understanding was that the primary purpose of supporting assistance was to generate local currency without inflation, and that to the extent possible it should be used for development, but that was secondary. Whereas, I am trying to make a distinction, if it is a sound one, that the development funds should be used only for development, whereas, the supporting assistance funds are for immediate needs. Take, for example, the case of Vietnam, where we are putting in very large sums of money. One of the problems you run into while you are trying to get money into the hands of the Government to pay the troops is how can you generate local currencies without inflation? One way is the way it has been tried in the past, which is to see to it that the dollars are used for imports.

Those are considerations, as I understand it, that should move us on the Supporting Assistance, primarily military considerations and immediate considerations; whereas, on the development loan funds, as

I understand it, are not to be used for those immediate purposes but to be used to meet the long-range development objectives.

Mr. PASSMAN. Let me say this to you respectfully, but you have the wrong interpretation of defense support.

Mr. HAMILTON. You mean as to its primary purpose?

Mr. PASSMAN. We had this up before. We wanted to know specifically for what purposes the money would be spent. We were told it would go to countries endeavoring to maintain military strength.

Mr. HAMILTON. Yes.

Mr. PASSMAN. This was the backup. We just thought, so there would be no misunderstanding in the future, we should have a list of those things. The very purposes for which we are obligating funds out of development credits, we obligated for the same purposes out of the Defense Support category and its successor, the Development Assistance program.

You might wish at some time to have a look at those things, because we anticipated we would get to this bridge some day and we wanted a safe passage over it.

CONGRESSIONAL CONTROL OVER DEVELOPMENT CREDITS AND SUPPORTING ASSISTANCE

Is it true that under Supporting Assistance, this calls for an annual authorization with an annual appropriation?

Mr. HAMILTON. Yes, sir.

Mr. PASSMAN. It is obvious that if you get an annual authorization and an annual appropriation, the program would get closer scrutiny than these things which go off on a long-range basis, and it becomes largely a matter of formality in getting the funds to carry out the plans. Would you agree that the annual authorization and annual appropriation would get closer supervision and closer scrutiny than the long-range phases of the program?

Mr. HAMILTON. Take the situation at the present time. We have an authorization on the development loans but there is no appropriation for it.

Mr. PASSMAN. That is right.

Mr. HAMILTON. I would suppose your committee would want to give the appropriation just as much careful scrutiny as though there were no authorization.

Mr. PASSMAN. You are very fair. But, if you have to come in for an annual authorization and subsequently an annual appropriation, it would naturally keep your Department and this committee and the Congress closer to it than if it were a long-range proposition, something committed, and we are told that we have no alternative, so "give us the money." We have been told that in effect.

Mr. HAMILTON. Perhaps it is my own unfamiliarity with your procedure, but this year we have the authorization.

Mr. PASSMAN. We know that.

Mr. HAMILTON. But there was a very searching scrutiny in both the House Foreign Affairs Committee and the Senate Foreign Relations Committee of the whole program. Similarly before your committee and the Appropriations Committee on the Senate side.

Mr. PASSMAN. In effect, it does not make any difference whether it is an annual authorization or a long-range authorization, it would be the same thing; is that right?

Mr. HAMILTON. I would suppose the committees have the power to require all the information that they want under any circumstances.

THE HARDY AMENDMENT

Mr. PASSMAN. Why do we have to have the Hardy amendment?

Mr. HAMILTON. If I may ask, what is the Hardy amendment?

Mr. PASSMAN. Here is a copy of the amendment.

Read it, please.

Mr. HAMILTON (reading):

None of the funds made available pursuant to the provisions of this Act shall be used to carry out any provision of this Act in any country or with respect to any project, or activity, after the expiration of the 35-day period which begins on the date the General Accounting Office or any committee of the Congress charged with considering legislation, appropriations, or expenditures under this Act has delivered to the office of the head of any agency carrying out such provision a written request that it be furnished any document, paper, communication, audit, review, finding, recommendation, report, or other material in its custody or control relating to the administration of such provision in such country or with respect to such project or activity, unless and until there has been furnished to the General Accounting Office or to such committee as the case may be (1) the document, paper, communication, audit, review, finding, recommendation, report, or other material so requested, or (2) a certification by the President that he has forbidden the furnishing thereof pursuant to request and his reasons for doing so.

That is subsection (c) of section 634 of the Foreign Assistance Act of 1961.

I do not know why that was put in nor what were the circumstances that led to it. It was before my time.

Mr. PASSMAN. It is in there because it is like pulling teeth without novocaine for the committees of Congress to get information from downtown.

You people know what is happening, getting the program out from under the control of the Congress.

The Marshall plan was a good program, handled on the basis of an annual authorization and an annual appropriation. But we got to where we were scrutinizing too closely, pointing out too many errors, pointing out too much waste. It was quite obvious that the American people wanted the program brought under better control, and about the only way to take it out of their sight was to get it where the executive could tell us, and I paraphrase, "We have obligated this money and if you do not give it to us, the country will be embarrassed."

SUPPORTING ASSISTANCE PROGRAMED AND OBLIGATED IN FISCAL YEAR 1962

What is the supporting assistance amount authorized for 1962?

Mr. HAMILTON. The amount of supporting assistance for 1962 authorized was $465 million.

Mr. PASSMAN. What is the amount you have programed for 1962?

Mr. HAMILTON. You appropriated $425 million. The amount obligated through April was $356——

Mr. PASSMAN. We want to know what you programed, the amount obligated, and programed.

Mr. TENNANT. The amount programed for supporting assistance through April 30, 1962, was $458,354,000.

Mr. PASSMAN. If you could obligate $458 million out of $425 million, you are doing a good piece of work.

Mr. TENNANT. The $425 million was the new obligation authority provided by the appropriation, but you also continued the available unobligated balance amounting to some $40 million, making a total availability of $465 million.

Mr. PASSMAN. $465 million total?

Mr. TENNANT. $465 million.

Mr. PASSMAN. Did any part of that come out of the President's contingency fund?

Mr. HAMILTON. None of the figures I have given you——

USE OF CONTINGENCY FUND FOR SUPPORTING ASSISTANCE

Mr. PASSMAN. Do you have an idea of transferring any of the President's contingency fund over to supporting assistance?

Mr. HAMILTON. Do you mean the same thing I understand as being the contingency fund in the Foreign Assistance Act, the $275 million?

Mr. PASSMAN. Yes; the President's contingency fund.

Are you going to transfer any part of the President's contingency fund over to the supporting assistance fund?

Mr. HAMILTON. The contingency fund will be primarily utilized to meet contingencies—to meet the kinds of situations for which the supporting assistance funds are expended or obligated.

Mr. PASSMAN. Have you transferred, or will you transfer, from the President's contingency fund over to supporting assistance, and then obligate it?

Mr. HAMILTON. That is not my understanding of the way the money is obligated.

Mr. PASSMAN. It is the way it operates. We want the answer if we can get it. Have you done so, or do you plan to transfer out of the President's contingency fund over to supporting assistance?

Mr. TENNANT. We would not transfer——

Mr. PASSMAN. Would you obligate out of the contingency fund for projects in excess of the amount of the $425 million?

Mr. TENNANT. We would not transfer money out of the contingency to the supporting assistance account. However, some of the contingency funds are programed for supporting assistance purposes.

Mr. HAMILTON. The kind of contingency——

Mr. PASSMAN. That is exactly the answer we want. You can use any words you want to use. In the past you have said "Yes," and given us the amount. You have changed your way of answering questions. I understand it. I want other people to understand it.

The $425 million in the supporting assistance fund, the Congress, in its wisdom, thought was sufficient. The executive did not consider it was sufficient. So, then you obligated out of the contingency fund? Is that a statement of fact?

Mr. HAMILTON. That is not my understanding.

Mr. PASSMAN. Let us see if it is accurate, whether it is your understanding or not, Mr. Director.

I shall restate it.

Congress, in its wisdom, appropriated $425 million for supporting assistance for fiscal 1962. We reappropriated the unobligated balance from the previous year. That was not sufficient to carry out what the executive wanted to spend in the "Supporting Assistance" category, so you obligated some money out of the contingency fund for the supporting assistance projects or programs?

Mr. HAMILTON. No; my understanding is that is not correct.

Mr. PASSMAN. We can pin this thing down. What is your understanding of it?

Mr. TENNANT. We have used some of the contingency fund for supporting assistance-type purposes.

Mr. HAMILTON. That is not the question that the chairman asked.

Mr. PASSMAN. I shall ask it any way you like. You give me the question and let me give it back to you and then you answer it.

Mr. HAMILTON. My understanding was, sir, that your question was whether or not the executive, after it requested the funds for supporting assistance, and after Congress had appropriated $425 million plus the unliquidated balances, had not then used the contingency fund in some way that was improper.

Mr. PASSMAN. No; I did not imply that.

Mr. HAMILTON. I am sorry.

Mr. PASSMAN. I did not imply it was improper. We have always agreed that if the President wanted to take the contingency fund and open a saloon every 2 miles across some foreign nation, the law is broad enough to give him that right.

Mr. HAMILTON. I will welcome a correction, if I am wrong, but I thought the purpose of the contingency fund was to deal with the type of projects which, under "Supporting assistance," could not be foreseen at the beginning of the presentation, or the magnitude of which could not be gaged, such as the stepping up of guerrilla warfare in Vietnam, for example. Those situations that develop are predominantly the kind of situations for which supporting assistance is requested when they can be foreseen.

I do not know whether that accords with your understanding.

Mr. PASSMAN. We got along for a mighty long time without this contingency fund. They started out with a $50 million package. Then the people downtown concluded, in effect, "If we can get this thing big enough, we can use it to offset any cuts made by the Congress in other requests." And that in good part is what it has been used for. I am not talking about the legality of it. You have the right. The President can do whatever he wants with the fund.

Mr. HAMILTON. You are not suggesting, then, it is improper?

Mr. PASSMAN. It might be improper, but it is not illegal. We will not argue that point. You requested $425 million for supporting assistance, and the Congress appropriated $425 million for supporting assistance.

Mr. HAMILTON. Plus the unobligated balances.

Mr. PASSMAN. Yes. But that was not sufficient in the field of supporting assistance to carry out the program that the administration thought it should carry out?

Mr. HAMILTON. I do not wish to be quibbling but that connotes to me that when the Congress said the executive can only have $425 million for the supporting assistance program you now have in mind, then the executive persuade the Congress to authorize a contingency

fund, then the executive took that contingency fund and spent it to carry out the program it had had in mind that had been curtailed.

Mr. PASSMAN. That is exactly what I am trying to pin down for the record.

Mr. HAMILTON. My understanding is that it is not the case.

Mr. PASSMAN. I mean, as an American, to disagree with you. Our Secretary of State yesterday said they could legally take the contingency fund and use it in the economic program and also in the military—I did not say they would, but they could; they had the legal vehicle by which they could use the contingency fund to offset the reductions.

Mr. HAMILTON. My understanding is the purpose of the contingency fund is to meet situations that arise and that fall within one of the other categories of appropriations; but which at the time the money is requested from the Congress cannot be foreseen or, if they can be foreseen, the magnitude of them cannot be foreseen.

USE OF CONTINGENCY FUND TO OFFSET APPROPRIATION CUTS

Mr. PASSMAN. Mr. Director, if the committees of the Congress and the Congress, after sitting for many weeks, based upon past experience—many of us have lived with it a good part of our lives—felt that $425 million would be ample to carry out reasonable commitments under the "Supporting assistance" category, at and a subsequent date you took the contingency fund and obligated out of that fund for supporting assistance projects, then that is, in effect, offsetting what reduction the Congress thought, in its wisdom, should be made?

It is in the record of last year where it was acknowledged that to offset reductions made for defense support, the very day that the funds were made available, obligations were made out of the President's contingency fund for these defense support projects, at the same time allocations were made to the regular projects. Check the record. If that is in error, I will vote for every dime you ask for and plead your case. You know it is in the record, Mr. Tennant; you sat there when we put it in the record. We can pin it down in as many cases as you want.

They took the money. They got it. They said, in effect, "They have gone home now. We wanted the money, but they did not give it to us." They reached into the contingency fund on the same day they allocated funds for the regular projects, and stopped up those holes out of the contingency fund.

FUNDS TRANSFERRED TO SUPPORTING ASSISTANCE FROM CONTINGENCY FUND

How much money has been allocated from the contingency fund for the supporting assistance program?

Mr. HAMILTON. There has been allocated through April 1962 from the contingency fund for situations of the type which if they were foreseen at the time the request is made would have been dealt with by supporting assistance, the sum of $223,423,000 for situations like aid to Greece when the Berlin situation got hot, and emergency assistance to the Dominican Republic.

Mr. PASSMAN. How much of the $223 million did you give to Greece? Was it about $20 million?

Mr. HAMILTON. $20 million. What happened, you will recall, was after the request was made for funds last year, the situation in Berlin got hotter. General Norstad and the people in NATO requested the Greeks to increase their military preparedness.

Mr. PASSMAN. The Secretary of State yesterday built his case largely on Greece. Then, upon investigation, we found the amount to be $20 million. We also made it clear for the record that the President has the authority, if he so desires, to transfer as much as 10 percent out of any program into other programs, with the exception of military.

Mr. FORD. This figure is for fiscal 1962, is it?

Mr. HAMILTON. Yes. The situation that blew up was a contingency.

Mr. FORD. $200 million is fiscal 1962?

Mr. HAMILTON. Yes. The total is $275 million.

Mr. PASSMAN. If the Congress wants to approve this kind of business, it is up to them, but I want to express my displeasure.

Mr. HAMILTON. I had understood the purpose was to deal with a real crisis.

Mr. PASSMAN. I am not arguing that the President does not have the legal right. However, the Congress decided you should have $425 million for this item, but you have transferred out of the contingency fund, or you have obligated out of the contingency, for supporting assistance programs an additional $223,423,000, which brings the total up to $681 million.

Mr. HAMILTON. Is that not the purpose of the contingency fund?

Mr. PASSMAN. It is being used for a lot of purposes we did not intend it to be used for.

Mr. HAMILTON. That was my understanding of the purpose.

Mr. FORD. Mr. Chairman.

Mr. PASSMAN. Mr. Ford?

Mr. FORD. Although the chairman and I have some differences from time to time, this does bother me, this particular application of the use of the contingency fund.

Mr. PASSMAN. It was not done to any such extent as this under previous administrations.

Mr. FORD. I agree there. This does bother me in all sincerity. I thought last year we made available too little in the supporting assistance area. I think that is a matter of record. Whether I was right or the Congress was right in the final analysis is immaterial. This was the figure.

It seems to me that there is some doubtful utilization of the contingency fund to make up what Congress in its wisdom or lack of it made available in supporting assistance. I think it might be good for the record to take what the original request was for supporting assistance—and it was allocated in the justification by country——

Mr. PASSMAN. $465 million only.

Mr. FORD. It was allocated by country.

Mr. PASSMAN. Yes.

Mr. FORD. In the confidential print so we could check it. I think it ought to be laid out country by country what it was in the original request, then what reductions we made—I use that in the broad sense,

the Congress—and then see where this contingency fund was used to beef it up.

Mr. PASSMAN. I can help you start. The Secretary of State made a good pitch on Greece. He accounted for $20 million. Please account for the rest of it.

PURPOSE OF CONTINGENCY FUND

Mr. HAMILTON. May I ask a question for guidance to get clear what is intended. My understanding was that the purpose of the contingency fund was not to make up cuts that had been made in supporting assistance where the Congress did not agree with what the Executive wanted to do.

Mr. PASSMAN. That was our understanding.

Mr. HAMILTON. Budget support should not be $10 million but $5 million, or whatever it is.

Then the purpose of the contingency fund was to deal only with situations which had arisen and which could not be completely foreseen at the time the request was made. In other words, if in Ruretania you had a threatened revolution, you might then go to the contingency fund. Is that it?

Mr. FORD. It is not all black and white. I doubt if an administration could have foreseen precise developments in Berlin last August, for example, and certainly if they could not they did not predicate their request for Greece for supporting assistance in the first instance on something like that.

On the other hand——

Mr. HAMILTON. Would that be a proper use in your view?

Mr. FORD. This is where you get into a little problem. Congress then makes a cut. The amount which goes into the Greek allocation nearly approaches the original budget request. Congress cannot help but raise a few eyebrows and wonder if this was not a little more premediated than it would appear on the surface. That is the only question I raise.

We have done this before in this area and I have been sympathetic with the chairman.

Mr. PASSMAN. I am sure we will recall that these people were so sure they did not have to pay attention to Congress, after we made reductions in defense support—and supporting assistance is only a substitute name for defense support—they allocated funds to the countries at the beginning of the fiscal year, and on the same day they allocated funds out of the regular "Defense support" appropriation. They went over into the contingency fund, and allocated it out of that account, and it rounded out the same amount as the original request did.

TRANSFERS FROM CONTINGENCY FUND

Let us have the record speak for itself, and let us find out for the record at this time:

Six hundred and eighty-one million dollars is the total obligation for the supporting assistance type of project out of the supporting assistance appropriation and the contingency fund.

How much did you have for the same purpose in the preceding fiscal year?

Mr. HAMILTON. In fiscal 1961?

Mr. PASSMAN. Yes, sir.

Mr. HAMILTON. The equivalent of supporting assistance programed for actual fiscal year 1961 was $917,405,000 according to this table.

Mr. PASSMAN. What was the appropriation for fiscal 1961?

Mr. HAMILTON. 1961 or 1962, sir?

Mr. PASSMAN. 1961. I think those figures are mixed up.

Mr. HAMILTON. I don't know whether I made clear—it is $917,-405,000 which is comparable to the $600 million-plus figure. In other words, this is both the amount of funds used for the equivalent of supporting assistance, the $917 million——

Mr. PASSMAN. Can you break them apart?

Mr. HAMILTON. Yes.

Mr. FORD. Total was $917 million?

Mr. HAMILTON. Total in the two types of funds.

Mr. FORD. For fiscal 1961?

Mr. HAMILTON. Yes.

Mr. PASSMAN. Before we go too far, let us get the total appropriated and the specific appropriations from which this total came.

Mr. TENNANT. In fiscal year 1961 we had a different appropriation pattern. "Defense support" had an appropriation of $675 million.

Mr. PASSMAN. Out of what accounts did you get other funds for this same type of project?

Mr. TENNANT. In addition we had "Special assistance," which was $230 million.

Mr. PASSMAN. So we can all follow you, why would we want to indicate that this is all supporting assistance when "Special assistance" was a separate appropriation and a separate item in the bill which could be used for the same purpose?

Mr. TENNANT. There were technical distinctions.

Mr. PASSMAN. It was a separate item in the bill to be allocated as "Special assistance." Am I correct there?

Mr. TENNANT. That is correct.

Mr. PASSMAN. Let us keep this separate. You could give special assistance anywhere you wanted to, could you not?

Mr. TENNANT. Within the criteria of special assistance.

Mr. PASSMAN. But, supporting assistance was limited to just a very few nations?

Mr. TENNANT. Generally correct; yes, on Defense Support.

I would have to check the record.

(The information supplied follows:)

COUNTRIES WHICH RECEIVED "DEFENSE SUPPORT" AND "SPECIAL ASSISTANCE" FUNDS IN FISCAL YEAR 1961

Defense support:
- Cambodia
- China
- Greece
- Iran
- Korea
- Loas
- Pakistan
- Philippines
- Spain
- Thailand
- Turkey
- Vietnam

Special assistance:
- Afghanistan
- Berlin
- Bolivia
- Cameroun
- CENTO
- Ethiopia
- Guatemala
- Haiti
- Honduras
- Iceland
- Israel
- Jamaica
- Jordan
- Libya
- Mali
- Morocco
- Panama
- SEATO
- Sudan
- Tunisia
- West Indies and Eastern Caribbean
- Yemen
- Yugoslavia

Mr. PASSMAN. It was few in comparison to the number of nations we are helping, whereas special assistance covered a broader range. It could be allocated by the President because it was intended as special assistance. Is that right?

Mr. TENNANT. Yes.

Mr. PASSMAN. Let us keep this in proper perspective. In "Supporting assistance" it was $675 million. On "Special assistance" it was a separate item in the bill and should not be brought in here.

CHANGE IN ASSISTANCE CATEGORIES

Mr. MILLER. The categories were changed last year. In prior years we had "Defense support" and "Special assistance."

One of the reasons for the change of categories which took place was because there were certain kinds of activities within "Special assistance" and "Defense support" which were of a developmental nature. There were also other kinds of activities within "Defense support" and "Special assistance" which were of the kind Mr. Hamilton spoke to earlier today.

The new category, "Supporting assistance," applies worldwide, and countries receive aid from the "Supporting assistance" category similar in kind to much of the assistance given under both "Defense support" and "Special assistance."

Therefore, in order to be comparable, we have to take certain items from both "Defense support" and "Special assistance," and we have endeavored to do this in the table. The figure which Mr. Hamilton quoted to you earlier, $917,405,000, was a consolidation. It would truly be comparable.

Mr. PASSMAN. You are changing and mixing up these names all the time so that the title, "Supporting assistance," for example, is the same as "Defense support."

You had other programs in fiscal 1962 from which you could draw funds similar to "Special assistance" in fiscal 1961—"Development grants," "Development credits," and so on. You are just not going to confuse this and make it look good. We are going to try to understand it.

Mr. GARY. Mr. Chairman, in that connection may I ask that when those tables are prepared that a table be prepared showing the items for which the contingency fund has been used and what the contingency was in each case which caused you to use those funds?

Mr. HAMILTON. Yes, sir.

Mr. FORD. I think that ties in with what the chairman and I inquired about.

Mr. HAMILTON. You want evidence from which you can determine whether or not the contingency fund was used for unforeseen new developments or whether it was used to make up cuts which you made in supporting assistance.

Mr. FORD. That is right.

Mr. HAMILTON. We shall give you whatever the facts are and it will enable you to arrive at a judgment. You want the facts.

Mr. GARY. Just put the facts in the record.

Mr. PASSMAN. That is clear.

Mr. HAMILTON. You can draw your own conclusions from that.

Mr. PASSMAN. Specifically, by project and the amount, and the date on which you made the allocation.

Mr. HAMILTON. Very well.

(The information requested follows:)

PROGRAMED USES OF THE CONTINGENCY FUND IN FISCAL YEAR 1962 AS OF MAY 31, 1962

SUPPORTING ASSISTANCE PROGRAMS

The contingency fund is a reserve permitting prompt response to fast-moving situations through the world creating requirements important to the national interest which were either unforeseen at the time of the congressional presentation or, if identified, were without the necessary precision as to nature, magnitude, or timing to justify inclusion in other aid categories. Following are brief descriptions of uses of the contingency fund in supporting assistance programs during fiscal year 1962, as of May 31, 1962, and a table comparing contingency funds with supporting assistance programs funded from the regular fiscal year 1962 appropriation.

Africa and Europe

Algeria, $157,000.—The future of north Africa may well be dependent on the course taken by the new Algerian Government. Subsequent to the Evian Agreements, it was decided to program an appropriate Independence Day gift as a tangible indication to the newly independent Algerian people of American sympathy and support. The Department of State and AID determined that 10 mobile health units and dispensaries, costing approximately $150,000, would best serve the objectives of utility and widely visible evidence of our support. In addition, $7,000 has been programed to enable a senior staff officer of the Algerian Government to study civil service procedures in the United States.

Dates of program approvals: Health units, May 17, 1962; and participant training, May 24, 1962.

Guinea, $3,500,000.—Subsequent to the fiscal year 1962 congressional presentation, which contained only a $300,000 development grant to finance a scholarship and English language training program, changing political attitudes in Guinea enabled us to take the initiative in substantially bettering relations with that country. This was in furtherance of our political objectives of lessening Guinea's heavy reliance on bloc aid. Contingency funds have been provided primarily in the form of commodity assistance to meet a critical balance-of-payments situation by the importation of sugar, industrial machinery, and agricultural

equipment. Local currency generated by the program will be used to defray the local costs of development grant projects in the field of education and public administration.

Date of program approval: October 30, 1961.

Kenya, $16,000.—Following severe floods which cut off supply lines of Public Law 480 title II relief to an estimated 400,000 starving or near-starving people, we incurred costs of $16,000 in air dropping food and for other relief supplies. The value in good will resulting from this operation has been evidenced by wide press coverage in Africa and many messages of appreciation.

Date of program approval: December 15, 1961.

Mali, $2,700,000.—Subsequent to the fiscal year 1962 congressional presentation, changing attitudes of the Government of Mali provided an excellent opportunity to further our political objectives of providing an alternative to complete dependence on bloc assistance and establishing a basis for building stronger relations with the West. A number of project proposals were programed in the fields of education, technical support and transportation.

Date of program approval: October 30, 1961.

Morocco, $10 million.—In the fall of 1961, it was estimated that $20 million would be sufficient in order to preserve overall U.S. objectives, including tenure of the military bases. The negotiations to maintain the lower level were unsuccessful, and $10 million was allocated from the contingency fund to be added to the initial supporting assistance program of $20 million. This furthered the prime political objective of maintaining our bases and the possibility of access thereto as long as possible.

Date of program approval: January 4, 1962.

Somali Republic, $353,000.—Severe floods in the fall of 1961 resulted in a disaster of major proportions. The U.S. response, justified on humanitarian grounds as well as the desirability of supporting a friendly government, provided food, medical supplies, airlift services, and other transportation equipment for use in distributing supplies.

Dates of program approvals: November 20, 1961; November 25, 1961; and December 18, 1961.

Tanganyika, $250,000.—As a result of heavy floods in the Rufiji River area, an estimated 55,000 Tanganyikans were cut off from normal food supply. We provided disaster assistance in the form of USAF planes for air dropping Food for Peace corn, thus serving humanitarian objectives as well as the objective of further cementing our good relationships with the moderate Government of Tanganyika.

Dates of program approvals: April 24, 1962 and April 25, 1962.

Togo, $300,000.—Supporting assistance funds were provided to LICROSS (League of International Red Cross Societies) to insure efficient and expeditious distribution of Public Law 480 title II famine relief food, thus permitting the most rapid possible return to conditions conducive to further economic development of the country. The famine relief program was occasioned by severe drought in northern Togo.

Date of program approval: March 30, 1962.

Germany (Berlin), $20,000.—In the face of increasing Soviet harrassment, it became necessary to approve a small allocation, administered by the Department of State, to continue feasibility studies, meetings, and conferences relative to the economic viability of West Berlin as well as to defray the costs of preliminary promotional activities to strengthen West Berlin economic life.

Date of program approval: February 23, 1962.

Near East and South Asia

Greece, $20 million.—In the fall of 1961, it was estimated that the momentum of the Greek economy would allow termination of supporting assistance. In December 1961, however, in response to the heightened Communist pressure on Berlin, NATO requested its members to expand their military capabilities as soon as possible. To permit Greece to implement this effort and to play its assigned role in NATO without penalizing the entire economy and slowing down its development momentum, the U.S. Government concluded that increased supporting assistance was required. The funds finance procurement of import commodities, the local currency proceeds of which are being used for the expanded defense budget requested by NATO.

Date of program approval: January 3, 1962.

Iran, $29 million.—The survival of the reform-oriented Ali Amini government, which took office in May 1961, is a U.S. political objective of great importance. Its very existence was threatened by a severe financial crisis which had arisen in

the spring of 1961. This threat was met by assistance above the fiscal year 1962 proposed supporting assistance level: Supporting assistance grant for general budget support in the amount of $15 million and a supporting assistance loan of $14 million for development budget projects included in the second plan.

Date of program approvals: $15 million supporting assistance grant, November 14, 1961 and $14 million supporting assistance loan, January 19, 1962.

Syria, $9 million.—Syria's separation from UAR, which occurred subsequent to the fiscal year 1962 congressional presentation, created immediate need for stabilization funds to implement a program recommended by the IMF. In furtherance of our objectives of assuring stability and in response to Syria's expressed desire for friendly relations with the United States and the Western World, a supporting assistance loan, complementing other credits extended by IMF, the Export-Import Bank, and other Western sources, was approved.

Date of program approval: February 8, 1962.

UAR, $15 million.—In May 1962, UAR Minister Kaissouni appealed for support from the Free World, including the IMF and the U.S. Government as a result of a critical financial situation in the UAR, intensified by crop failure. Supporting assistance loan of $20 million has been signed of which $15 million will be drawn from the contingency fund. Both the economic objectives of the United States and our political objectives were served by prompt response to a major political initiative by the UAR. The loan is contingent upon implementation of IMF recommendations, including additional assistance from other OECD countries.

Date of program approval: May 16, 1962.

Yemen, $1,800,000.—In addition to the $3.05 million of proposed supporting assistance included in the fiscal year 1962 congressional presentation, it has been found necessary to program additional funds during fiscal year 1962 to permit early procurement of equipment to insure that the Mocha-Taiz Road project is completed on schedule. In view of the expanding bloc aid effort in Yemen, our objectives of preventing this country from developing excessive dependence on the Soviet bloc require that all possible steps be taken in furtherance of timely completion of our major aid project.

Date of program approval: April 26, 1962.

Far East

Burma, $2,800,000.—In January 1962 the Burmese Government unexpectedly submitted a group of high-priority irrigation and water resources projects which originally had been estimated would begin in fiscal year 1963. In view of the emphasis placed on the projects by the Burmese Government and the contribution which the resulting increase in cultivable land would make to both the economic development of the country and increased internal security and political stability, $2.5 million were programed out of the contingency fund. In addition, $300,000 were programed for internal security purposes to permit unexpectedly necessary technical assistance to the Burmese police to maximize the utility of police equipment previously obtained from the United States.

Date of program approval: Irrigation and water resources projects—March 16, 1962. Technical assistance for utilization of police equipment—February 7, 1962.

Cambodia, $7 million.—These funds were programed to enable the Bureau of Public Roads to contract for full-scale rehabilitation of the Khmer-American Friendship Highway, a major U.S. assistance project in Cambodia. The extent of the deterioration of the highway was not ascertained until December 1961 when detailed tests by the Bureau of Public Roads permitted definite cost estimates to be made. Fourteen thousand dollars were used for emergency assistance in combating floods in the capital city.

Date of program approval: February 12, 1962.

Indonesia, $5 600,000.—(*a*) At the urgent request of the Indonesian Government, approved by the Department of State, construction of the Djakarta bypass was accelerated in order to complete the main section in time for the Asian games in August 1962. The accelerated schedule resulted in increased construction costs and required an additional $2.7 million from the contingency fund.

(*b*) As a result of an unprecedented series of natural disasters, coupled with the mass surrender of a large group of rebels in June 1961, $1.4 million of emergency relief supplies, including cloth, soap, and medicine, was made available for distribution through the Indonesian Red Cross assisted by the American Red Cross.

(*c*) The Mobile Brigade, a special unit of the Indonesian National Police, was given responsibility for internal security after surrender of the rebels mentioned above. Immediate implementation of the Indonesian Government's request for

U.S. assistance in reequipping the Mobile Brigade was deemed highly desirable; $1.5 million for equipment and training is being provided.

Dates of program approval: Djakarta bypass, December 24, 1961. Relief and rehabilitation, December 2, 1961. Mobile Brigade, in process June 8, 1962.

Japan, $533,000.—This sum was provided from the contingency fund for the Bureau of Educational and Cultural Affairs of the Department of State to fund the Japanese labor leaders exchange program, which is of great importance in furthering our objectives of fostering enlightened and pro-Western attitudes on the part of labor groups, and containing Communist efforts to achieve influence in this vital sector. The fiscal year 1962 congressional presentation did not include this item as it was to be presented in the Department of State budget. This, however, was disapproved by both the House and Senate Appropriations Committees who stated that the program should be funded, as in the past, from mutual security funds.

Date of program approval: January 9, 1962.

Thailand, $1,900,000.—In response to the serious situation in Laos, and following interagency consultation and discussion, AID financed the procurement of equipment necessary to increase the effectiveness of the Thailand Border Police. The unit plays a vital role in the maintenance of internal security.

Date of program approval: November 7, 1961.

Vietnam, $39,926,000.—In the fall of 1961, the requirements for Vietnam were reassessed in the light of the deterioration of the country's balance-of-payments position. Exports had been adversely affected by Communist activity and by floods. Import requirements were expected to rise as a result of additional needs to fight the Communists. After full interagency consideration, the supporting assistance program level, set after the fiscal year 1962 appropriations, was increased from the contingency fund to $145.7 million ($135 million nonproject and $10.7 project), subject to a more precise determination of requirements in the spring of 1962. As a result of the reexamination in the spring, it was possible to reduce requirements to $125.7 million.

Date of program approval: February 12, 1962.

Other

Western Samoa, $25,000.—On the recommendation of the Department of State, AID financed the cost of an Independence Day gift to Western Samoa as a means of showing our interest in a newly independent nation.

Date of approval: December 22, 1961.

Hong Kong, $18,000.—In August 1961 the Government of Hong Kong requested assistance from the United States and other friendly nations to meet the threat of a cholera epidemic spreading into the colony from Communist China. AID has no regular program in Hong Kong and therefore no funds were included in the fiscal year 1962 congressional presentation. Our assistance was provided by supplying and transporting cholera vaccine.

Date of program approval: August 23, 1961.

Latin America

British Honduras, $300,000.—These funds financed supplies, medical help, rescue services and other disaster relief measures provided by the U.S. Armed Forces to the victims of the hurricane of October 1961 which devastated the country and its capital city, Belize. The rapid and effective U.S. response resulted in substantial goodwill throughout the area.

Date of program approval: November 3, 1961.

Colombia, $30 million.—A severe balance-of-payments crisis became apparent in late 1961. To prevent the crisis from growing to unmanageable proportions a supporting assistance loan of $30 million is being made to maintain the flow of essential imports, conditioned on the adoption by Colombia of a series of control and stabilization measures.

Date of program approval: February 9, 1962.

Dominican Republic, $25 million.—A supporting assistance loan was approved from the contingency fund to help meet the political-economic situation created by the overthrow, in January 1962, of the Trujillo dictatorship and to demonstrate effectively U.S. support of democratic government in the country.

Date of program approval: February 14, 1962.

Ecuador, $8 million.—In response to a severe financial and economic crisis precipitated by an unforeseen decline in world demand for Ecuador's principal sources of foreign exchange—coffee, bananas, and cocoa—an International Monetary Fund standby agreement was obtained in June 1961. By November, further assistance was necessary and the United States responded to a request

from the Government of Ecuador with a loan for budget support. Failure to provide assistance would have led to serious political and economic disturbance in a country which has achieved reasonable political stability under a republican form of government and in addition, implementation of a development program would have been postponed for an indefinite period.

Date of program approval: November 28, 1961.

Panama, $9,900,000.—This grant, in addition to $3.4 million listed in the fiscal year 1962 congressional presentation, was made to provide immediate and significant support to key sectors of Panama's new development plan, in the fields of education, health, housing, and agricultural research. Panama will contribute $3.5 million to the projects. The enlarged commitment was made after the fiscal year 1962 congressional presentation in response to convincing evidence of the urgent need for such support.

Date of program approval: January 11, 1962.

Peru, $6 million.—These funds, requested by President Prado during his visit in September, were programed from the contingency fund to alleviate the results of severe drought in the Puno area. The loan was made to cover approximately half the cost of wages, small tools, and supplies for emergency work relief programs. Both the short-term and long-range political and economic effect are expected to be favorable.

Date of program approval: December 5, 1961.

Nonregional

Disaster relief, $202,000.—This amount is currently programed as the estimated requirement for emergency relief from natural disasters in countries where the United States has an interest. Ambassadors or other principal officers are authorized to give emergency assistance up to a limit of $10,000 per disaster as a concrete demonstration of American goodwill and sympathy. To date, in fiscal year 1962, this authority has been utilized in Nepal, Ceylon, Mauritania, Korea, India, Spain, Japan, and Brazil.

Classified projects, $550,000.—Section 614(c) of the Foreign Assistance Act authorizes the President to use up to this amount for classified projects when he certifies that it is inadvisable to specify the nature of the use of such funds.

PROCEDURE FOR UTILIZATION OF CONTINGENCY FUND

Mr. FORD. What is the process by which the contingency fund is drawn upon? How does this happen?

Mr. HAMILTON. Let us take specifically the case of Greece.

(Off the record.)

Then when that arrangement was made, it is my understanding that what happened accountingwise is that the procedure was gone through and the funds drawn out in the same way that supporting assistance or other funds would be made available so far as mechanics are concerned.

It would not be transferred from the contingency fund to a supporting assistance account and drawn out. At least I had been thinking of the contingency fund as a kind of general supporting fund for the other heads of the appropriations to deal only with situations which came up after the request had gone in.

Another was Iran.

Off the record.

(Discussion held off the record.)

Mr. FORD. The only area I raise my eyebrows is where the amount that is put back in——

Mr. HAMILTON. Is about the amount of the cut?

Mr. FORD. That is right. This cannot help but raise some suspicion.

Mr. HAMILTON. It would take awfully strong evidence if that happened not to draw the obvious inference. I agree with you.

Mr. PASSMAN. Let us go a bit further as to why we are getting into this. You want us to be part of this, you understand.

Mr. HAMILTON. Of course, you are my clients. You have the responsibility for the money. I can only make my recommendations.

Mr. PASSMAN. Not only to appropriate it, but to raise it from the American taxpayers; the fact is, to borrow it. Some of us live with this thing year after year, whereas able directors, such as yourself, come and go. It is our hope that you stay.

There have been so many of them, I tried to list them yesterday; I got up to seven and stopped.

Mr. HAMILTON. That is one of the reasons so many people throughout the country are confused about the foreign-aid program.

Mr. PASSMAN. The people out in the country know more about it than some people downtown. If you are underestimating the American citizen there will be a day of reckoning.

There is much misinterpretation or misrepresentation.

They tell the people that we are making loans when they know we will not get but very little of it back, and most of that will be plowed back into the program.

Mr. HAMILTON. I never told anybody that I thought this was a loan in any sense that a banker uses the term.

Mr. PASSMAN. I am glad you feel that way.

I wish that you did have control of this program, control of the personnel, and control of these decisions.

USE OF CONTINGENCY TO PAY DOMINICAN REPUBLIC FOR SUGAR DUTY

Through the Sugar Act, by which we allocate quotas and the United States buys sugar at a premium—well, when we withdrew the quota from Cuba it was reallocated. Not that the Dominican Republic did not already have a substantial quota, through which they sold sugar to us at a premium, but we permitted them to have an extra market of 1,100 million pounds of sugar to sell to the United States at a premium.

Mr. HAMILTON. This is the Dominican Republic?

Mr. PASSMAN. That is right. We permitted them to market an additional 1,100 million pounds of sugar to America.

They did not receive all of the premium, but they still did get the world price plus about one-quarter or one-half percent premium on their sugar.

Under President Eisenhower, and I think he had good advice and he thought this thing through, we assessed a 2-cent-per-pound rate referred to as a duty, a surtax, whatever you want to call it. That money was reflected in our treasury, and we spent it.

Then, the new government in the Dominican Republic said, "We want this $22 million back which we paid."

Instead of the people downtown going before the regular legislative committees, the Foreign Affairs Committee, the Foreign Relations Committee of the Senate, the Agriculture Committees, they come up here and say to us, to this subcommittee, and I paraphrase, "We want to obligate, we want to jump over into 1963, into the contingency fund, and commit $22 million of the President's contingency fund to reimburse the Dominican Republic for $22 million which we collected 2 or 3 years ago."

I said, "I don't like that idea at all. You have sufficient time to go before the Foreign Affairs Committee of the House, Foreign Relations Committee of the Senate, and even the Agriculture Committees. Until such time as that bill comes before us you can go before them, justify it, and get it in the bill. You can even get the bill amended on the floor to get an authorization."

I finally reached the conclusion that this fine man who came to my office agreed with me that it should be handled through normal processes, rather than through this unusual method, by just taking it from the contingency fund.

I said, "I will be sympathetic but I cannot agree with that. I will fight you every step of the way."

So he went back, and in a few days I receive a letter and it states, "We have determined this is the only way to handle it."

It seems to me you are abusing the President's contingency fund when you use it in this manner.

But, then, to let them have their way on something which is already in court, to decide whether we should, or should not, to go ahead and agree to reimburse those people $22 million out of a contingency fund, when you are planning these things even before the Congress has considered the authorizing legislation of the Agricultural Committees or the Foreign Affairs or Foreign Relations Committees, this appears to me to be justification for this committee going a bit further into these things, and perhaps finding out what the President has committed from this contingency fund, even before we get the authorizing legislation.

Mr. HAMILTON. May I state for the record my understanding of the circumstances about the Dominican sugar situation?

Mr. PASSMAN. Yes.

Mr. HAMILTON. They were these:

After the material had been prepared and presented, the question was raised by the Dominicans which became a matter of great interest to them to try to get back this $22 million.

It was then the question of whether anything would be done about it or not.

The contingency aspect of it was first, the question had risen after the material had been sent up.

Second, there was a possibility which I understand is still a possibility that in the sugar legislation provision will be made for the payment of this $22 million. In that event it would be made just as though it had been made originally and the American companies concerned would be bringing back to the United States in dollars about $3 million, and there would be no control exercisable by our agency as to the flow of that money into development projects, so that we do not yet know whether under any AID program, from whatever source, these $22 million will be paid over.

We are anxious to see to it, as we understand it is our responsibility to see to it, that if any payment is made, and the chairman says doubtless down through the years it will be paid to the Dominican Republic, we have the kind of control over it that a development loan company would have. Therefore the matter is contingent in the sense that if the sugar bill should pass, then we won't make any funds available in respect of this figure of $22 million.

That is the background.

Mr. PASSMAN. If I might make a statement of fact—that you had planned, and I had been approached.

Mr. HAMILTON. That is absolutely the case.

Mr. PASSMAN. Can we take this out of the 1963 contingency fund? That was the question I was asked.

Mr. HAMILTON. I don't know the conversation, but I understand you were approached.

Mr. PASSMAN. They had planned downtown to do it that way, had they not?

Mr. HAMILTON. It was pointed out that these funds might be coming out of the contingency fund for next year.

Mr. PASSMAN. In advance of even an authorization for a contingency fund, much less an appropriation for it. They had planned already to reimburse the Dominican Republic $22 million out of the 1963 contingency fund.

Let us leave the "if's" out.

Mr. HAMILTON. Mr. Chairman, it was contingent——

Mr. PASSMAN. I have this under the signature of an Assistant Administrator. Even after I disagreed, he indicated there was no other way. I wrote him a letter saying it would be difficult to justify it.

I am either right or not, that they had planned and approached me on it, to reimburse the $22 million out of the President's 1963 contingency fund. I have the letter.

Mr. HAMILTON. My understanding is that that was to be not a supporting assistance thing, development loan type of thing, and it was contingent, and still is contingent in a sense, that if the payment is made out of the sugar bill we will not make——

Mr. PASSMAN. These people said:

> We want to obligate $22 million to the Dominican Republic out of the President's 1963 contingency which will reimburse them for the $22 million we collected as a surtax against their plus quota to America.

They did not say anything about getting it elsewhere. They said, "We want to do this."

Mr. HAMILTON. You had the conversation.

Mr. PASSMAN. He finally agreed in my office they should not follow such procedure, but then when he acknowledged my letter he said, "We have determined that this is the way to do it."

Mr. HAMILTON. You must know the facts.

Mr. PASSMAN. That is the proposition with which they came to me.

I said, "I don't like it." I want to repeat for the record that they wanted an agreement that there would be no objection if they should commit our Government to refund the Dominican Republic $22 million in taxes we had collected on their plus sugar quota, to be paid out of the President's 1963 contingency fund.

Mr. FORD. Would it be helpful if we could have for the record whether or not the administration had asked at the time they recommended the sugar legislation for this provision which would have taken it out of the sugar funds, and if they did ask for that, that would tend to prove that they didn't plan to take it out of the contingency fund, or vice versa.

Mr. PASSMAN. I am not uncertain about anything I have said here.

Mr. FORD. I am not stating that.

Mr. PASSMAN. They planned specifically to take it out of the President's contingency fund for 1963. We had the discussion.

When I thought I had discouraged them to the extent they would not do it, they wrote a letter that they would do it, and that this was the only way.

I responded by saying they would have a difficult time justifying it if they should take such action.

Only after this rather pointed correspondence did they change their minds.

Now, what happened? The Dominican Republic all along, and Mr. Cooley will explain it, said, "We don't want it out of the aid program."

The thing is in court and the court may rule against it, but check on it.

Mr. FORD. They might prefer to have it out of the sugar fund.

Mr. PASSMAN. There are too many irregularities about such matters as this contingency fund. Some of our forefathers would turn over in their graves if they thought this much money would be turned over without knowing in advance for what purposes it would be spent.

In this case they had ample time to get legislation. It just appeared they could not justify it or they would have taken the regular route.

Mr. HAMILTON. There was no concealment of what was going on.

Mr. PASSMAN. There will be weeks of these hearings, and we know you will be available again Tuesday afternoon. Therefore, unless there is objection, let us stand in recess until 2:30 p.m., Tuesday.

TUESDAY, JUNE 12, 1962.

Mr. PASSMAN. The committee will come to order.

Mr. Director, I should have asked this question at the beginning but, being anxious to get into the details, I failed to do so.

RESPONSIBILITIES OF THE ADMINISTRATOR OF AID

What are the duties of the Director of AID?

Mr. HAMILTON. Well, as I understand it, Mr. Chairman, it is my responsibility to have general administrative authority over the Agency and its operations. These authorities derive legally from the statute under which the power, as I recall, went to the President, who in turn delegated it to the Secretary of State, who in turn delegated it to me. I report on matters that are within my responsibility to the Secretary of State and to the President. They are my superiors. That is, in general, my understanding of my responsibilities.

SELECTION OF PERSONNEL BY AID

Mr. PASSMAN. At the time you assumed your duties as the Director of the new aid program, you were given the right to select certain key personnel to help administer the program, were you not?

Mr. HAMILTON. Mr. Chairman, you have the section 621(d) provision in mind?

Mr. Passman. Yes.

Mr. HAMILTON. There was a provision in the statute that provided that only those employees of ICA or of DLF, the two principal predecessor agencies, could be brought into the Agency for International Development who were found to be necessary for it. The law further provided that ICA and DLF would cease to exist on November 4, 1961.

The authorizing legislation which contained that provision, as I recall it, was enacted on September 4, the appropriation act was enacted September 30, and I started on October 4, 1961. So it became my responsibility to do something in respect to that measure between early October and November 4, because if there was not a finding made under that statute none of these people would have had a job under AID because ICA would have been abolished, as I understand it. The statute required AID to make a finding as to which of these—I think it was 6,300 people—were necessary for the functioning of AID, and the statute also said that finding should be made irrespective of any civil service or veteran's preference right that any of these individuals might have had.

It was reported to me that that provision had not been sought by the executive branch but had been put in the legislation while the measure was in conference.

In order to discharge my responsibilities in that regard what we did was this:

The first problem was to determine how broad an examination we were going to make. I had been in the Government about 5 days at this juncture so I consulted the personnel people and the General Counsel. The program that was worked out was to try to select a certain number of cases for review—since we obviously could not give an adequate review to all 6,300 people here and abroad. In the main it was found that most of those should be found necessary and no scrutiny was given to any except those that had been rated at the lowest rating, which was marginal or satisfactory, at least once in the last 3 years, together with those the chief of any region or mission recommended be submitted for scrutiny.

When that was done there were about 814 out of the 6,300——

Mr. PASSMAN. How many?

Mr. HAMILTON. I believe 814 out of the 6,300 who met those criteria, which was somewhat remarkable because I had read and heard a great deal of criticism about the personnel. To find that only 814 out of the 6,300 had had a rating as low as satisfactory once in 3 years, or were recommended for scrutiny, seemed a little unusual and naturally raised some question about the ratings.

Mr. PASSMAN. I think a lot of the criticism came about as a result of releases out of the White House indicating that they were going to clean up the program.

Mr. HAMILTON. No, sir.

Mr. PASSMAN. I am speaking of the overall program. There were many statements about cleaning up the program, and bringing in experienced men. That might have accounted for the criticism.

Mr. CONTE. So that I may be sure I understand it, 814 of the 6,300 met the criteria or did not?

Mr. HAMILTON. Of the 6,300 there were only 814 whose efficiency ratings had been as low as satisfactory at least once in the preceding three rating periods.

Mr. GARY. Who met the criteria for review?

Mr. HAMILTON. Yes. We assumed if a man had not been rated as low as average at least once in the preceding 3-year period he should be found necessary.

Is that clear?

Mr. PASSMAN. Yes; it is clear.

Mr. HAMILTON. Then we reviewed the 814 cases plus some nominees which came from mission directors and chiefs of office. We had less than 30 days to operate and it was necessary to be fair about this, so we set up review panels and they looked at the files and records of the 814. On these panels there was only one representative who had been a former member of ICA or DLF because we wanted people with experience from the Budget Bureau or the Civil Service Commission, but who had not been dominant in the predecessor agencies.

These panels of 5 men each then reviewed the files of the 814 and they recommended that of these 814, I think it was 345 who were found not to be necessary. I state it awkwardly, but in other words, that they not be brought over.

Mr. PASSMAN. How many?

Mr. HAMILTON. 345 not be brought over into the new agency.

But in the interest of fairness and having in mind the shortness of time, what was done with these 345 was not to bring them over but to give them temporary employment in the same status and grade that they held—to bring them into the new Agency on a temporary basis, so that there could be an opportunity afforded for a further review. Each of these was notified he had been terminated but was being given a temporary job of the same kind, and if they wished a review made they should notify the office; 233, of the 345 sought a review. The others did not.

Then we set up a further review board under Admiral Holderness, who had been Chief of Personnel of the Navy, and again had people from outside the Agency on the board. This board made a further recommendation to me as to how many of the 233 should be retained and how many should be found to be not necessary.

I had hoped I would be able to avoid the task of personally reviewing those files, but I finally concluded I could not. So I then sat down and reviewed the personnel files of the 233 people, and while it took a lot of evenings and weekends it was very interesting. Some of the people in the Agency, I was astonished to find, had gone back to the Nelson Rockefeller days.

I accepted the determination of the Holderness Review Board in every case in which they said someone was necessary, so that all the people they found to be necessary I found to be necessary.

Then, in addition, I thought that some of the people should be found to be necessary even though the Holderness Board found they should not.

The net result of that review was that finally, counting those that did not appeal, I think the total was 274 that were not brought over to the new Agency, including 112 who did not appeal.

What we said to the people at the time was that it did not necessarily mean because a man was not necessary that he was corrupt or anything of that kind. A lot of the people had been brought back from the field and were floating around because we could not find jobs for them. We set up employment offices and tried to find places for

them in the Government because, in many instances, they were hardship cases. In many cases they were people who had been hired by the Government, developed jobs, and had families and it seemed to me the responsibility was with the people who put them on if they were not satisfactory. We set up an employment office and found jobs for some. Some had gone to the field missions in grades higher than they really should have been in; their job would be washed out and when they came back they could not find a job in the same grade and had to take a lesser job.

REHIRING OF ICA EMPLOYEES

Mr. PASSMAN. Of the 274 ICA employees who were found to be not necessary for the operation of the new agency, how many have you since rehired?

Mr. HAMILTON. I do not know. I can supply that for the record. I think it was about six.

(The information follows:)

ICA employees not transferred to AID but subsequently rehired total 72.

Mr. PASSMAN. How many do you have in the status of consultants?

Mr. HAMILTON. I will check that but my recollection is we do not have any of these people in the status of consultants.

Mr. PASSMAN. You have one man.

Mr. HAMILTON. Yes. He was a Presidential appointee.

Mr. PASSMAN. As a consultant?

Mr. HAMILTON. Yes, Mr. Fitzgerald.

Mr. PASSMAN. As a consultant to AID?

Mr. HAMILTON. No. The reason I did not include him in this was because he resigned. He was not brought over as a result of this exercise. He resigned from his office after discussion with me and before this exercise. I will be glad to give the details on that.

Mr. PASSMAN. With a few exceptions, AID is being administered by about the same people who operated ICA?

Mr. HAMILTON. No, sir.

Mr. PASSMAN. Percentagewise, 274 is a very few people out of 6,300.

Mr. HAMILTON. I see what you mean.

Mr. PASSMAN. It appears that you have about the same people operating the AID program as operated the ICA program.

Mr. HAMILTON. You are absolutely right. The administration has been different, but the day-to-day operation——

Mr. PASSMAN. The people are about the same?

Mr. HAMILTON. That is generally true, as far as the people in the field are concerned.

REPLACEMENT OF PERSONNEL

Mr. PASSMAN. Are the people you are bringing in, in addition to, or are they replacements, for the people you are letting go?

Mr. HAMILTON. They are replacements. There is a turnover of 2 or 2-plus percent in the Agency. Especially, there has been a very substantial replacement in the top management. The administration of the Agency is in altogether different hands.

Mr. PASSMAN. Did many of the people not brought over from ICA go to the State Department?

Mr. HAMILTON. In the case where we did not bring over to AID someone who had been a Foreign Service officer, then——

Mr. PASSMAN. How many of those previously employed by ICA went over to the State Department?

Mr. HAMILTON. I will have to supply that for the record. I can tell you how many went to other Federal agencies but I do not have a breakdown between the Federal agencies and the State Department.

(The information follows:)

ICA employees not transferred to AID who transferred to State total four.

Mr. PASSMAN. I mention the State Department because this agency is an arm of the State Department, and if they were not necessary to the new AID program they might conceivably be assigned to the State Department and may possibly be employed in important positions where decisions are made with respect to the AID program.

Mr. HAMILTON. I see here that of the total dropped from the rolls there were 84 for whom other employment was found and of the 84 employees 72 went to other Federal agencies. So whatever number went to the State Department would be a component of that 72.

Mr. PASSMAN. It may be apropos to state at this point that the United States has set new records in many fields.

TREASURY DEPOSITS AND WITHDRAWALS

The net deposits in the U.S. Treasury from July 1 of this fiscal year to June 6, 11 months and 6 days, were $90,371 million, an alltime record for collections. But, the total withdrawals from the U.S. Treasury during that same period of 11 months and 6 days amounted to $100,493,472,000, which puts us in the red $10 billion as of June 6 for this fiscal year. Contrasted to the previous fiscal year, we have withdrawn approximately $9 billion more than in the preceding fiscal year.

This frightening situation compels us to endeavor to determine if this bill could not be substantially reduced.

Mr. ANDREWS. Mr. Chairman, may I ask Mr. Hamilton a question off the record?

Mr. PASSMAN. Surely.

(Discussion off the record.)

CURB ON WHEATGROWING IN GREECE

Mr. PASSMAN. Just where are we headed? It looks as if we are getting off balance all over the world.

I have here an article from the New York Times of Monday, June 11, 1962, which appeared on the front page, captioned "Greece Asks Curb on Wheatgrowing To Spur U.S. Aid." In effect, it says that they can purchase wheat cheaper in the United States than they can produce it, so by taking their acreage out of wheat production they can put it into cotton production, and thereby further choke off our

exports of cotton. We are subsidizing the cotton we ship abroad at 8½ cents a pound. If we give these pepole our grain free under Public Law 480, thus enabling them to take the acreage they would normally have in grain and put it in cotton, it will become still more difficult for us to compete with them.

Have you seen this article?

Mr. HAMILTON. Yes, I have, and I am checking into it. It is the kind of thing we have to be vigilant about and of course we need an adequate staff for that.

Mr. PASSMAN. I shall place this article from the New York Times in the record at this point.

(The article follows:)

[From the New York Times, June 11, 1962]

GREECE ASKS CURB ON WHEATGROWING TO SPUR U.S. AID

ATHENS, June 10.—The Government appealed to farmers today to limit wheatgrowing on the ground that it deprived Greece of substantial U.S. aid in agricultural surpluses.

The appeal came as the Government announced a reluctant decision to continue its wheat price support policy this year by guaranteeing growers $90 a ton. Imported wheat costs less.

At the same time the Government announced a 5-percent increase in the price of bread. Bread now will cost the equivalent of 13 cents a kilogram (about 2.2 pounds).

The Government has been trying to induce farmers to switch to crops such as cotton, which is more profitable and would also aid Greek exports.

This year's wheat harvest is expected to yield 1,600,000 tons. A third of the total arable land in Greece is in wheat.

The Government statement said that the wheat price support policy was costing Greek consumers about $27 million a year. It added: "Because of this policy Greece cannot absorb American aid in surplus agricultural supplies, which consist mainly of grain. This aid would not only insure cheaper bread for people but would yield considerable revenue to the budget. Suffice it to say that in the current year Turkey received American wheat worth $87 million, Yugoslavia $63 million, and Egypt $76 million."

U.S. wheat aid to Greece in the current fiscal year will be 30,000 tons valued at $1,900,000. Total U.S. agricultural surpluses being shipped to Greece in the fiscal year are valued at $10,200,000. They include large quantities of feed grains and barley.

The statement warned farmers that drastic measures would be adopted next fall to insure the success of the Government's crop reform policy by limiting the area devoted to wheat cultivation.

IMPORT OF TEXTILES

Mr. PASSMAN. It was brought to my attention this morning that we are now actually importing more cotton in textile form than we are exporting. The same is true with relation to steel. This thing is becoming so fouled up that we may not be able to cope with it. Have you seen this tabulation?

Mr. HAMILTON. No, sir.

Mr. PASSMAN. As you see, we are actually importing more textiles than we are exporting.

Mr. HAMILTON. Is that in dollars or in units?

Mr. PASSMAN. In units and it has increased 98 percent this year.

We shall also put this information in the record.

(The statement referred to follows:)

Cotton imports in textile form

[1,000-bale equivalents]

	1961	1962 [1]
January	36.5	61.3
February	27.7	55.3
March	32.3	62.4
April	27.6	66.3
1st 4 months	124.1	245.3

[1] 98-percent increase over 1961.

NOTES

(a) Textile imports for 1962 based on the 1st 4 months' rate would be 736,000 bales.
(b) Raw cotton quota (upland) is about 30,000 bales annually.
(c) Picker lap import quota is about 2⅛ bales annually.
(d) The cost of the cotton is the principal expense item in the production of yarn and cloth. For the period January–April 1962, yarn imports were more than 3 times the comparable 1961 level, and for cloth more than 2 times that level.

Source: USDA Cotton Situation, except April 1962, which was calculated from census data.

Mr. PASSMAN. Of course our prestige is dropping because of the outflow of gold. Would you like to comment on this?

Mr. HAMILTON. I am not an expert but my understanding is that we have a favorable balance of trade as far as textiles are concerned.

Mr. PASSMAN. It is getting more one-sided all the time. We ship cotton abroad at an 8½-cent-a-pound subsidy and we lose the market too. It is very complicated.

DETERMINATION OF AID PROGRAMS FOR RECIPIENT NATIONS

Mr. Hamilton, what procedure is utilized by your Agency, or by your Office, to determine the amount of aid that will be requested for a particular country?

Mr. HAMILTON. The procedures differ depending on which of the two foreign aid programs one is addressing oneself to.

Mr. PASSMAN. Just explain one of them.

Mr. HAMILTON. Speaking broadly, a distinction is drawn between the aid programs that are aimed at long-term economic development and those which are aimed at the immediate international security interests of the United States, which are governed primarily by military considerations. The resources of the latter program are three: (1) Military goods and supplies; (2) supporting assistance; and (3) contingency funds. That is on one side.

On the other side you have the long-range development funds which fall into two categories: development loans and development grants.

As to the military programs, which are still the bulk of the entire program, as you recall, last year we had $1.6 billion for supplies.

Mr. PASSMAN. They added one-half billion dollars of deobligated funds and applied $317 million to the amount, which brought it up to about $1.9 billion.

Mr. HAMILTON. Whatever the figure was. You have that very large figure for military supplies.

Then we had last year the supporting assistance funds. Then there was, in addition, the contingency funds.

Mr. PASSMAN. We understand about those funds. Let me put the question this way: When a project is suggested for consideration, upon

what basis do you finally approve the project? Is it by a benefit-cost ratio, or by a political consideration?

Mr. HAMILTON. We are getting away now, as much as we can, from the idea of projects.

Mr. PASSMAN. We observed that, but we want to know on what basis you make approvals. Do you approve a lump sum for a country; is that the way it goes now?

Mr. HAMILTON. No.

Mr. PASSMAN. Do you determine whether a project or program is worthy by a cost-benefit ratio, or by a political consideration?

Mr. HAMILTON. The consideration turns on whether one is speaking of the immediate national security type of program—Korea, Vietnam—or whether one is speaking of a program like the Indian program.

PROGRAM IN INDIA

Mr. PASSMAN. Let us consider India, for instance. How do you determine whether or not a project should be undertaken?

Mr. HAMILTON. For Indian development, as you know, there is a consortium which was established about a year ago.

Mr. PASSMAN. Is that where we give our money and the others make hard-boiled loans at a high rate of interest? How does Uncle Sam determine whether a project has met the criteria of the benefits exceeding the cost?

Do you have such a formula?

Mr. HAMILTON. Once Uncle Sam has agreed he will put up $500 million, if the Europeans will put up $500 million and the World Bank $250 million—these are roughly the figures for the consortium—then that money is committed against an overall Indian plan which envisages certain projects in the steel industry, certain projects in the transportation industry, et cetera.

Mr. PASSMAN. Funds are no longer committed to a program or a project, but to a plan, such as a 5-year plan. Did you say that?

Mr. HAMILTON. Yes.

The $1.2 billion committed—40 percent by us and the remainder by the others—contemplates a development plan that has in it both a number of projects and the purchase of various types of supplies—steel, cement, and so forth.

Mr. PASSMAN. So, in the future you are not going to say this ditch has been justified or this canal, or this street has been justified. We are to be committed to a 5-year program, or a 3-year program, depending on the country?

Mr. HAMILTON. No, that is not the case.

Every project has to be within the plan. That is the first thing, but not the last thing. Then, if they come forward with a particular facility, or a request for the purchase of so much steel, each project has to meet the statutory criteria.

STATUTORY CRITERIA

Mr. PASSMAN. Where is the statutory criteria established?

Mr. HAMILTON. In the Foreign Assistance Act of 1961. It includes such requirements as a reasonable prospect that the loan will be

repaid, and that the loan must be for a project of the kind that will contribute to the long-range development of the country.

Mr. PASSMAN. There are four pages listed as financed by the "Defense support" appropriation. I would suggest you refer to pages 2204 through 2207 of the hearings for fiscal 1961 to see what type of projects have been financed in the past by the "Defense support" appropriation. We shall insert the list in the record.

(The information follows:)

MUTUAL SECURITY DEFENSE SUPPORT PROJECTS

FISCAL YEAR 1960

Irrigation and drainage systems
Forestry resources development
Fisheries conservation
Improvement of water supplies
Malaria eradication
Civil police assistance
Agriculture and rural improvement
Land and water resources development
Fisheries development
Coal mine development
Mineral development (other than coal)
Telecommunications
Hydroelectric power development
Thermal power development
Power transmission and distribution
Primary system improvement
Chemicals and plastics
Other industrial base expansion
Food processing
Water resources survey
Industrial productivity
Industrial survey
Handicraft promotion center
Highway development
Expansion of railways
Harbor and shipping development
Air transport improvement
Disease control (excluding malaria)
Sanitarium expansion
Rural health and sanitation
Vocational agriculture education
Science education
Low-cost housing
Engineering services
Land and water use improvement
Fisheries development
Coal mining development
Development metals and minerals (other than coal)
Rehabilitation of thermal plants
Flood control
Rehabilitation and construction of power transmission and distribution system
Thermal electric generating plant
Services and training fertilizer plant
Medium industry development
Waterworks rehabilitation and expansion
City drainage
Highway and bridge construction and rehabilitation
Railway rolling stock
Railway construction
Railroad operations improvement
Diesel locomotives and shops
Port and harbor improvement
Marine navigational aids
Civil aviation operations improvement
Disease control
Environmental sanitation
Public health facilities improvement
Higher education
Improvement teacher training
Community assimilation and economic development
Voluntary agencies support
Housing construction materials
AFAK
General engineering services
Irrigation development
Industrial development and planning
Development of national road system
Improvement of river harbors and ferries
Police training
Customs service adviser
Rural self-help
Civic action
Operation Brotherhood
Medico
Agricultural credit and cooperatives
Strategic minerals survey
Industrial research (including Forest Products Research Institute)
Health training.
Vocational education.
University of the Philippines (improvement of curriculum, research, and laboratory equipment).
General education
Census project
Community development
General highway improvement
Meteorological service improvement
Village health and sanitation project
Civil police administration
Ground water exploration
Crop development
Improvement of irrigation and water control
Crop development
Fisheries development
Expansion of rural-urban water supply
Geological survey
Highway and bridge construction

Rehabilitation of inland waterways
Improvement and expansion of aeronautical ground facilities
Health services development
Expansion of medical education facilities
Expansion and improvement of technical vocational education.
Expansion and improvement of elementary education
Expansion and improvement of secondary education
Instructional materials development
Improvement of civil police
Strengthening civil guard
Expansion of Government information facilities

FISCAL YEAR 1961

Armed Forces vocational training
Improvement of water supplies
Civil police administration
Agriculture and rural improvement
Land and water resources development
Forestry development
Fisheries development
Coal mine development
Minerals development other than coal
Primary system improvement
Power transmission and distribution
Logging operations
Water resources survey
Material standards control
Building materials research center
Harbor development
Disease control
Municipal water supply improvement
Environmental sanitation
Medical and paramedical education
Hospital and other health facilities improvement
Rural health improvement
Trade and industrial education
Vocational agriculture education
Science education
Low-cost housing
Engineering services
Excess property (construction equipment)
CUSA administration
Flood control
Land and water use
Fisheries development
Coal mining development
Development of metals and minerals other than coal
Transmission and distribution system
Medium industry development
Central industrial research center
Waterworks rehabilitation and expansion
City drainage
Highway and bridge construction and rehabilitation
Railroad construction and improvement
Port and harbor improvement
Marine navigational aids
Civil aviation operations
National police modernization
Voluntary agencies support
Housing finance, planning, and construction
AFAK
General engineering services
Irrigation development
Development of national road system
Improvement of river harbors and ferries
Rehabilitation of airport
Community health
Teacher training
Civilian police administration
Rural development
Voluntary agency rural development activities
Operation Brotherhood
Bangkok-Saraburi Highway
Korat-Nongkai Highway
Highway equipment pool
Aeronautical ground services improvement
Meteorological services improvement
Village health and sanitation
Civil police administration
Ground water exploration
Crop development
Improvement of irrigation and water control
Land development (rural resettlement)
Agricultural credit and cooperative organizations
Fisheries development
Nong Son coal mine development
Expansion of water supply systems
Highway and bridge construction
Rehabilitation of inland waterways
Improvement and expansion of aeronautical ground facilities
Health services development
Expansion of medical education facilities
Expansion and improvement of elementary education
Expansion and improvement of secondary education
Instructional materials development
Improvement of municipal police and surete
Strengthening of civil guard
Modernization of accounting and auditing systems.

NOTE.—DS projects with dollar financing as proposed in the presentation books for fiscal year 1960 and fiscal year 1961.

FEASIBILITY STUDIES

Mr. HAMILTON. There have to be feasibility studies and there have to be adequate engineering studies. For example, the Indians have approached us for a loan on a large steel mill, and that raised a number of questions. If you put a new steel mill in an underdeveloped country, you have the question of whether they have the coking coal, the gondolas and the management.

What we did there was to get United States Steel to agree to head up an engineering group, which will go out and make a report on whether or not in their view it is a feasible project. There are various engineering feasibility studies that are made.

Mr. PASSMAN. By American or Indian engineers?

Mr. HAMILTON. U.S. engineers.

There was a point of contention in this case. The Indian Government in this case wanted it all done by an Indian engineering firm and we said, "Certainly not. We will have to have it done by an American engineering firm."

I think now they welcome the idea of having United States Steel going out with several other steel companies to make a survey.

Mr. PASSMAN. In the past, Mr. Director, we have been able to discuss programs and projects as such. Scores of them have been abandoned because we found the cost-benefit ratio to be very unfavorable. Some were very imprudent and the agency admitted it. Almost every new director has indicated that he is going to clean the thing up. Now we find, however, that you have the same people administering the programs, except for the top administrative personnel.

I am interested in programs and projects, such as possibly an irrigation canal that has been approved after a survey and after it has been established the benefits will exceed the costs. We have not pinned down a thing during this discussion other than that you have a certain long-range program.

ESTABLISHING COST AND NUMBER OF PROJECTS

Do you actually have any way of determining the number of projects and the cost of each project, and whether it has been engineered on the basis that the return will exceed the cost?

Mr. HAMILTON. The criteria which each of these projects must meet——

Mr. PASSMAN. That is what the law says, but I am not talking about that.

What I want to know is, do you have any way of establishing that you have certain projects, or programs—maybe a deep well, or perhaps an irrigation canal, or a flood control project—that has been properly engineered, that you have established the total cost of the project, and you can inform the committee as to the cost-benefit ratio. Those are the criteria we follow in America.

Mr. HAMILTON. That is not the criteria as I read it in the statute.

Mr. PASSMAN. You do not have that criteria to go by?

Mr. HAMILTON. There may in some cases be information that would meet that criteria, but the criteria we understand we are supposed to follow, and that we do follow, is the statutory criteria of section 611.

USE OF UNOBLIGATED FUNDS

Mr. PASSMAN. The law calls for a lot of things as I found out in Spain. There is a little sleeper in the bill to the effect that unappropriated 1962 funds could be taken and obligated for 1963 personnel payrolls.

You can actually take unobligated funds and obligate them for personnel to be used on projects not yet authorized.

Mr. HAMILTON. As I understood it, the Spanish program is in the process of termination.

Mr. PASSMAN. We understood the same thing, but we learned differently when we got there and found what the situation actually is. The thing is not established on the basis of programs and projects, but on the basis of a 5-year plan in general.

STATUTORY LIMITATIONS ON LONG-TERM COMMITMENTS

Mr. HAMILTON. They are established pursuant to the requirements of section 611.

Mr. PASSMAN. I understand that, but the record shows that you are making a contribution to a 5-year plan for India, and in that plan you may have a steel mill, you may have irrigation, but nevertheless, our commitment is to a plan for a certain period.

Mr. HAMILTON. Our commitment is only to the plan and to such projects within the plan as meet the statutory requirement. The plan is an additional requirement.

COMPARATIVE RISK IN CONSORTIUM ARRANGEMENTS

Mr. PASSMAN. If a consortium is established where the benefits to be derived are determined to be 50 cents for each $1 spent, and we are to give 50 percent of the funds in the form of an easy loan and the other people in the arrangement are to advance hard-boiled loans for their 50 percent, those making the short-term, high-interest loans are not really taking any chance because it is a 50 percent project. We are giving ours. Even people downtown know we are not going to collect on our loans. The other loans would be fairly well secured. The Germans, the Canadians, and others are making the same type of loans they made years ago, a good hard-boiled loan at a high rate of interest, repayable over a short term.

ALLOCATIONS FROM CONTINGENCY FUNDS

Have you had an opportunity to read the record where in prior years, one year in particular, the Agency took the contingency fund in the regular appropriation and allocated out of both funds for the same project about the same day in about the same amount we had made the reduction?

Mr. HAMILTON. Did I do that?

Mr. PASSMAN. Have you had an opportunity to check into the abuses of the contingency fund that I have mentioned?

Mr. HAMILTON. Was that while I have been there?

Mr. PASSMAN. No. We are speaking of fiscal years 1960 and 1961. I suggested that you have a look at the record.

Mr. HAMILTON. I had to be out of town over the weekend, but I will have a look.

Mr. PASSMAN. I wish you would do so. You might want to refer to page 2163 of the hearings of 1961, captioned "Allocation to Defense Support." That is the present supporting assistance that is eventually going to development credits, still a disguised grant.

This is quoted verbatim:

Mr. PASSMAN. On what date did you transfer out of the contingency fund, or did you allocate from the contingency fund, over to "Defense support?"

Mr. BELL. The first allocation or approval of programs was on November 5.

Mr. PASSMAN. On what date did you allocate your regular "Defense support," your first allocation to the programs?

Mr. BELL. The same.

Mr. PASSMAN. You used the contingency, and you allocated from the contingency fund at the time you allocated for the regular "Defense support"?

Mr. BELL. Yes, sir.

We are not going to keep the contingency fund sacred this year.

Mr. ROONEY. With regard to this exhibit that has been handed across the table, is this a mistake at the top of the page, "Use of Contingency Funds as of May 31, 1961"? Should that be May 31, 1962?

Mr. HAMILTON. It should be 1962. You are quite right, sir.

Mr. PASSMAN. The purpose of getting into the various funds the other day is because we have so many separate appropriations, or have had in the past.

Mr. HAMILTON. Over the years and under different names.

Mr. PASSMAN. Yes. There are still substantial amounts 7 or 8 years old being carried on the books. The Development Assistance appropriation is a very old one. The President's Asian Fund is another.

I thought you would like to have a copy of this for your file. On the list are some of the funds that have been previously appropriated to meet various situations.

Now we mix them up and call all of it "supporting assistance."

Mr. HAMILTON. Thank you.

DEOBLIGATION-REOBLIGATION AUTHORITY

Mr. PASSMAN. Mr. Director, for many years your agency had deobligation and reobligation authority. In fiscal year 1961, the Congress rescinded this authority, but then allowed you to resume it again during this fiscal year.

Mr. HAMILTON. Yes.

Mr. PASSMAN. The 3-year average of deobligations prior to 1961 was about $155 million yearly, and the 1962 budget indicated that the 1960 deobligation would be $6.9 million, which was increased during the last year's hearing to $66 million.

Now this year the budget indicates actual deobligations of $71.5 million in 1961 and $95 million is estimated for 1962, which undoubtedly is on the low side. Apparently, now that the Agency has the deobligation authority, the administrators are happy to deobligate funds if there is no danger of losing them. Is that a correct statement, or assumption, tied in with the figures I have given?

Mr. HAMILTON. I do not know these figures.

Mr. PASSMAN. I stand on the figures because they are taken from your records.

Mr. HAMILTON. I am informed they are correct, as I expected they would be.

Mr. PASSMAN. What can the committee do other than take the right to deobligate and reobligate out again?

This is not a very favorable picture. It looked all right until we turned it loose. Then it skyrocketed.

Mr. HAMILTON. I suppose it raises the question of the total amount of funds that are obligated. These are very large sums of money, and when one is trying to do a prudent management job, there would obviously be situations that developed where funds should be deobligated.

Would it not be the case, or would it, that the reasonableness of the amount of funds deobligated would be proportionate to two things: (1) The total amount of funds that were obligated; and (2) the nature of the enterprise in which one was in?

I can see, for example, if one were running a postal office department where he has a fairly steady workload the situation would be different. I will have a look at it.

Mr. PASSMAN. When we rescinded the authority there was one picture. Then when we reinstated it, the thing skyrocketed, which is a good indication of what actually happened. It speaks for itself.

I wish you would have a look. We shall take a short recess.

(A short recess was taken.)

Mr. HAMILTON. Before adjournment, you were raising a question as to the deobligation of funds.

Mr. PASSMAN. Yes.

Mr. HAMILTON. And you pointed out in fiscal year 1961, when there was not the authority to deobligate, the amount deobligated was $70 million, and that this year——

Mr. PASSMAN. What year was $70 million?

Mr. HAMILTON. Fiscal year 1961.

Mr. PASSMAN. We show $71.5 million.

Mr. HAMILTON. Yes, $71.5 million.

Mr. PASSMAN. Could we go back and discuss it from where we started this?

Mr. HAMILTON. Yes.

Mr. PASSMAN. The 3-year average of deobligations prior to 1961 was about $155 million per year, and the 1962 budget indicated that the 1961 deobligations would be only $6.9 million, which were increased during last year's hearings to $66 million. This year, the budget indicates actual deobligations of $71.5 million in 1961, where we were given $6.9 million and later $66 million; and $95 million is estimated for fiscal year 1962, which is undoubtedly on the low side, if history means anything in this operation.

I said that apparently when the Agency has the deobligation and reobligation authority the administrators are happy to deobligate funds if there is no danger of losing them.

Mr. HAMILTON. In that regard, I would like to point out that the deobligation activity, like other activities, would presumably be in proportion to the amount of funds available. That is to say, if one had a $1 billion level of activities as against $2 billion, one would assume there would be more deobligation with $2 billion than with the 1. The actual total economic assistance—and I am referring to volume 3, page 3, of the brown book before you gentlemen, proposed

regional programs for 1963—shows that the fiscal year 1961 total obligations were $2 billion-plus. That was the year when $70 million was deobligated.

The estimate for 1962 is $2.9 billion, or almost 50 percent more, while the estimate for the amount of deobligation is $95 million.

In other words, I suggest that the differences between the amounts deobligated in 1961 and likely to be deobligated in 1962 are directly proportionate to the difference in the size of the total amount of funds.

Mr. PASSMAN. Of course, you are including the Development Loan Fund, where there is very little deobligation. Throwing that in makes a better story. If you leave that out, what is the picture?

Mr. HAMILTON. Well, I do not know. I will have to supply that information.

Mr. PASSMAN. That would be the proper way to discuss it. Get it in the field where you usually have deobligations, rather than add accounts where there are very few deobligations.

Mr. HAMILTON. I do not have it broken down.

Mr. PASSMAN. There is not as high a percentage of deobligations in DLF as in the other programs and if you leave out DLF that changes the picture.

Mr. HAMILTON. I can illustrate this by a situation we have in Vietnam.

Where I think it makes sense in the national interest to have the power to deobligate, if I may say so, is when you have a situation like Vietnam where last fall the Communists stepped up their guerrilla activity.

(Off the record.)

Mr. PASSMAN. How much did you deobligate in Vietnam?

(Off the record.)

Mr. PASSMAN. We are getting completely off the question. You are dealing with something current, where there has been no deobligation. Would you deal with the history outlined?

(Off the record.)

Mr. HAMILTON. I am saying that these two funds, the Supporting Assistance Fund and the Contingency Fund, are the principal source of authority that the President has in meeting the play of international tensions as they come and go, and that if there is not the power to obligate and deobligate, once one makes an obligation, then one is frozen.

If you cannot deobligate, these fellows have a call on you for the money, and you have no flexibility to trade. If you cannot obligate and deobligate, if you just get frozen, you lose your flexibility, and the program becomes less effective.

Mr. PASSMAN. Would you tell us how much of this money was obligated and how much was programed?

Mr. HAMILTON. How much money? The funds generally that are on this paper as a whole relate to programing.

Mr. PASSMAN. But not obligated?

Mr. HAMILTON. Not necessarily.

Mr. PASSMAN. How could you deobligate funds you have not obligated?

Mr. HAMILTON. You could not, but ——— was obligated.

Mr. PASSMAN. You are still dealing with programs and not an actual obligation.

Mr. HAMILTON. It was all programed.

Mr. PASSMAN. But not obligated.

Mr. HAMILTON. Some of it, was, and some not.

Mr. PASSMAN. Where do you find the amount obligated? You are making your case on the basis that you deobligated in Vietnam when you had not even obligated.

Mr. HAMILTON. The purpose of this exhibit was for a different point.

Mr. PASSMAN. It may have been, but we are dealing with the fact that you did not obligate it.

Mr. HAMILTON. My understanding was we obligated the $——— but did not obligate the remainder.

Mr. PASSMAN. I am afraid we are not getting it straight. We are talking about what money you had obligated and deobligated, not what you programed and had not obligated.

Mr. HAMILTON. What I am trying to illustrate is that if we obligate funds of this supporting assistance type, which in many cases are for budget support, and then cannot deobligate, we are frozen.

USE OF DEOBLIGATED FUNDS TO INITIATE NEW PROJECTS

Mr. PASSMAN. You have a right to deobligate, and you should do so. The point I want clear is that the record is loaded with many cases where the Agency would take a small amount of deobligated funds and spread it very thin, even before there was a Vietnam crisis or Berlin crisis, on projects the Congress had not specifically authorized. The reobligation may be a very small amount, even to where the Agency might obligate one-half of 1 percent of the total cost of the new project, then list it in the justifications under the heading of "C," which would be a continuing project. We found many projects of different types were started that had nothing to do with any emergency out there. The next year the project would come to us on the basis of a continuing project. We would discuss new projects and recommend funds for continuing projects, only to find out later that a good many of the continuing projects had never been authorized by Congress. But, under the law, the Agency could take deobligated funds and start a new project that had actually never been authorized by the Congress, had never even been presented to the Congress. The record is full of that type of material. It was before your time, of course.

Mr. HAMILTON. Was it not also before you had this distinction we now have—I think this is the relevance of this document—where we are trying to draw a clear-cut distinction between the foreign-aid program that relates to our day-to-day national security situation, primarily military, and the development program with development loans and development grants? If you find any case while I have this responsibility in which people are deobligating Development Loan Funds from a project and then trying to spread it out and get six more projects going, then you can certainly criticize me right on the record.

Mr. PASSMAN. It is my purpose to understand and to have you understand your Agency and what it has done in the past. I am speaking of the Agency and no one personally. You told us earlier that the same people are running the show in the field as in the past.

Mr. HAMILTON. I said we had a large number of the people who were there before.

Mr. PASSMAN. All but 274.

Mr. HAMILTON. I did say the top management here is new. There is not a single solitary Presidential appointee of the 12 who came directly from ICA, and our missions are also being changed. You have a situation where 80 percent of your money goes into about 25 countries. You do not have to change statistically the whole 80 to get an impact. We are trying to change the missions.

Mr. PASSMAN. Do you understand there is a purpose for this kind of question?

Mr. HAMILTON. Yes, sir.

Mr. FORD. Will the chairman yield?

Mr. PASSMAN. Certainly.

DEOBLIGATIONS AND REOBLIGATIONS OVER 5-YEAR PERIOD

Mr. FORD. I think it would be helpful for the record if we show the deobligations by accounts for the 3- or 4-year period the chairman used and the reobligations in the same accounts—I assume they would have to be—from, say 1957 through 1962. Is that the timespan?

Mr. PASSMAN. Let us cover it for 5 years.

Mr. HAMILTON. Yes, sir.

(The information follows:)

AGENCY FOR INTERNATIONAL DEVELOPMENT

Deobligations and reobligations—by function, fiscal year 1957 through fiscal year 1962 (as of Mar. 31, 1962)

[In thousands of dollars]

Fiscal year	Defense support		Special assistance		Technical cooperation		Other		Total	
	Deobligations	Reobligations	Deobligations	Reobligations	Deobligations	Reobligations	Deobligations	Reobligations	Deobligations	Reobligations
1957	$89,894	$80,995	$18,754	$12,616	$15,066	$2,250	$4,105	$890	$127,819	$96,751
1958	107,182	99,432	13,149	20,040	15,478	14,534	8,269	54	144,078	134,060
1959	96,418	92,008	30,080	33,117	16,878	14,627	9,884	7,114	153,260	146,866
1960	107,702	88,649	34,019	40,951	18,216	14,398	1,033	102	160,970	144,100
1961 [1]	46,899	--------	7,060	--------	14,654	--------	919	--------	69,532	--------
1962 (as of Mar. 31, 1962)	[2] 21,588	[2] 13,290	[3] 12,598	[3] 2,016	--------	--------	--------	--------	34,186	15,306

[1] No authority to reobligate in fiscal year 1961.
[2] Termed "Supporting assistance" rather than "Defense support."
[3] Termed "Development grants" rather than "Special assistance."

Mr. PASSMAN. We are just trying to find out whether or not the same practices are being continued in the field and that the record is completely clear. Many projects have come to us under "C," which means continuing projects, that had just a few dollars allocated, which put them in a continuing status even though they had never been presented to Congress.

NECESSITY FOR DEOBLIGATION AUTHORITY

Mr. FORD. May I add this footnote, Mr. Chairman. I strongly feel that the right to deobligate is necessary. I do not want an agency frozen into an obligation that time passes by. I think that would be very unwise from the point of view of the Congress.

On the other hand, I do not want them to make unwise initial obligations just to get the money obligated so they do not lose it before the end of a fiscal year or for some other year. Nor do I want them to do it to cover up the fact that they cannot obligate it someplace else in time to keep the money.

Mr. PASSMAN. I am not in disagreement with your views. The Agency should have the right to deobligate. I might say, however, that in many accounts it is not necessary to deobligate. It automatically expires at the end of the year. In the past the record shows funds that it appeared were going to be lost would immediately be deobligated, then this money would be spread across maybe 50 projects. By this maneuver they could come to the committee with dozens of projects and say that money was needed for a continuing project. We did not know but what it had been justified to Congress. We found many on which they were spending money and not one had been mentioned to Congress. Those are the kind of practices we are trying to avoid.

The record will show that has been the practice in the past. We shall be happy to refer you to page numbers, as we did with the contingency fund, so you will know there is reason for this line of questioning.

WORLDWIDE EXTENT OF AID PROGRAM

I think your records indicate 80 countries are receiving aid, while ours indicate that 97, or more, past and present, are receiving some type of foreign aid.

Mr. HAMILTON. Past and present?

Mr. PASSMAN. I mean, for example, contracts have expired that you are still putting money in. You are still making payments to the United Kingdom on some old projects. They are still getting money out of the AID program. I say that from obligations, past and present, expenditures are being made in 97 countries.

DETAILS ON COMMITMENTS TO INDIA FOR FISCAL YEAR 1962

Let us deal with India, just one nation, which is a pattern to some extent that can be applied to others in the same category. If you could tell us (1) the commitments made to India out of fiscal 1962 funds, (2) the total amount out of each category, whether the commitment was for commodities or for public works improvements. Furnish this information by project. Give us the amount of allocation to the project, the total cost of the completed project, the terms upon which the money will be repaid, the rate of interest, if any, on the loan, and the maximum maturity dates.

Mr. HAMILTON. Yes, sir.

Mr. PASSMAN. For any of those projects in which you have other nations participating, give us the amount of their commitment, the terms of repayment, and the rate of interest.

Mr. HAMILTON. For each project?

Mr. PASSMAN. Yes. Then we will have one country that we can discuss this thing in some detail.

Mr. HAMILTON. Yes, sir.

Mr. PASSMAN. It is so wide open now that it is almost impossible to pin any of it down. If we are not going to deal with projects, then it is impossible for us to do what we have in the past, which has been to investigate particular projects in particular countries. If you can, if the information is available, also give us the time required to engineer each project and the cost-benefit ratio.

Mr. HAMILTON. Very well, sir.

(The information supplied follows:)

Fiscal year 1962 program for India

	Total cost foreign exchange and rupees	U.S. loan value	Date loan authorized	Interest rate	Terms of repayment	Maximum maturity
Project:	*Millions of dollars*	*Millions of dollars*				
Cambay thermal powerplant.	52.5	33.6	July 28, 1961	¾ of 1 percent.	In U.S. dollars.	40 years.
Bandel thermal powerplant	54.2	38.0	Nov. 30, 1961	do	do	Do.
Pamba-Kakki hydroelectric powerplant.	58.9	20.2	Mar. 23, 1962	do	do	Do.
Trombay thermal powerplant.	26.3	17.9	May 29, 1962	do	do	Do.
Patherdih coal washery plant.	7.7	4.2	Jan. 24, 1962	do	do	Do.
Premier automobile manufacturing plant.	[1] 3.0	3.0	Dec. 18, 1961	do	do	Do.
Hindustan Motors, Ltd	21.4	15.8	(2)	do	do	Do.
Industrial Finance Corp	[1] 20.0	20.0	Mar. 16, 1962	do	do	Do.
Rayon tire cord factory	15.7	9.8	do	do	do	Do.
Railway program	43.0	43.0	May 31, 1962	do	do	Do.
Total project		205.5				
Nonproject: Industrial raw materials, components, steel, etc.	[1] 200.0	200.0	Mar. 16, 1962	¾ of 1 percent.	In U.S. dollars.	Do.
Grand total	[1] 502.7	405.5				

Other local or foreign exchange costs of project or nonproject nature over the years not included in this report.

[1] Development Loan Committee approved June 14, 1962.

DEVELOPMENT GRANTS

Mr. PASSMAN. Of course, there are hundreds of projects falling in the technical aid field. You have changed the name again. What is it called now?

Mr. HAMILTON. Development grants.

Mr. PASSMAN. That is the successor to point IV, or technical assistance?

Mr. HAMILTON. Yes, sir; although I am told—you know much more about that than I—that while $156 million was appropriated in fiscal year 1961, this year we struggled with $296.5 million——

Mr. PASSMAN. Struggled with it?

Mr. HAMILTON. I mean you have an additional increase.

Mr. PASSMAN. More than could be prudently administered?

Mr. HAMILTON. No, I would not say that. I think it runs to about 26 cents per capita in the 1,250 million people involved. So that you

have to shoot with a rifle to get results even though the sums are enormous. While $156 million was the appropriation in 1961, actually other categories such as special assistance funds were used for similar purposes.

REVIEW OF EXISTING PROJECTS

Mr. PASSMAN. Mr. Director, last year Mr. Labouisse indicated the agency was in the process of reviewing some 900 existing projects, to determine if they were consistent with the legislative criteria and which should be continued as planned, eliminated, or reduced or expanded.

On how many of the 900 projects have you completed your investigations?

Mr. HAMILTON. In the first place, Mr. Chairman, when I looked into the numbers of projects, I found that going by the numbers was a rather illusory thing for the reason that you might have one project that involved 20 or 30 technicians doing a malaria program, for instance, yet you might have another project that only had two technicians, so that the number of the projects did not really reflect in any rational way the scope of the activity.

Mr. PASSMAN. We are told one thing one year and then you undo it the next year. Which line of thought shall we follow?

Mr. HAMILTON. As soon as I undertook the responsibility, we called in the program officers successively from two regions and had meetings with program officers in two other regions in the field, which covered all of them. We talked to them about the new criteria, and we started a review of the projects. I would say at least 80 percent of all the projects have now been reviewed and steps have been taken to try to get them reoriented.

Mr. PASSMAN. Did you review them in the field or here at Washington?

Mr. HAMILTON. Half of them were reviewed in the field.

Mr. PASSMAN. Could you give us the country, the date of the review, and who participated in the review on the projects that you have eliminated?

Mr. HAMILTON. No, and I could not for the reason that the manner in which the review was conducted was this: In the case of two of the regions, a senior official was sent from Washington and had a meeting in the regions with the program officers from each of the countries concerned, explained to them what the new emphasis was going to be, and that we were going to try to concentrate in certain areas of technical assistance. He reviewed his meetings and made reports.

Mr. PASSMAN. The reviewing officials will be available if questions are asked?

PROJECTS TERMINATED

Mr. HAMILTON. Yes. That is why I say that although we have a figure, I think it is of very little significance from the standpoint of substance. It indicates 314 projects wound up.

Mr. PASSMAN. In fiscal year 1962?

Mr. HAMILTON. Yes.

Mr. PASSMAN. You say "wound up." Does that mean completed?

Mr. HAMILTON. Terminated, either stopped or completed.

Mr. PASSMAN. Could you find out how many of the discontinued, terminated or stopped projects had not been justified to Congress?

Mr. HAMILTON. We will see if we can. At least, on the basis of my experience, I would not want you to attach too much significance to that because there are 47 in the Far East, 49 in Africa——

Mr. PASSMAN. What are we not to attach significance to, or very little?

Mr. HAMILTON. I would not advise you to rely on the fact that if there are 900 projects and 314 were terminated, that that would mean that one-third of the activity had been affected. It might be much more than one-third, or it might be much less than one-third. As I have said, we have a vast malarial project, for example, in India, which may involve the expenditure of very large sums of money and activities of a very large number of people, but that is only one project. On the other hand, there may be a single agronomist out in some place working with some people trying to set up a model farm, and that, too, is one project. I do not want to give you the impression that these figures are giving you the kind of information you want.

Mr. PASSMAN. Our objectives are the same. If 900 existing projects were being reviewed, there is bound to be some way——

Mr. HAMILTON. 314 of those were terminated.

Mr. PASSMAN. There must be some way to determine how this number was arrived at, or ascertained.

Mr. HAMILTON. They have an index. I can get you a list of all the projects.

Mr. PASSMAN. How many of them did you eliminate?

Mr. HAMILTON. 314.

TOTAL EXPENDITURES FOR PROJECTS TERMINATED PRIOR TO COMPLETION

Mr. PASSMAN. Do you know the total cost of those projects you eliminated?

Mr. HAMILTON. I can find out the annual rate.

Mr. PASSMAN. We want the total, because some of these things are projected to be completed in 1970 or 1971.

Mr. HAMILTON. You mean expenditure so far?

Mr. PASSMAN. The amount of expenditures.

Mr. HAMILTON. From the time they began until terminated of the 314?

Mr. PASSMAN. Yes, and give the reasons why they were terminated.

Mr. HAMILTON. Yes. Our endeavor has been to try to concentrate these programs.

Mr. PASSMAN. The fact is quite obvious that a lot of projects should not have been started. We are trying to keep some degree of control.

(The information follows:)

Projects terminated in fiscal year 1962—Africa programs

[In thousands of dollars]

Country and project title	Fiscal year 1962		From beginning of project to June 30, 1962		Reason for termination
	Obligations	Expenditures	Obligations	Expenditures	
Cameroon: English language consultants	186		186		Completed. Project goal accomplished.
Dahomey: Public health	250		250		Completed. Concentration on goals of higher priority.
Republic of Congo (Leopoldville): Forestry training	50	5	57	7	Completed. Project goals accomplished.
Niger:					
Public Health, endemic disease control	100		100		Do.
District government support	220		220		Do.
Total, Niger	320		320		
Ethiopia:					
Agricultural farm machinery	27	22	212	194	Completed. Project goals achieved.
Zula plains survey	24	46	46	46	Do.
Well drilling project	50	138	240	225	Do.
Mapping and geography institute	34	59	261	228	Despite value and progress realized, lack of reforms and inadequate country support preclude continuation under AID criteria.
Livestock improvement	46	80	403	367	Do.
Community development	45	210	1,066	769	Do.
Communication Media Center	104	101	373	332	Do.
Total, Ethiopia	350	656	2,601	2,161	

Projects terminated in fiscal year 1962—Africa programs—Continued

[In thousands of dollars]

Country and project title	Fiscal year 1962		From beginning of project to June 30, 1962		Reason for termination
	Obligations	Expenditures	Obligations	Expenditures	
Kenya: North Nyanza education development	100	122	358	160	Completed. Project goals achieved.
Liberia:					
Agriculture experimentation	199	119	1,027	877	Completed. Concentration on goals of higher priority.
Departments of Agriculture and Commerce	520	334	2,052	1,589	Reoriented. Activities now under government reorganization management development.
Highways	215	234	2,597	2,282	Do.
National public health services	48	16	127	65	Do.
Transportation Survey	60	----------	60	----------	Completed. Project goal accomplished.
Total	1,042	703	5,863	4,813	
Morocco:					
Agriculture survey team	20	----------	20	----------	Do.
Land classification	14	26	114	99	Reoriented. Activities now under agronomic research project.
Irrigation development	30	44	94	92	Completed. Continuing, assistance through DL, Public Law 480 (title II) and L/C generated by SA.
Total, Morocco	64	70	228	191	
Libya:					
Soil and service water conservation	57	168	2,973	2,382	Completed. Project goals substantially accomplished.
Forestry	16	172	1,058	985	Do.
Instructional materials	11	11	699	362	Lack of cooperation by GOL.
School construction	3	103	2,949	2,524	Completed. Project goals substantially achieved.
Agricultural equipment maintenance	15	47	375	346	Do.
Domestic water supplies	15	20	1,618	1,277	Do.
Minerals investigation	57	58	397	382	Do.
Industrial development	38	46	327	302	Lack of cooperation by GOL.
Community development	40	36	1,541	926	Do.
Communications media	27	26	978	846	Do.
Total, Libya	279	687	12,915	10,332	

Malagasy:						
Shipping study	6	6	6	6	Completed.	Project goals accomplished.
Public safety project	182	11	182	11	Do.	
Total, Malagasy	188	17	188	17		
Federation of Rhodesia and Nyasaland:						
Transportation survey	100		100		Do.	
Aided self-help housing	35	35	63	63	Completed.	Concentration on goals of higher priority.
Total, Federation of Rhodesia and Nyasaland	135	35	163	63		
Sierra Leone:						
Audiovisual aids	157	85	242	85	Completed.	Project goal accomplished.
Transportation survey	75		75		Do.	
Total, Sierra Leone	232	85	317	85		
Somali Republic:						
Patrol boats	250	30	250	30	Completed.	Only commodities being furnished.
Civil aviation	219		219		Do.	
Civil service training	55	81	201	165	Concentration on goals of higher priority.	
Total, Somali	524	111	670	195		
Tanganyika:						
Road materials testing and use	16	16	32	32	Completed.	Concentration on goals of higher priority.
Trade training	20	23	29	29	Do.	
Total, Tanganyika	36	39	61	61		
Uganda:						
Home economist		17	30	30	Do.	
Trade school (technical training school)	20	120	459	459	Completed.	Project goal accomplished.
Total, Uganda	20	137	489	489		
Tunisia:						
Crop production improvement	13	55	320	300	Completed.	Concentration on goals of higher priority.
Strengthening animal production	3	43	95	95	Completed.	To be funded entirely from counterpart funds.
Grassland improvement	10	22	91	91	Reoriented.	Activities now under soil conservation and land use.
Aid to commercial fisheries	17	45	125	125	Completed.	Project goal accomplished.
Fresh fruit and vegetable marketing	21	43	88	88	Do.	
Total, Tunisia	64	208	719	699		

Projects terminated in fiscal year 1962

[In thousands of dollars]

Project No.	Project title	Fiscal year 1962		From beginning of project to June 30, 1962		Explanation for termination
		Obligation	Expenditures	Obligation	Expenditures	
	Total	8,217	13,351	54,311	41,922	
	Cambodia	368	567	3,302	2,974	These projects are being terminated in accordance with agency policy of concentration of assistance within a sector. Many of the objectives of these projects have been achieved as noted for each project; and these portions of the projects are being discontinued. All continuing activities related to increased agricultural production and income are being incorporated under a new project, development of agricultural resources.
W-11-AC	Agricultural extension	66	62	414	376	Some project activities have been completed. A new agricultural extension has been organized and key central office and field specialists trained. An agricultural information service has been developed. Future assistance for training of field agents and for coordinating extension activities with national agricultural programs will be furnished under the new combined development of agricultural resources project.
W-12-AD	Development of irrigation and drainage system.	55	108	1,421	1,404	With heavy equipment construction materials and technical assistance furnished under this project, irrigation has been restored to 100,000 hectares (250,000 acres) of farmland through rehabilitation and expansion of several irrigation systems. There are no further plans for the financing of major irrigation construction.
W-18-AH	Fisheries development	26	25	144	116	The project has accomplished its limited objectives of (1) helping establish a separate fisheries service in the Ministry of Agriculture and (2) conducting surveys as a basis for developing a fisheries conservation program. Additional participant training, if required after fiscal year 1962, will be carried out under the new combined development of agricultural resources project.
W-13-AE	Crop development	76	165	595	472	Substantial progress has been made toward the project's objective of developing a Cambodian crop and soils organization including (1) a central agronomy headquarters, (2) a soils laboratory, (3) a central experiment station and soils laboratory, and (4) 5 supporting regional crop stations. Further assistance to the developing of crop and soils program will be provided under the new combined development of agricultural resources project.
W-13-AF	Livestock improvement and animal disease control.	145	207	728	606	This project was designed to assist in the development of livestock and poultry production industries, with attention focused initially on prevalence of serious animal diseases. A major objective of virtually eliminating the rinderpest disease has been accomplished. Further assistance in development of a new livestock breeding research station and improving farm animal production will be carried out under the development of agricultural resources project.

	China	646	1,101	7,581	6,472	In the light of the new AID criteria, a thorough program review was carried out early in fiscal year 1962. This review took into account not only the primary obstacles to further economic development, but also the progress already achieved in relation to stated goals. A decision was made to concentrate future effort in the general fields of industry, agriculture, and public administration, and to terminate the projects listed below in fiscal year 1962.
Y-21-AM	Coal mine development	29	75	1,804	1,715	This project was designed to assist the GRC in exploration programs to determine coal reserves in possible and known coal-producing areas in Taiwan and to increase the production and lower the production cost of coal. This project has (*a*) proven minable coal reserves of over 200,000,000 metric tons, (*b*) proven that an area of over 1,000 square kilometers, previously considered as possibly coal producing, cannot be economically mined, (*c*) completed the reestimation of Taiwan's coal reserves, and (*d*) contributed directly to an annual increase in coal production through the improvement of a number of mines.
Y-21-AB	Mineral development	33	550	727	643	This project assisted the Chinese in the exploration, evaluation, and exploitation of mineral resources in Taiwan. Assistance was provided in (*a*) exploration of known and possible resources of copper, pyrite, gold, and other ores and minerals; (*b*) testing and evaluation of reserves; (*c*) stimulation of production; and (*d*) institution of adequate research and service facilities.
Y-39-BC	General transportation training	31	20	138	107	The purpose of this project was to improve the technical competence of the various agencies related to transportation by providing training and observation in the United States or 3d countries for selected engineers and specialists working in transportation fields. By the end of fiscal year 1962, more than 40 participants will have received training under this project.
Y-51-AF	Malaria eradication	20	5	170	150	The objective of this project was to eradicate all malaria from the island of Taiwan by 1963, or sooner, if possible. The project has been highly successful and malaria has, for all practical purposes, been eradicated.
Y-51-AG	Disease control	102	90	684	509	The objectives of this project were (*a*) in coordination with WHO, to provide early diagnosis and drugs for treatment of ambulatory cases of tuberculosis and (*b*) to control and attempt the eradication of filariasis from the Pescadores and prevent its further spread on Taiwan. The death rate from tuberculosis of all forms has declined dramatically from a high of 285 per 100,000 of population in 1947 to 60 or less at present. The incidence of filariasis has been reduced and its growth is inhibited.
Y-52-AH	Sanitation and water supply	40	36	410	352	This project was designed to assist the Taiwan Provincial Institute of Environmental Sanitation in its functions of conducting investigations on problems of environmental sanitation and improving sanitary conditions by the use of pilot plants and demonstration areas and to assist the Provincial department of reconstruction assistance in its plan for the improvement of water supplies in Taiwan. More than 500 sanitation technicians have been trained and are now working at the local level, several village demonstration areas have been completed, more than 3,000 shallow and 700 deep wells have been completed or extended, and 31 village and city water supply systems have been rehabilitated.
Y-54-AI	Medical and paramedical education	87	130	1,079	856	The purpose of this project was to increase the number and competence of medical and paramedical personnel in Taiwan. To this end, the National Taiwan University College of Medicine, the National Defense Medical Center, schools of dentistry and nursing, and other institutions have been assisted in renovating, expanding, and improving their physical plants. Postgraduate courses have been established, training of laboratory and other technicians expanded and improved, and faculty members of U.S. medical schools provided as short-term consultants.

Projects terminated in fiscal year 1962—Continued

[In thousands of dollars]

Project No.	Project title	Fiscal year 1962		From beginning of project to June 30, 1962		Explanation for termination
		Obligation	Expenditures	Obligation	Expenditures	
Y-55-AJ	Hospital and health facilities	203	100	688	484	The objective of this project was to help the GRC provide adequate health and hospital facilities for the people of Taiwan. Assistance has been provided in the rehabilitation and expansion of 10 important hospitals, the training of medical and public health personnel, the performance of surveys of the entire complex of Taiwan health agencies, and the integration of provincial and local units.
Y-69-BB	Education administration and development.	101	95	1,881	1,656	This project was designed to provide assistance to the GRC in improving teacher training and instituting a building materials research center. An audiovisual section, distributing materials on an islandwide basis, has been established; an educational materials center has been inaugurated; and technical assistance has been provided in the modernization of instructional materials, methods of instruction, and curriculum.
	Indonesia	5,102	7,014	16,077	10,680	
W-19-AA	Expansion and modernization of fisheries facilities.	55	88	685	647	Funds made available for the training, technical assistance, and industrial commodities for the expansion of fish production and preservation facilities helped to achieve the objectives as originally planned.
W-21-AB	Minerals development	315	312	1,233	1,012	This project provided technical advisory services and training in the exploration and development of mineral resources. The project is being phased out as a separate activity. These will be funded in subsequent years under project R-25-AA, resources and project consultant services.
W-22-AC	Power development	90	66	225	128	Emphasis in the field of electric power will be concentrated in the future on specific Development Loan projects which will include technical advisory services.
W-27-AE	Industrial technical center	55	88	353	156	This project, which has consisted primarily of technical advice and training, is being phased out as a separate activity in fiscal year 1962. Training in the various industrial fields will be provided in conjunction with specific projects, as required.
W-31-AF	Djakarta bypass	2,695	5,000	8,000	5,000	No further funding will be required for completion of this project.
W-33-AH	Improvement of railroad facilities and operations.	85	194	388	257	Future assistance to the improvement of railway facilities and operations will be under Development Loan projects which will include technical advisory services as well as capital equipment.
W-54-AI	Rural public health education and administration.	170	238	770	705	This project consisted mainly of advisory services and practical training for public health workers to assist in the improvement of the rural public health program in Indonesia. The basic objectives have been achieved
W-55-AJ	Fatmawati (Ibu Sukarno) Hospital project.	160	160	360	160	The funds provided in fiscal year 1962 will complete funding of necessary hospital equipment for the transition from a specialized TB hospital to a general

						hospital with emphasis on surgery, orthopedic surgery, pediatrics, maternity service, etc.
W-61-AK	Vocational educational teacher training	65	215	1,899	1,767	Future assistance will emphasize the utilization of labor skills and training of ex-servicemen for civilian pursuits under projects N-42-NH and N-69-NI.
W-69-AL	General educational development	25	56	80	86	The assistance provided under the project has been limited primarily to participant training. The project is being terminated in fiscal year 1962 and assistance in the field of education is being reoriented in accordance with the new AID criteria.
W-77-AM	Development of public administration, Gadjah Mada.	10	145	224	224	The purpose of this project was to provide 18 faculty members education and training in skills and techniques of public administration at Gadjah Mada University. The objectives of this specific project have been achieved.
W-98-AO	Atoms for peace	15	50	98	98	The training provided under this project in peaceful uses of atomic energy has been successfully completed and no additional funds are required.
W-99-AP	USOM office building	55	402	455	440	Funds being provided in fiscal year 1962 for this project are adequate for its completion.
W-82-AQ	Rehabilitation and relief (SA)	1,307	----------	1,307	----------	This project was a special 1-time activity which provided funds to cover emergency relief supplies of soap, cloth, and medical supplies. It is not expected that additional funds will be required after fiscal year 1962.
	Laos	436	234	3,489	819	
W-22-AA	Vientiane powerplant	100	51	785	532	Funds made available to U.S. AID/Laos in fiscal year 1962 will finance development of specifications and procurement and installation of a new 1,000-kilowatt generator. Installation of this additional new generator will permit necessary overhauling of 3 existing rehabilitated generators and facilitate termination of this project.
W-37-AC	Vientiane Airport	336	183	2,704	287	The scope of construction work on the rehabilitation of the Vientiane Airport has been reduced to permit completion within allotted funds and termination of the construction phase of this project in fiscal year 1962. However, early onset of the rainy season and contractor's operational difficulties will prevent completion of construction until the next dry season. At the time it was decided that the project would be terminated in fiscal year 1962, these delays were not anticipated.
	Thailand	1,560	3,372	19,754	18,144	
W-13-AB	Agronomic development	200	228	1,512	1,437	This project was concerned with many aspects of Thailand's food production. Funds were provided for such activities as soil and water management, increased use of fertilizers, plant protection, etc. Applying the new AID criteria of program concentration, certain of these activities were terminated, others were assumed by the GOT, and the remaining activities will be absorbed into a new project, assistance to accelerate agricultural production, whose objectives, though similar in nature, are more limited in scope than the terminated project.
W-13-AC	Livestock industry development	55	116	1,015	983	Funds were provided for disease control (particularly foot-and-mouth disease and rinderpest), and training in improving the technological level of the country's livestock field personnel. Considerable progress has been made in these areas, particularly the almost complete eradication of rinderpest. This project is being terminated in recognition of the active interest taken by other free world countries in the Thai livestock industry.

Projects terminated in fiscal year 1962—Continued

[In thousands of dollars]

Project No.	Project title	Fiscal year 1962		From beginning of project to June 30, 1962		Explanation for termination
		Obligation	Expenditures	Obligation	Expenditures	
W-25-AG	Ground water exploration	50	250	2,897	2,869	This project focused on development of ground water resources in several areas of the country, with an emphasis on the northeast. Funds were provided for a geological survey, training, well drilling and technical advice. The original objectives of the project will have been reached by the end of fiscal year 1962. In subsequent years the Thai Government will take over the further development of ground water resources.
W-31-AH	Highway department operations	70	520	1,829	1,699	This project consisted primarily of the provision of technical and organizational advice in planning a comprehensive highway system. For example, utilizing contract advisory services, comprehensive standards for preparation of engineering plans and specifications were established. It is felt that the Thai Highway Department now has the requisite technical competence to handle all phases of highway construction and maintenance. Thus, the project is being terminated.
W-31-AK	Bangkok-Saraburi Highway	600	459	1,590	915	The objective of this project was to improve the land transportation system of Thailand by reconstructing the most heavily traveled section of highway between Bangkok and the road network serving the entire northern portion of the country. The project is terminating in recognition of complete funding in fiscal year 1962.
W-64-AR	General education development	335	443	1,868	1,568	This project has as its objective the improvement of the Thai school system in terms of organization, administration, and teaching methods. The educational system was reorganized, numerous workshops and conferences were held, and the quality and quantity of instructional materials improved considerably. Educational centers were established in each of the 12 geographical regions of Thailand. The project is being phased out as a separate activity, but pertinent continuing aspects of this program will be assimilated in the proposed universal elementary education program.
W-66-AS	University teaching-training—higher education.	85	632	3,581	3,590	This project has helped Chulalongkorn University develop its teacher education programs through contractual arrangements with Indiana University. At the termination of the contract in August 1962, sufficient educational leaders will have been trained so that Thailand can proceed with its own resources. In addition to the basic training program, a survey of higher education in Thailand will have been started and completed by the end of fiscal year 1962. Thus, no further funding for this other component of the project will be required.
W-72-AV	Bangkok-Thonburi city planning	25	68	1,442	1,442	This project focused on preparing a comprehensive city plan for the metropolitan area of Bangkok-Thonburi. This was done pursuant to a contract with an American firm and by the provision of a city planning adviser who assisted the Thai Government in the implementation of this plan. The Greater Bangkok plan was completed in the fall of 1960 and 32 participants will have

						been trained to help implement this plan, plan new cities, and permanently institutionalize city planning in Thailand. The project is being terminated since its objectives will have been accomplished by the end of fiscal year 1962.
W-75-AW	Modernization of government fiscal management	25	127	1,101	1,002	Through a contract with Public Administration Service, technical and organizational changes have been made in the areas of budgeting, accounting, and treasury and revenue operations. Proposals have been made to the Thai Government for legislation on tax structure and tax enforcement. In addition, over 500 persons have participated in various training programs.
W-75-AX	Economic policy and planning	25	132	453	353	The primary purpose of this activity has been to assist the Thai Economic Development Board. Funds have been provided for the services of several economic advisers and for training activities. The program is being terminated since in subsequent years the project will be financed by the IBRD.
W-77-AY	Public administration institute	15	295	1,930	1,758	This project has as its objective assisting Thammasat University develop a public administration institute through contractual arrangements, with Indiana University. Under this contractual arrangement, technicians are provided. The project is being terminated as the institute has reached a stage of development where it is practically self-sufficient.
W-96-BB	Communications media advisory, production, and training services.	75	102	536	528	This project was planned to develop channels of communication within Thailand in support of the application and use of Thai/American economic and technical assistance projects. Part of this program is being terminated as a result of new AID criteria and the priorities established within the Thailand program. At the same time the training associated with this project will be incorporated in the development of a national information service for Thailand.
	Vietnam	105	1,063	4,108	2,833	
W-21-AB	Nong-Son coal mine development	50	599	1,720	870	Objectives of this project that could be accomplished under current security conditions will be met before the departure of the Paul Weir Co. contract team in September 1962. This team is completing design work on handling and storage facilities. Equipment not already delivered is on order and is scheduled for delivery in late 1962. Although extensive coal fields are believed to exist in the area, further exploration and exploitation have been severely hampered by Vietcong activity and must wait until security improves; therefore, original production goals have been modified and funding of the project will have been completed in fiscal year 1962.
W-64-AC	Expansion and improvement of elementary educational facilities.	12	164	862	709	Both elementary and secondary education projects were designed to improve the physical plant (construction of schools and supply to equipment) and train teachers and administrative officials. The balance of the construction program has been incorporated into a new project, "construction of education facilities" which also includes training of key personnel. Other activities have been discontinued.
W-65-AD	Expansion and improvement of secondary educational facilities.	9	150	853	695	
W-75-AF	Banking, insurance, and taxation improvement.	18	100	271	178	This project was designed to develop sound banking, insurance, and taxation legislation procedures and administration. With most of the proposed legislation either passed or under consideration, project objectives have been met. Any U.S. followup in this area will be furnished under the new project, "Development of public administration."
W-78-AG	Development of the National Institute of Statistics.	16	50	402	381	Advisory services were provided to the GVN National Institute of Statistics to improve statistical methods and develop statistical censuses and series such as a consumer price index. Although additional assistance would be valuable, the security situation precludes such activity now and further project support is being discontinued.

Agency for International Development

Projects to be terminated in Latin America in fiscal year 1962—Estimated obligations and expenditures

[In thousands of dollars]

Country and project	Fiscal year 1962		From beginning of project		Reason for termination
	Obligations	Expenditures	Obligations	Expenditures	
Argentina:					
Resource development branch	84	25	184	25	Scheduled for completion with current year funds.
Metallurgy department, AEC	50	50	50	50	Completed.
Science survey	70	20	70	20	Scheduled for completion with current year funds.
Statistics	120	10	120	10	Do.
Subtotal	324	105	424	105	
Bolivia:					
Commercial education	17	17	17	17	Completed.
Advice on YPFB	10	10	10	10	Do.
National data sampling	50	12	50	12	Scheduled for completion with current year funds.
Subtotal	77	39	77	39	
Brazil:					
Railroad shop and maintenance training	4	8	167	167	Completed.
Occupational health	46	49	101	101	Do.
Public health method	130	182	570	384	Do.
Secondary education	14	15	196	196	Do.
Marine engineering and naval architecture	125	597	2,785	2,704	Do.
Subtotal	319	851	3,819	3,552	
Chile:					
Cooperative service for agriculture	99	186	3,476	3,426	Transferred to host government.
Fisheries development	25	35	94	92	Completed.
Management association assistance program	27	46	196	196	Do.
Management association cooperative program	27	39	160	146	Do.
Agriculture economics	20	41	370	370	Do.
Roads development (farm to market)	129	127	741	677	Transferred to host government.
Industrial training	175	21	702	389	Completed.
Communications media	78	85	516	500	Do.
Diagnostic survey (education)	30	15	30	15	Do.

Geology	157	329	1,331	1,331	Transferred to host government.
Labor program	[45	252	736	571	Completed.
Subtotal	812	1,176	8,352	7,713	
Colombia:					
Agricultural extension	206	163	1,005	916	Transferred to host government.
Hospital administration	55	62	116	116	Do.
Health education	29	85	274	274	Do.
Malaria education	260	103	1,980	1,712	Do.
Subtotal	550	413	3,375	3,018	
Costa Rica:					
Environmental sanitation	82	44	131	90	Consolidated with sanitary engineering service.
Industrial development	35	118	528	528	Completed.
Ministry of Labor and Labor Training	9	29	104	104	Transferred to host government.
Public Health Cooperative Service	33	52	294	294	Do.
Control of specific diseases	16	23	57	57	Completed.
Training, public health	25	38	96	96	Do.
Housing and city planning	38	53	338	338	Do.
General administrative project, health	39	43	293	293	Do.
Hospital improvement and development	77	116	482	482	Consolidated with health facilities development and coordination.
Technical service for agriculture	100	98	736	686	Transferred to host government.
Subtotal	454	614	3,059	2,968	
Ecuador:					
Agriculture Cooperative Service	160	262	2,057	2,057	Do.
Agricultural Cooperative Administration	78	81	560	560	Do.
Agricultural extension	80	265	886	886	Do.
Tropical agricultural research	50	57	504	504	Do.
Livestock improvement	51	61	360	360	Do.
Farm mechanization	37	45	302	302	Do.
Astronomy and soils	3	5	36	36	Do.
Cooperative Service, Industry Division	105	12	343	250	Completed.
Cooperative Service Administration	49	52	179	179	Do.
Civil aviation	27	86	429	429	Terminated.
Subtotal	640	926	5,656	5,563	
El Salvador:					
Servicio Coop. Inter-America do Salud Publico	30	34	479	479	Transferred to host government.
Administration—SCISP	39	45	183	183	Do.
Public health center construction	150	150	150	150	Completed.
Community center construction	100	30	100	30	Completion expected from current year funds.
Subtotal	319	259	912	842	

...s to be terminated in Latin America in fiscal year 1962—Estimated obligations and expenditures—Continued

[In thousands of dollars]

Country and project	Fiscal year 1962		From beginning of project		Reason for termination
	Obligations	Expenditures	Obligations	Expenditures	
Guatemala:					
Agricultural research	79	112	305	297	Completed.
Agricultural mechanization	11	12	42	42	Do.
Agricultural extension	249	303	786	686	Consolidated with "Crop diversification."
Rubber and complementary Crops	25	43	392	392	Do.
Rural development		415	2,286	2,286	Do.
Cooperative health service	217	217	217	217	Transferred to host government.
Health service administration	43	44	259	259	Do.
Environmental sanitation	60	101	401	401	Completed.
Health facilities	21	48	195	195	Do.
Educational cooperative service	279	454	629	629	Do.
Vocational education	75	109	417	417	Consolidated with "Vocational training."
Education services administration	32	42	317	317	Transferred to host government.
Rural education	64	98	593	593	Do.
Urban education	78	123	563	563	Do.
Subtotal	1,233	2,121	7,402	7,294	
Honduras:					
Training school	5	5	5	5	Completed.
Environmental sanitation	62	162	231	231	Transferred to host government.
Subtotal	67	167	236	236	
Mexico:					
Minerals technology coop	32	67	247	247	Do.
Geological survey	44	71	362	362	Do.
Labor union teams	17	56	399	399	Do.
Vocational rehabilitation	24	34	256	256	Transferred to a regional project.
Subtotal	117	228	1,264	1,264	
Nicaragua:					
Agricultural research and education	4	16	114	114	Transferred to host government.
Ministry of Education—Planning Office	34	34	55	55	Do.
Ministry of Public Health	1	7	52	52	Completed.
Agriculture, forestry	26	30	83	83	Do.
Vocational and industrial arts	21	34	536	536	Do.
Civil aviation	41	84	236	236	Consolidated with regional project.

Highway	20	27	47	47	Completed.
Housing, comprehensive physical planning	8	30	101	96	Transferred to host government.
Aided self-help housing	4	5	405	405	Completed.
Subtotal	159	267	1,629	1,624	
Panama:					
Cooperative service, agriculture	133	193	947	947	Transferred to host government.
Agricultural research education and extension	168	159	696	661	Completed.
Crop and livestock development	82	99	512	512	Do.
Agricultural economics and planning	31	34	208	208	Do.
Cooperative service, administrative	40	44	340	340	Do.
Renewable national resources	34	34	218	218	Do.
Aerial photo and mapping	1,000	150	1,000	150	Scheduled for completion with current year funds.
Mineral resources survey	216	186	216	186	Do.
Technical studies, hydroelectric	400	100	400	100	Do.
Tambo-Salud road survey		355	606	606	Completed.
Civil aviation development	46	78	205	205	Consolidated with regional project.
Cooperative service, public health	105	137	522	522	Transferred to host government.
General engineering service	35	43	207	207	Completed.
Nursing education and TB control	45	59	291	274	Transferred to host government.
Cooperative health service, administrative	22	34	257	257	Do.
Education cooperative service, administrative	40	42	281	281	Completed.
Community development	55	76	219	219	Do.
Subtotal	2,452	1,823	7,125	5,893	
Paraguay:					
Cooperative public health service	303	237	1,469	1,143	Transferred to host government.
Administration education	34	41	322	319	Completed.
Elementary teacher education	63	65	546	546	Consolidated with "Rural education development."
Vocational education	15	16	456	456	Completed.
Administration, health	40	37	342	336	Do.
Industrial development	7	34	62	62	Do.
Subtotal	462	430	3,197	2,862	
Peru:					
Agricultural economics and machinery	11	13	118	118	Do.
Agricultural extension	73	148	764	735	Transferred to host government.
Agricultural credit and cooperation	11	42	127	119	Completed.
Agricultural research	10	15	1,195	1,195	Do.
Livestock development	44	122	317	296	Do.
Land development and soil conservation	19	65	258	253	Transferred to host government.
Forestry research development	25	24	110	110	Do.
Mining and metallurgy	18	66	234	234	Completed.
National employment service		26	218	218	Transferred to host government.
Labor advisory service	13	19	249	249	Do.
Labor training	55	50	103	77	Completed.
Health service administration	36	40	396	396	Transferred to host government.
Health development	21	48	450	450	Do.
Special health advisory service	193	235	818	794	Completed.
Cooperative education service	43	117	1,537	1,522	Transferred to host government.

Projects to be terminated in Latin America in fiscal year 1962—Estimated obligations and expenditures—Continued

[In thousands of dollars]

Country and project	Fiscal year 1962		From beginning of project		Reason for termination
	Obligations	Expenditures	Obligations	Expenditures	
Peru—Continued					
Education cooperative administration	30	36	327	327	Completed.
Teacher education	93	138	832	820	Transferred to host government.
Rural elementary education	54	71	314	314	Do.
Public safety	43	53	96	96	Completed.
Public administration organization and management	33	39	243	243	Do.
Housing advisory services	29	24	68	60	Do.
Cooperative rural development service	75	223	1,461	1,370	Transferred to host government.
Rural development administration	23	26	232	232	Completed.
Irrigation and land development	44	62	144	139	Do.
Economic plan	3	5	50	50	Do.
Subtotal	999	1,737	10,661	10,417	
Venezuela:					
Industrial resources	104	60	104	60	Scheduled for completion with current year funds.
Subtotal	104	60	104	60	
British Honduras:					
Agricultural development	22	37	285	285	Transferred to host country.
National economic development	4	4	5	5	Completed.
Development Financing Institute	10	10	10	10	
Subtotal	36	51	300	300	
Surinam:					
Industry and mining	13	42	247	247	Do.
Industrial training (vocational)		15	39	39	Do.
Area development	14	15	54	54	Do.
Subtotal	27	72	340	340	
Jamaica:					
Pilot water supply, Annotte Bay	95	5	95	5	Scheduled for completion with current year funds.
Malaria eradication		16	57	57	Completed.
Subtotal	95	21	152	62	

Eastern Caribbean:					
Health education	33	23	54	44	Do.
Vocational and teacher training	31	24	49	38	Do.
Industrial education	22	167	189	167	Do.
Handicraft development	10	11	48	48	Do.
Meteorological training	27	25	62	58	Do.
Road development	38	48	149	149	Transferred to host government.
Teteron Bay marine facilities	430	25	580	25	Scheduled for completion with current year funds.
Windward Islands, administrative service	20	20	20	20	Transferred to host government.
Subtotal	611	343	1,151	549	
Regional:					
Pan American Highway survey (Darien Gap)	2,000	----------	2,000	----------	Scheduled for completion with current year funds.
Technical training, housing	26	26	26	26	Completed.
Regional consultant, health	90	104	245	245	Do.
Subtotal	2,116	130	2,271	271	
Latin American regional total	11,973	11,833	61,506	54,702	

Development grant projects terminated in fiscal year 1962—Afghanistan

[In thousands of dollars]

Project title	Fiscal year 1962		From beginning of project to June 30, 1962		Reason for termination
	Obligations	Expenditures	Obligations	Expenditures	
1. Motor vehicle transportation	110	90	4,741	2,397	This project will be terminated with the ending of the tours of the technicians. The vehicles and parts, which formed the crux of this project, were detained due to the closing of the Pakistani-Afghan border. Although the majority of the vehicles and parts have now arrived, the rate of recorded expenditures has lagged.
2. Helmand Valley public health and sanitation	25	25	483	269	The hospital provided for in this project has been completed but there has been a delay in reporting expenditures. Advice which has been provided the Helmand Authority in the field of public health henceforth will be handled by Medico.
3. English language teaching	246	----------	746	275	It is planned to phase out this project by the end of calendar year 1963, by which time it is believed that English language teaching procedures will have been so firmly established as to assure a regular flow of Afghan English teachers and instruction material. No funding will be required after fiscal year 1962.
4. Mass communications	75	75	397	341	Activities of this project (other than those required for mission purposes) are being phased out. Limited activity will be financed in the future under technical support.
Total	476	190	6,367	3,282	

Development grant projects terminated in fiscal year 1962—Ceylon

[In thousands of dollars]

Project title	Fiscal year 1962		From beginning of project to June 30, 1962		Reason for termination
	Obligations	Expenditures	Obligations	Expenditures	
University of Ceylon	20	227	1,020	906	The construction of certain facilities and furnishing of equipment to the University of Ceylon will have been completed.
Salvinia eradication		2	42	42	A spraying program to eliminate the salvinia weed has been established and will be carried on by the Government of Ceylon.
Airport development and administration	43	53	110	84	The investigations of required improvements and expansions in Ceylon's International Airport facilities have been completed. Construction of the Ceylon International Airport will be carried out under a development loan approved in July 1960.
Minerals exploration	8	14	133	125	Through U.S. assistance a well-trained operations staff has been developed. Investigations of mineral resources of Ceylon will be carried on by the Government of Ceylon.
Total	71	296	1,305	1,157	

Projects terminated in fiscal year 1962 [1]*—Greece*

[In thousands of dollars]

Project title	Fiscal year 1962		From beginning of project to June 30, 1962		Reason for termination
	Obligations	Expenditures	Obligations	Expenditures	
1. Marketing and livestock, 240-14-010	27	72	395	382	Entire technical assistance program to Greece being phased out June 30, 1962. However, to complete the objectives of the air transport advisory project and the industrial development project, we are forward funding 3 technicians through fiscal year 1963.
2. Industrial development, 240-29-163	39	153	225	211	
3. Air transport advisory project, 240-37-131	128	179	398	333	
4. Vocational education, 240-61-054	50	63	292	254	
5. Public safety advisory group, 240-71-089	53	83	652	649	
6. Technical support	33	27	1,302	1,295	
Total	330	577	3,264	3,124	

[1] The technical assistance program to Greece began in fiscal year 1949 and has contained projects in the general fields of agriculture, industry, and technical support throughout its entirety. However, the particular projects listed above were initiated in fiscal year 1953 or later except for technical support which dates from the beginning of the program.

Projects terminated in fiscal year 1962—India

[In thousands of dollars]

Project title	Fiscal year 1962		From beginning of project to June 30, 1962		Reason for termination
	Obligations	Expenditures	Obligations	Expenditures	
1. Development of forest research and desert afforestation.	15	15	186	186	Project assistance provided contract technicians and commodities to the Forest Research Institute at Dehra Dun in support of forest research laboratories and the installation of a pilot paper plant now in operation. A short-term consultant, presently in India, will conclude planned U.S. assistance for the project.
2. Modern storage of food grains	100	30	1,638	1,483	Assistance to the GOI in construction and operation of 1 10,000-ton grain elevator at Hapur and financing of 50 prefab warehouses has been completed. A 10,000-ton elevator has been completed at Calcutta except for the marine leg (unloading equipment ship to elevator). This equipment has been ordered and when delivered and installed will complete the planned project assistance.
3. Electrical distribution system "hot lines" maintenance.	3	1	488	375	The United States has assisted the GOI in establishing permanent training schools and working units in 12 Indian states so that hot-line maintenance will continue as a standard operative procedure after departure of the U.S. technicians. In fiscal year 1962 a U.S. participant training program was extended for 2 Indian technicians. No further U.S. assistance is required.
4. Nuclear engineering	120	133	609	461	This project assisted India in development of atomic energy resources for peaceful purposes through the provision of training in the United States. About 100 Indian scientists attained for the Indian atomic energy establishment. We believe this will conclude U.S. assistance.
5. Assistance to official health agencies	61	20	205	138	Assistance provided technical advisory services and commodities to support a limited number of major health areas, after which projects in depth would be developed if warranted. However, this project will terminate in fiscal year 1962 due to relatively low priority.
6. Assistance to coal industry	120	31	479	77	This activity was initiated to help India improve coal mining efficiency and increase coal production. This project is fully funded for contract technical advisory services to be performed over the next 2 years. No further U.S. assistance appears to be needed.
Total	419	230	3,605	2,720	

Projects terminated in fiscal year 1962—Iran

[In thousands of dollars]

	Fiscal year 1962		From beginning of project to June 30, 1962		Reason for termination
	Obligations	Expenditures	Obligations	Expenditures	
1. Range and forest management	21	22	579	572	Range management activities completed in fiscal year 1961 and GOI is now prepared to carry on forestry activities without U.S. assistance.
2. Lumbering operations in Caspian region	16	131	615	572	Major construction is well on way to completion and no further U.S. assistance will be provided. It is expected that the plan organization will finance the services of 2 advisers considered necessary for the operation of the sawmill.
3. Bureau of Standards	17	30	467	467	Project objectives accomplished.
4. Maritime legal advisory services	7	8	41	41	Fiscal year 1962 funds were required to finance home leave of technician. Project had been terminated previously.
5. Transportation facilities	30	35	681	655	In early years of this project emphasis was placed on improving and expanding physical facilities of Iran State Railways. More recent activities and objectives have been concerned with railroad operations and training which the Iranians are now able to carry on themselves.
6. Municipal management	29	51	357	357	Terminated because Iranian cities do not yet possess adequate organizational ability or tax base to implement many of the recommendations of the U.S. technicians.
7. Public statistics	17	19	563	454	The primary goal of this project, collecting, analyzing, and printing the 1956 census, is well on way to completion. Advisory services which have been provided during the last few years will no longer be necessary.
8. GOI public administration	96	134	2,254	2,224	This long-term project involved technicians working throughout Iran. The planned scope of some of the project objectives were achieved. As the GOI did not appear to be prepared to implement some of the recommendations of the U.S. technicians which were essential to achievement of the remaining project objectives, it was decided to phase out the project.
9. Industrial development center	85	231	965	888	Project will be terminated because it is not achieving degree of success anticipated, primarily because of the traditional distrust of Iranian businessmen of Government-sponsored activities.
10. Audiovisual training[a]	63	59	1,166	1,157	Terminated because a sufficient number of Iranian technicians had been trained under this project to carry on the activities initiated with AID assistance.
Total	381	720	7,688	7,487	

Development grants projects terminated in fiscal year 1962—Israel

[In thousands of dollars]

Project title	Fiscal year 1962		From beginning of project to June 30, 1962		Reason for termination
	Obligations	Expenditures	Obligations	Expenditures	
1. Agricultural research, extension, and education.	62	474	1,327	1,305	Program ended by joint agreement. Mission closes June 30, 1962.
2. Management and development range and forestry.	3	9	324	324	
3. Water resources development	16	39	50	50	
4. Field and horticultural crops	17	21	235	235	
5. Animal husbandry	37	51	358	351	
6. Agriculture and water resources (supervisory)	25	27	227	225	
7. Executive development	23	190	329	329	
8. Industry, mining, and transportation (supervisory).	39	43	332	332	
9. Transportation development	48	81	372	364	
10. Arid zone development	7	18	20	18	
11. Technical support	118	134	2,587	2,579	
Total	395	1,087	6,161	6,112	

Projects terminated in fiscal year 1962—Jordan

[In thousands of dollars]

Project title	Fiscal year 1962		From beginning of project to June 30, 1962		Reason for termination
	Obligations	Expenditures	Obligations	Expenditures	
1. Agricultural research	126	145	682	566	Research stations have been established and a staff trained.
2. Agricultiral loan fund	[1] 77	[2] 900	2,083	2,059	Sufficiently established so that further grant aid or technical assistance not contemplated.
3. Hedjaz-Jordan Railway technical assistance	36	18	165	131	Maintenance and way railroad personnel have completed their training programs.
4. Tourism development	13	90	139	129	Tourist authority personnel have been trained; others are currently completing their studies in the United States and third countries; and a contract has been awarded for prototype promotional material, thus completing AID's commitment.
5. Industry and business services	120	145	355	201	Funds obligated are sufficient to complete financing of proposed feasibility studies.
6. Municipal loan fund	[1] 40	[2] 710	2,787	2,764	Sufficiently established so that further grant aid or technical assistance not contemplated.
7. Public health nursing	59	65	302	261	A public health nursing program has been established as part of the Ministry of Health's regular services.
Total	471	2,073	6,513	6,111	

[1] Represent technician and participant costs.

[2] Include progress payments on loans approved in prior years.

Development grant projects terminated in fiscal year 1962—Lebanon

[In thousands of dollars]

Project title	Fiscal year 1962		From beginning of project to June 30, 1962		Reason for termination
	Obligations	Expenditures	Obligations	Expenditures	
1. Rural power transmission	32	201	[1] 1,259	1,229	With the exception of the aeronautical facilities project which will be continued in fiscal year 1963, the balance of the program is to be closed out and the mission terminated on June 30, 1962.
2. Village water supply	52	278	[2] 2,658	2,508	
3. Public safety	48	60	229	219	
4. Highway development	100	130	695	670	
Total	232	669	4,841	4,626	

[1] Of this total $564,000 is supporting assistance.

[2] Of this total $1,582,000 is supporting assistance.

Development grant projects terminated in fiscal year 1962—Nepal

[In thousands of dollars]

Project title	Fiscal year 1962		From beginning of project to June 30, 1962		Reason for termination
	Obligations	Expenditures	Obligations	Expenditures	
1. Crop improvement [1]	17	30	361	350	Financial technical assistance to this activity will terminate at the end of fiscal year 1962 in order to permit the concentration of U.S. resources in higher priority developmental activities. Accomplishments to date under this activity include the introduction, testing, and distribution of improved seeds. The Government of Nepal does not appear to have the financial resources to carry on this activity.
2. Livestock improvement [1]	25	15	308	283	Same as (1), above. Accomplishments include: A small number of purebred cattle was introduced; experimental work with local feed begun; and a project in artificial insemination was initiated. The Government of Nepal does not appear to have the financial resources to carry on this activity.
3. Bir Hospital	64	80	233	163	All renovations originally planned have been started and will be completed during fiscal year 1963. It is planned that the Government of Nepal will assume responsibility for any future construction.
Total	106	125	902	796	

[1] This activity was formerly part of project 19-019 (overall project in agriculture).

Development grant projects terminated in fiscal year 1962—Pakistan

[In thousands of dollars]

Project title	Fiscal year 1962		From beginning of project to June 30, 1962		Reason for termination
	Obligations	Expenditures	Obligations	Expenditures	
1. Ganges Kobadak irrigation	45	30	1,966	1,951	Past U.S. funding provided the major portion of equipment and engineering services for this project. The GOP has now assumed operational and maintenance functions and U.S. assistance will no longer be required when technical training instruction has been completed.
2. Civil air transport	120	45	4,686	4,500	U.S. technical assistance has enabled Pakistan International Airways to emerge as a major first-class airline and advisory and supervisory services of American technicians will no longer be necessary beyond this year.
3. Transportation survey, East Pakistan	35	----------	436	380	Surveys carried out for AID by the Corps of Engineers have been completed and there remains only the review and submission of the final reports. (Final vouchers are still to be submitted.)
4. Transportation survey, West Pakistan	68	16	506	390	Do.
5. Power commission (new)	160	60	160	60	The U.S. Power Advisory Group will assist the Pakistan Power Commission with its short-term "crash" study of the management and regulation of the power industry which must be completed in 1962.
6. Fisheries	16	14	116	109	Substantial progress made by the GOP in this area and the establishment of a Pakistan Fisheries Development Corporation preclude the necessity of any further technical assistance beyond this year.
Total	444	165	7,870	7,390	

Projects terminated in fiscal year 1962—Turkey

[In thousands of dollars]

Project title	Fiscal year 1962		From beginning of project to June 30, 1962		Reason for termination
	Obligations	Estimated expenditures	Obligations	Estimated expenditures	
1. Rural development research	20	3	20	3	A short-term contract survey to provide basic information on village life is now getting underway and will be completed within several months.
2. Industrial districts survey	50	5	100	50	A survey has been completed and plans drawn up. It will be completed by providing advisory services to the responsible Turkish organization, and no further U.S. financing is anticipated.
3. Seaport operations	35	135	240	154	A contract team is in the field advising on improved port management. It is expected that the objectives of the project will be achieved in the next year.
4. Merchant marine academy	29	43	66	59	The objectives of improving the curriculum of and training the staff of the academy have been accomplished.
5. Workers education training	26	34	143	143	Training programs for workers have been established and responsibility for carrying on the program has been transfererd from the Turkish Government to the trade union.
6. Civil aviation training	214	497	1,224	1,220	The objective of establishing a civil aviation department, an organization to operate airports, and an aeronautical training center, and the training of Turks have been substantially accomplished. Additional assistance in transportation is not considered to be of high enough priority to warrant its continuation.
7. Civil police administration	99	119	908	881	The objectives of providing equipment for and training the staff of the civil police have been substantially accomplished. Additional assistance in this field is not considered to be of highest priority.
8. Local government administration	16	18	19	19	After reviewing initial groundwork, it was decided that this was not an area in which success was likely.
9. Institute of applied geology	36	37	85	74	Objectives partially achieved. Continuation not considered feasible due to lack of host country cooperation.
Total	525	891	2,805	2,603	

TERMINATION OF PROJECTS IN LIBYA

Mr. PASSMAN. In Libya, for example, 21 projects were terminated but 12 are included under a new title. Will you give us a bit of information on that situation?

Mr. HAMILTON. Yes, sir.

Mr. PASSMAN. Is it available now?

Mr. HAMILTON. I will be glad to supply it for the record. I am not familiar with the Libyan program.

Mr. PASSMAN. Perhaps one of your supporting witnesses may have knowledge of it? You say that in Libya you had 21 projects terminated but then you brought 12 of them back under a new title, under new project titles.

Mr. HAMILTON. What additional information would you like to have, Mr. Chairman?

Mr. PASSMAN. We would like to find out why you terminated the 21 projects, whether it was because the cost-benefit ratio was unfavorable. If that be true, why would you include 12 of them under a new title? Why were they not completed under the previous obligation?

Mr. HAMILTON. I just do not have that information.

Mr. PASSMAN. I believe Mr. Tennant is going to pin it down for us. Do you have that information available now?

Mr. MILLER. I beg your pardon, sir?

Mr. HAMILTON. Do you know the explanation for the figures that appear on the Libyan sheet? That is what the chairman wants to know.

Mr. TENNANT. I do not know the explanation.

Mr. HAMILTON. I did not think you did.

Mr. FORD. Off the record.

(Discussion off the record.)

CONSOLIDATION AND/OR TERMINATION OF PROJECTS

Mr. PASSMAN. Page 135 of the justification book indicates that in fiscal 1962 the development grant program was reorganized with 21 projects being terminated. Now, on page 403 of the project book, the services-to-agriculture project indicates that it is a continuation of the "uncompleted activities under agricultural guidance, irrigation, ground water, geology, crop improvement, agricultural marketing, livestock improvement, range management projects now terminated." What does that mean?

Mr. HAMILTON. I take it, this means a number of these other projects were concentrated into the single project.

Mr. PASSMAN. They were terminated, which is the point I am making.

Mr. HAMILTON. That is why the value of these figures is limited, as I was endeavoring to explain. I believe I used the word "illusory" because you can have a number attached to a project, and it does not give you anything as to the size of the project or scope of the project.

Mr. PASSMAN. I thought every project came in under a plan sheet with an established cost.

Mr. HAMILTON. They do.

This language I suggest makes it clear that the purpose of this consolidation was to terminate a number of projects and consolidate others. The result was, as the book says, at least a saving in the

number of direct hire people. It does not mean all the work was stopped.

Mr. PASSMAN. It is difficult to understand on the basis of what has been given.

Mr. MILLER. In last year's presentation in connection with the deep review Mr. Labouisse stated would be made, he also stated there would be a careful review of all of the projects in the field. Some of those have been terminated because they were connected with peripheral activities, some were consolidated to break critical bottlenecks, if at all possible, in the development grant field, and address themselves to problems of great urgency. Those projects, such as those in Libya, are ones which by consolidation and a coordinated approach to a problem might result in the termination of single projects but, on the other hand, the projects themselves would be pulled into a single coordinated attack upon a very critical problem.

Mr. PASSMAN. Then they are not terminated?

Mr. HAMILTON. That is why these numbers are illusory.

Mr. PASSMAN. Mr. Labouisse indicated the agency was in the process of reviewing some 900 existing projects, to see if they were consistent with the legislative criteria and which should be continued as planned, eliminated, reduced, or expanded. I merely asked how many projects were completely eliminated? You gave me that number.

Mr. HAMILTON. If you recall my statement, sir, before I talked about the numbers I endeavored to put in the caveat that I did not think the numbers were very meaningful. Mr. Labouisse stated the projects were going to be reviewed to determine whether they should be terminated, consolidated, or continued. Apparently what has happened in Libya is that a number of projects that have previously been carried on by our own people on our own salaries can now utilize local skills. Our mission is trying to get people trained—the Libyan employees in the Ministry of Agriculture—so that they can carry on the projects. Our mission has consolidated these projects into one instead of five, reduced the personnel somewhat, and they are shooting at a goal in 1967 where they will have trained enough Libyans so they can take over completely. Those are the facts as I read them in this book.

Mr. PASSMAN. You tell us whether or not the statements in the fiscal 1962 and 1963 books are consistent.

Mr. HAMILTON. The development grant program was reorganized with 21 projects terminated. That means that 21 separate accounting units have been terminated. Two projects were selected for continuation and 12 new projects established in support of the three priority goals listed above. As a result——

Mr. PASSMAN. How can we interpret these projects terminated? If you terminated a project, for which you had previously allocated funds, it means a saving, which is what we are trying to pin down.

Mr. HAMILTON. These numbers, as I said at the outset, will give you a dusty answer to that question.

Mr. PASSMAN. We are going to have to have an explanation.

Mr. HAMILTON. I take it that what we are all interested in is: What is the scope of the work and how has it changed?

Mr. PASSMAN. We are interested in knowing why you obligated in the beginning, for what amount, when you terminated it, what per-

centage of the original planned cost was spent, and the reason for terminating the project. Consolidating is one thing but terminating is something else.

Mr. HAMILTON. That is the information that I understand you have asked us to get and we will get for you.

Mr. PASSMAN. You are going to get that information if you can?

Mr. HAMILTON. Yes, sir.

(The information supplied follows:)

CONSOLIDATION OF PROJECTS, LIBYAN PROGRAM

During fiscal year 1962, we planned to terminate a total of 21 projects, continue 2 projects plus technical support, and establish 12 new projects. All "terminations" were to end projects in the sense that they marked the end of operating the program through Libyan-American Joint Services and the beginning of operations through the Libyan ministries. It was contemplated that some of the 12 "new" projects would to some extent merge some uncompleted work under earlier projects with some new activities. All 12 projects would be new starts as far as Libyan officials are concerned since the appropriate Libyan ministries would replace the semiindependent Joint Services as the responsible agencies.

It now appears that in this context, project terminations in fiscal year 1962 may number 26 instead of 21:

1. A total of 13 projects for which no U.S. financing is planned in fiscal year 1963. None of the activities of these projects are to be continued in fiscal year 1963.

2. A total of 13 projects on which uncompleted work would be merged into fiscal year 1963 projects.

The first 13 project terminations in fiscal year 1962 (item 1 above), fall into 2 categories—3 projects on which funding was completed in fiscal year 1961 and 10 projects on which funding is being completed in fiscal year 1962. The reasons for termination of these projects are that project goals have been substantially achieved, a point of diminishing return on U.S. advice and training has been reached or the Libyan Government agencies are unable or unwilling to carry out their proper responsibilities following the termination of the joint services. Current data on these projects follow:

[In thousands of dollars]

Project title	From beginning of project to June 30, 1962	
	Obligations	Expenditures
Terminal funding in fiscal year 1961:		
Handicraft industry	101	63
Land settlement	474	133
Hospital rehabilitation	1,605	1,194
Subtotal	2,180	1,390
Terminal funding in fiscal year 1962:		
Industrial development	327	302
Minerals investigation	397	382
Soil and water conservation	2,973	2,382
Forestry	1,058	985
Agricultural equipment maintenance	375	346
Instructional materials	699	362
School construction	2,949	2,524
Domestic water supplies	1,618	1,277
Community development	1,541	926
Communication media	978	846
Subtotal	12,915	10,332
Grand total	15,095	11,722

The second 13 project terminations in fiscal year 1962 (item 2 above) and the superseding fiscal year 1963 projects are described in the project sheets beginning on page 401 of the gray book. Prior year obligations of the continuing activities are also shown on the project sheets. A summary identification of the projects follows:

Project terminations	*Superseding projects*
Agricultural guidance	Services to agriculture
Irrigation	
Ground water geology	
Crop improvement and marketing	
Livestock improvement	
Range management	
Teacher education	Improvement of educational services
English language improvement	
Assistance to University of Libya	Improvement of higher education
Technical and vocational education	Improvement of vocational education
Basic public health	Public health and sanitation services
Sanitation	
Agricultural credit and cooperatives	Credit and cooperative institutions

In summary, the on-going Libyan program reorganized in fiscal year 1962 now consists of the following 12 projects:

1. Six projects which, in part, supersede and continue some of the activities in 13 "terminated" projects as described above, and also begin some new activities.
2. Three entirely new projects: Assistance to Development Council, Assistance to Ministry of Industry, and Industrial Development Organization.
3. Three projects which are continued with no basic changes: Public safety, malaria eradication, and technical support.

REVIEW OF COUNTRY PROGRAMS BY KEY PERSONNEL

Mr. FORD. Have you, Mr. Hamilton, or have your top people gone into the programs in each of the countries that we are involved in at the present time?

Mr. HAMILTON. Yes, we have. They have gone into every aspect of each of the programs.

Mr. FORD. When we say top people, to whom do you refer?

Mr. HAMILTON. I mean the mission director and his program officer. In Washington I mean the Assistant Administrator for Africa, Mr. Hutchinson. He has, with his top program officer, reviewed every project in Africa.

Mr. FORD. Personally reviewed?

Mr. HAMILTON. Yes, sir.

Mr. FORD. That is all, Mr. Chairman.

PROGRAMING OF FUNDS FOR BELGRADE CONFERENCE PARTICIPANTS

Mr. PASSMAN. Section 112 of last year's appropriation act stated:

It is the sense of Congress that in the administration of these funds great attention and consideration should be given to those nations which share the view of the United States on the world crises.

If I remember correctly, section 112 is almost exactly the same as the President's remarks when he signed the authorization bill last year.

Of 24 so-called neutral nations that attended the Belgrade Conference last year, how many have had fiscal year 1962 funds programed for them out of any category of funds made available, and how many are programed to receive funds in fiscal 1963?

Mr. HAMILTON. If you give me a list, I will be glad to answer it. I do not recall them all offhand.

Mr. PASSMAN. I cannot ask the question and answer it, too. You should have the list.

Mr. HAMILTON. I do not have it. The preponderant part of our funds covered by the appropriation you gentlemen are considering goes to people with whom we have a military alliance.

Mr. PASSMAN. There should be a way to get that information.

Mr. HAMILTON. I will be glad to furnish it for the record.

Mr. PASSMAN. Please do, sir.

(The information follows:)

Of the 24 countries sending delegates to the Belgrade Conference in September 1961, 23 are receiving U.S. economic assistance and 13 military assistance in fiscal year 1962. In fiscal year 1963 economic assistance is programed for 22 countries and military assistance for 13.

U.S. AID TO COUNTRIES ATTENDING BELGRADE CONFERENCE, SEPTEMBER 1961

Delegations:	Delegations—Continued	Delegations—Continued
Afghanistan	Guinea	Somali Republic
Algeria	India	Sudan
Burma	Indonesia	Tunisia
Cambodia	Iraq	UAR
Ceylon	Lebanon	Yemen
Cuba	Mali	Yugoslavia
Cyprus	Morocco	Observers:
Ethiopia	Nepal	Bolivia
Ghana	Saudi Arabia	Ecuador

Total U.S. economic and military assistance, fiscal year 1962, $671 million (does not include observers).

Total U.S. economic and military assistance, fiscal year 1963, $813,500,000 (also does not include observers).

NOTE.—Additional funds have been programed for 1963 since the above information was received by the committee.

AID TO YUGOSLAVIA

Mr. PASSMAN. This committee went out on a brief factfinding trip a few weeks ago. We were told that in Yugoslavia, where we have given so much help, Tito had established an exchange rate for Yugoslavia's currency which was unrealistic, and that they had gotten themselves into a very serious balance-of-payments situation, and it would take immediate aid to stabilize the situation.

Again they were looking toward Washington. I think almost during that same week some officials from Yugoslavia appeared in Washington. Do you know whether or not they discussed additional aid at that time?

Mr. HAMILTON. They did not discuss it with me, and no commitment has been made to give them any aid. I did not discuss anything with them.

Mr. PASSMAN. But, you are familiar with the fact that they did come over?

Mr. HAMILTON. I do not know what they were here for.

Mr. PASSMAN. We have planned an aid program for Yugoslavia under Public Law 480 for fiscal 1963; is that right?

Mr. HAMILTON. That is right.

Mr. PASSMAN. Do you know the amount, sir?

Mr. HAMILTON. I do not offhand.

Mr. PASSMAN. Does not the justification book indicate a possible loan of $10 million for Yugoslavia out of 1963 funds?

Mr. HAMILTON. For Yugoslavia?

Mr. PASSMAN. Yes, sir. The other day you said no, but perhaps you may wish to correct the record. All this is fiscal 1963.

Mr. HAMILTON. It has been called to my attention—I appreciate your courtesy in letting me correct the record—my recollection was we had been talking about $10 million this year. Nothing has come of that. I did not recall, as this records does show, that we put in a possible estimate of up to $10 million for development loan funds. Thank you. That is right.

COUNTRIES RECEIVING SOVIET BLOC AND U.S. AID

Mr. PASSMAN. Would you supply for the record, if available, a tabulation showing the various countries receiving Sino-Soviet bloc economic aid, as compared with the amount each country has received from the United States?

Mr. HAMILTON. The amount of their Sino-Soviet aid?

Mr. PASSMAN. Yes, and the amount of U.S. aid.

Mr. HAMILTON. Do you want that refined to the point where it would have to be classified? I can give you estimates but some of this information would have to be classified.

Mr. PASSMAN. We have been told that the Soviets never gave away a dime. We are still trying to find out if they have given away a dime. We know they enter into hard-boiled barter deals and make short-term loans, and usually get more back than they put out.

(The information supplied follows:)

Comparison of economic credits and grants extended to less-developed countries of the free world by the Sino-Soviet bloc and by the United States

[Bloc commitments and U.S. obligations and authorizations in million U.S. dollars]

	Sino-Soviet bloc, mid-1955–December 1961 [1]	United States [2]	
		Mid-1955–December 1961	Mid-1948–December 1961
Total	4,371	9,449	12,727
Latin America	465	1,341	2,080
Argentina	104	360	524
Brazil	4	961	1,515
Cuba	357	20	41
Middle East	1,077	1,896	2,723
Cyprus	1	10	10
Iran	6	411	672
Iraq	216	13	21
Syrian Arab Republic	178	69	70
Turkey	17	980	1,452
United Arab Republic (Egypt)	615	394	479
Yemen	44	19	19
Africa	601	502	512
Ethiopia	114	115	125
Ghana	182	35	35
Guinea	110	4	4
Mali	65	2	2
Somalia	62	15	15
Sudan	22	64	64
Tunisia	46	267	267
Asia	2,123	4,881	5,973
Afghanistan	204	138	184
Burma	93	68	90
Cambodia	65	195	232
Ceylon	58	77	77
India	963	2,726	3,221
Indonesia	641	308	541
Nepal	55	40	44
Pakistan	33	1,329	1,584
Europe	116	829	1,439
Iceland	5	35	70
Yugoslavia	111	794	1,369

[1] Bloc aid figures include about $120 million in credits extended during the 1st half of 1955. They exclude about $11 million in credit extended to Afghanistan in 1954.

[2] U.S. figures include credits and grants from (1) ICA obligations; (2) DLF loans approved; (3) Export-Import Bank long-term loans authorized; and (4) Public Law 480 funds earmarked for country use under title I, authorizations under title II, and shipments under title III.

NOTE.—Differences in totals are due to rounding.

FISCAL YEAR 1962 COMMITMENTS FOR LONG-TERM PROGRAMS

Mr. PASSMAN. Under the authorizing legislation, long-range planning, and authority to commit funds for such plans, subject only to annual appropriations, are embodied in section 202 of the Authorization Act. How many such agreements have been entered into by the President?

Mr. HAMILTON. We have made long-term commitments under section 202(b) in Tanganyika and Pakistan. One is under consideration in Tunis. I think my statement mentions those. That does not mean there may not be others.

Mr. PASSMAN. Do you have the amount of funds committed under the 1962 appropriation?

Mr. HAMILTON. Yes; I can give that. The statute authorizes a commitment 4 years forward but does not appropriate funds for it. The gross amount of the commitment to Pakistan and Tanganyika I can give you, but it is a commitment that under the statute, so to speak, rolls forward. Pakistan for fiscal year 1962 is $25 million to February 28, 1962, and we anticipate that there will be another $8 million, so that the total amount under the fiscal year 1962 appropriation will be $33 million.

Then going forward thereafter there would be development loans over the ensuing 4 years, subject to the conditions of the arrangement, of $200 million, so that the total amount involved would be $233 million.

PROJECTS UNDER LONG TERM PLANNING NOT JUSTIFIED TO CONGRESS

Mr. PASSMAN. None of them have been planned or justified to the Congress as projects, have they?

Mr. HAMILTON. You mean in the forward years?

Mr. PASSMAN. All of it.

Mr. HAMILTON. Those this year would have been in respect of last year.

Mr. PASSMAN. Could you refer us to what page of the hearings there has been any justification by project?

Mr. HAMILTON. I see what you mean.

Mr. PASSMAN. You have a committed plan, but there have been no individual projects justified, in detail, before the committees of Congress.

Mr. HAMILTON. That is correct.

OBLIGATION OF CONGRESS TO APPROPRIATE FUNDS FOR PRIOR COMMITMENTS

Mr. PASSMAN. Do you think the Congress is obligated to appropriate funds for those projects for fiscal 1963 upon the type of commitment which has been made?

Mr. HAMILTON. Your judgment would be much more controlling than mine.

Mr. PASSMAN. You are the Administrator. We want to know what the people are thinking downtown.

Mr. HAMILTON. You are the Congress.

Mr. PASSMAN. As Administrator of the AID program, do you feel there is a moral obligation on the part of the Congress to appropriate funds to carry out these projects?

Mr. HAMILTON. I would suppose that when Congress authorizes the Executive——

Mr. PASSMAN. You are referring to the bill. We want to know, do you think there is a moral obligation on the part of the Congress, according to any legislation you want to refer to, for the Congress to appropriate funds to carry out this program?

Mr. HAMILTON. It is my understanding that the significance of the authorization act is that it does constitute an indication of an attitude by Congress that, absent extraordinary circumstances, they would appropriate funds to carry out the authorization.

Mr. PASSMAN. But this would be a faith matter so far as the Congress is concerned. The Congress could have no conception of the worthiness of these projects, as we had never discussed them before in the committees.

Mr. HAMILTON. No, I think Congress would have every right to inquire.

Mr. PASSMAN. Do you know of any legislative committees or Appropriations Committees to which you have justified these projects as such?

Mr. HAMILTON. No, sir.

Mr. PASSMAN. I am not inclined to vote to appropriate money on this basis.

FISCAL YEAR 1962 LOANS OTHER THAN DLF

Now, Mr. Director, how much money, other than the DLF, has been loaned by AID, or ICA, in fiscal 1962?

Mr. HAMILTON. Other than DLF?

Mr. PASSMAN. All of the other categories.

Mr. HAMILTON. Other categories, that is the contingency fund, supporting assistance, and development grants. Some of the supporting assistance funds have been loaned.

Mr. PASSMAN. Could you give a total?

Mr. HAMILTON. I will supply it for the record.

Mr. PASSMAN. Could you supply it by country?

Mr. HAMILTON. Yes.

Mr. PASSMAN. And state the purpose?

Mr. HAMILTON. Yes.

Mr. PASSMAN. And the terms?

Mr. HAMILTON. Yes, sir.

(The information supplied follows:)

AGENCY FOR INTERNATIONAL DEVELOPMENT

Loans programed fiscal year 1962 (excl. DLF)

[In thousands]

Region and country	Amount	Purpose	Duration	Currency of repayment	Interest rate
AFRICA					
Morocco:					
Supporting assistance	$20,000	$15,000 for budgetary support.	40 years from date of 1st disbursement.	U.S. dollars	3½ percent on disbursed balance.
Contingency fund	10,000	$15,000 to assist in financing commodity imports.	do	Moroccan currency or at option GOM in U.S. dollars.	Do.
FAR EAST					
Indonesia, contingency funds	2,695	Djakarta bypass	40 years	U.S. dollars or Rupiahs at borrower's option.	4 percent if Rupiah repayment; 3 percent if U.S. dollar repayment.
NEAR EAST AND SOUTH ASIA					
Iran, contingency funds	14,000	Plan organization-budgetary support.	17 years	U.S. dollars	3½ percent.
Syria, contingency funds	9,000	Economic stabilization program.	Principal shall be repaid by no later than Dec. 31, 1966.	do	5¾ percent.
LATIN AMERICA					
Nicaragua, IAPSP	540	Aided self-help school construction.	20 years	do	¾ of 1 percent (credit fee).
Colombia, contingency funds	30,000	Finance essential (nonluxury) imports.	15 years from date of 1st disbursement.	do	3½ percent on disbursed balance.
Dominican Republic, contingency funds	25,000	Assist in meeting foreign exchange requirements and in financing programs to alleviate unemployment.	20 years from date of 1st disbursement.	do	¾ of 1 percent (credit fee).
Ecuador, contingency funds	8,000	Budgetary support	40 years from date of 1st disbursement.	do	Do.
Haiti:					
Contingency funds	3,400	Highway construction	do	do	Do.
Do	2,600	Port-au-Prince jet airport	(1)	(1)	(1).
Peru, contingency funds	6,000	Emergency work relief program.	40 years from date of 1st disbursement.	U.S. dollars	¾ of 1 percent (credit fee).
Chile, IAPSP	400	Rural extension	(1)	(1)	(1).
El Salvador, IAPSP	500	Rural water and sanitation	(1)	(1)	(1).
Honduras, IAPSP	600	Aided self-help school construction.	(1)	(1)	(1).
Jamaica, IAPSP	5,500	Low cost housing $3,000; water supply $2,000; agriculture credit $500.	(1)	(1)	(1).
Total	[2] 138,235				

[1] Loan authorization not yet finalized.

[2] SA $20,000; CF $110,695; IAPSP $7,540.

ESTIMATED LOANS BY AID IN FISCAL YEAR 1963

Mr. PASSMAN. Now could you tell us the amount anticipated to be loaned in the same categories for fiscal 1963?

Mr. HAMILTON. Of course I could not forecast the uses in the contingency fund, because that is unknown.

Mr. PASSMAN. You have an estimate, do you not?

Mr. HAMILTON. You mean an estimate of the amount to be loaned from the contingency fund?

Mr. PASSMAN. No, in all categories of aid other than the Development Loan Fund for fiscal 1963.

Mr. HAMILTON. Loans? I will be glad to supply that.

Mr. PASSMAN. You do not have any of this information with you today?

Mr. HAMILTON. No, sir.

(The following was submitted for the record:)

LOANS ANTICIPATED FOR FISCAL YEAR 1963 OTHER THAN DEVELOPMENT LOANS

In addition to the $1,250 million proposed for development loans in fiscal year 1963, $510 million of the $600 million requested for the Alliance for Progress is proposed for dollar-repayable loans. Of the supporting assistance programs proposed in the fiscal year 1963 presentation, it is planned to provide $23.5 million to two countries on a loan basis, repayable in local currency. Previous experience suggests that some part of the $400 million proposed for the contingency fund will be made available on a loan basis, particularly in those cases where the contingency fund is used to assist countries in meeting temporary balance-of-payments difficulties. In similar circumstances in fiscal year 1962, balance-of-payments loans have been extended for relatively short terms and have been repayable in dollars.

AUTHORITY TO DEFER LOAN REPAYMENTS

Mr. PASSMAN. We were told last year by the Secretary of the Treasury that these were not actually loans, but that they were development credits. We had hoped some of this might come back, although that hope is dim.

But, getting to some loans we did expect to get back, page 15 of the Comptroller General's report lists the nations and says:

At the request of the ICA, the Bank deferred collection of principal and interest payments on certain dollar loans to India, Pakistan, and Turkey. The outstanding balance of these loans amounted to $286.2 million at June 30, 1961. Principal repayments of $52.4 million and interest totaling $60.8 million are being deferred for periods from 6 to 10 years.

Mr. FORD. Could you identify that for the record?

Mr. PASSMAN. Yes. It is from page 15 of the Comptroller General's report of January 1962, entitled "Audit of Export-Import Bank of Washington, 1961."

Could you tell us why ICA took such action?

Mr. HAMILTON. That was before my time. I will check into it.

Mr. FORD. Am I in error that this is an Export-Import Bank series of loans or ICA loans?

Mr PASSMAN. They have been the collectors for ICA, now AID. We never have known yet why they deferred collection. The only answer we got when we asked the officials of the Bank was that it was done at the request of ICA, and that closed the matter.

Mr. ANDREWS. You mean the Export-Import Bank collects the payments made on ICA loans?

Mr. PASSMAN. They supervise certain types of loans.

Mr. TABER. I thought I understood you did the collecting for the Export-Import Bank?

Mr. HAMILTON. We now collect our own. This was changed a year ago.

DISPOSITION OF RECEIPTS FROM LOANS

Mr. ANDREWS. What disposition is made of the money you collect on the loans? Does it go into the Treasury or in a lending fund?

Mr. HAMILTON. It goes in the Treasury at the present time.

Mr. PASSMAN. I would suggest that the Director check further on this point.

DEFERRAL OF INTEREST AND PRINCIPAL REPAYMENTS

Mr. FORD. Do I understand principal repayments of $52.4 million and interest of $60.8 million were actually deferred for periods from 6 to 10 years and has any subsequent action been taken to require payment?

Mr. HAMILTON. I will check into it. This was before my time.

(The information supplied follows:)

Deferrals of interest and principal repayments

[In dollars]

	Outstanding balance of loans for which collection deferred	Principal payments deferred	Interest payments deferred	Date deferred	Period of agreement
Pakistan	15,000,000.00	2,660,000.00	3,000,000.00	June 30, 1958	9 years.
India	186,239,057.50	23,408,279.44	39,514,415.24	June 30, 1958	Do.
Turkey	38,000,000.00				
	35,806,686.10	26,331,720.56	18,285,584.76	September 1958.	10 years.
	11,200,000.00				
Total	286,245,743.60	52,400,000.00	60,800,000.00		

EXPLANATION OF DEFERRALS

Pakistan: In view of the difficult foreign exchange position, the U.S. Government agreed to defer payments as indicated. The exchange position has continued tight since that time and consequently there has been no reason to modify the decision.

India: India lost a very substantial portion of the foreign exchange holdings during 1957 as a second 5-year plan got underway. The Indian Government has been continuing to operate under a tight foreign exchange budget even with significant foreign economic assistance and therefore there has been no reason to modify the decision taken 4 years ago.

Turkey: The foreign exchange position of Turkey worsened substantially during the period 1956–58 and its foreign debts constantly increased. In the summer of 1958 the Turkish Government entered into discussions with its European creditors, the U.S. Government and the International Monetary Fund and the Stabilization Agreement was reached in September 1958, which provides among other things a moratorium on certain debt payments and a deferral of others. The three loans in question were among the deferrals. The foreign exchange position of Turkey since that time has continued to be very tight and the Turkish Government has continued its rigid import and foreign exchange controls. Therefore, there has been no reason to modify the decision reached 3½ years ago.

Mr. FORD. But it is a fact that in the period of deferral we have made additional loans to India?

Mr. HAMILTON. Very substantial, yes.

DISPOSITION OF RECEIPTS FROM LOANS

For the record, in response to your question, Mr. Andrews, section 203 provides:

All receipts from loans made under and in accordance with this title shall be available for use for the purposes of this title. Such receipts and other funds made available under this title for use for the purposes of this title shall remain available until expended.

My understanding is that it is available just as though it had been appropriated and it increases the amount we have available.

Mr. PASSMAN. It can be reloaned without additional authorization.

Mr. ANDREWS. It does not go into the Treasury, then?

Mr. HAMILTON. I misspoke. It does not.

LOAN RECEIPTS DEDUCTED FROM NEW OBLIGATIONAL AUTHORITY REQUESTS

Mr. ANDREWS. Assuming that X amount of money is repaid in that revolving fund during a fiscal year, would that show up in the budget you present to this committee for additional funds?

Mr. HAMILTON. Yes, sir.

Mr. PASSMAN. No; not in the justifications.

Mr. MILLER. We would show it as far as programing the funds.

Mr. PASSMAN. But not in your justfications.

Mr. HAMILTON. We are going to show this committee any receipts that we get.

Mr. ANDREWS. My point is this: Suppose you ask for a billion dollars——

Mr. HAMILTON. And we are getting repayments of $200 million.

Mr. ANDREWS. Yes; would you cut your request to this committee down to $800 million after receiving $200 million repayment?

Mr. HAMILTON. Yes. If we come up with a program of $1 billion——

Mr. ANDREWS. And before you reach the committee you have collected $200 million, would you tell the committee to deduct $200 million from the $1 billion request?

Mr. HAMILTON. Yes.

Mr. ANDREWS. What can you tell us about that at this time?

Mr. HAMILTON. We cannot come up and justify a program of $1 billion and say we have a $200 million kitty someplace else.

Mr. TENNANT. The citation Mr. Hamilton read was the current development loan account. The old account is not being used as set forth in section 202.

Mr. HAMILTON. Am I right, all the repayments we have had have gone into the Treasury?

DISPOSITION OF RECEIPTS FROM LOANS

Mr. PASSMAN. This money can be plowed back into the program without congressional approval.

Mr. FORD. I am very confused about that.

Mr. HAMILTON. Why do I not give you a statement for the record?

(The information supplied follows:)

STATUTORY AUTHORITY GOVERNING REPAYMENTS OF LOANS UNDER FOREIGN ASSISTANCE ACT AND PREDECESSOR ACTS

The only loan repayments which have been authorized for use for foreign assistance purposes without further congressional approval are dollar repayments of development loans made in fiscal year 1962 and thereafter under the Foreign Assistance Act. All other repayments in dollars or foreign currency of loans made under the Foreign Assistance Act of 1961 or any predecessor act are deposited to miscellaneous receipts of the Treasury and must be appropriated by Congress. The statutory provisions are as follows:

Section 203 of the Foreign Assistance Act of 1961 authorizes the use for development loan purposes of all receipts from loans made under and in accordance with the development loan title—title I of chapter 2 of part I of the act. It does not authorize the use of receipts from loans made under any other authority of the Foreign Assistance Act nor under any authority of any predecessor act.

There is no other authority to utilize dollar receipts from loans made under the Foreign Assistance Act, other than development loans, or from any loans made under predecessor acts. In the absence of such authority such receipts are deposited to miscellaneous receipts of the Treasury.

Section 612 of the Foreign Assistance Act provides that foreign currency repayments of loans under the Foreign Assistance Act and predecessor acts which are in excess of amounts reserved for use under the Mutal Educational and Cultural Exchange Act of 1961 (1) may be sold by the Treasury to U.S. Government agencies for payment of their obligations abroad and the dollars received from such Treasury sales are to be deposited to miscellaneous receipts of the Treasury, and (2) such repayments which are in excess of requirements for Treasury sales are available for economic assistance purposes in such amounts as may be specified from time to time in appropriation acts.

Foreign currencies used for Treasury sales to U.S. Government agencies to pay their obligations abroad substitute for dollars which the country concerned would otherwise earn from expenditures by U.S. Government agencies on the open market. From the standpoint of the country these currencies constitute payment by them to the United States in dollars. As stated above, the use of foreign currency repayments of loans under the Foreign Assistance Act and predecessor acts for both Treasury sales and foreign assistance purposes is controlled by Congress through the appropration process.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. The argument would be made, no doubt, if you did not have a right to spend this money that the request of Congress would have to be higher?

Mr. HAMILTON. I would assume we would start with a program that made sense in the national interest and where the funds would come from appropriation or collections.

DOLLAR REPAYMENTS ON LOANS DEPOSITED IN REVOLVING FUND

Mr. FORD. Turning to page 22 of the committee print under the "Program and financing" table, the column for fiscal 1963 shows new obligational authority, appropriation, $1,250 million; revenues and other receipts, interest earned on loans, $600,000.

Mr. HAMILTON. Yes.

Mr. FORD. That would be revenues from previously made loans in dollars; is that correct?

Mr. HAMILTON. Yes.

Mr. TENNANT. Made under fiscal year 1962 legislation. The answer to your question is on page 70 of the President's budget:

Development loans are repayable in U.S. dollars on such terms and conditions as may be determined by the President and a revolving fund was created into which all loan repayments and payments of interest are deposited. Such funds,

together with all funds appropriated, continue available until expended although dollar receipts generated by loan reservations entered into prior to 1962 are deposited in the miscellaneous receipts account of the Treasury.

Mr. PASSMAN. Under the new legislation every bit is plowed back into the program. The receipts from prior years amount to very little.

Mr. FORD. I gather this $600,000 is the first receipt of revenue?

Mr. HAMILTON. That would go into the revolving fund, all the rest having gone in the Treasury.

Mr. ALEXANDER. You say it goes back in the Treasury?

Mr. HAMILTON. That is in past years.

Mr. ALEXANDER. Beginning this year, 1962, it goes into a revolving fund?

Mr. HAMILTON. That is my understanding of the meaning of section 203.

LOCAL CURRENCY LOAN REPAYMENTS

Mr. PASSMAN. Let us clear this up. Most of these loans are repaid in local currency, and this local currency cannot be transferred out of the country, but must remain in the country, except possibly 10 percent, to be spent on projects in the country mutually agreed upon as being worthy by the country and the United States. If you had $100 million in country X in local currency, you could not bring it back to this country; it would have to be spent in that country. You could not call that a loan.

Mr. TENNANT. Repayments on the local currency loans are going into the Treasury.

Mr. PASSMAN. On certain loans but not on most loans.

Mr. TENNANT. My understanding of the local currency repayments is they are credited to the Treasury at the present time.

Mr. FORD. They are credited to the Treasury but the chairman is right—they cannot be withdrawn for use other than under the conditions the chairman has mentioned.

Mr. HAMILTON. They are on our books but not under our control and there are limitations on the spending.

UNOBLIGATED BALANCES IN BUDGET SCHEDULES

Mr. FORD. May I ask at this point, on page 22 of the subcommittee print the next line item is "Unobligated balance brought forward" and the first item under that is "Reserved," $204,250,000. That is a reservation from a prior fiscal year account that has been transformed to this program?

Mr. TENNANT. At the time of the estimate we figured that at the end of 1962 we would have some unobligated balance which would go forward into 1963. It is the difference between loans approved and loans not yet signed; the other balance has not yet been reserved.

Mr. FORD. We go to the next line item under 1963, "Unobligated balance carried forward," and the first line item is $150 million. I am not a CPA so I do not understand how you balance these out. What does that line item mean?

Mr. TENNANT. That is a minus item and represents the unobligated carried forward from the prior year.

Mr. HAMILTON. What prior year?

Mr. TENNANT. That is the balance that will carry forward to 1964.

Mr. FORD. That is the balance you anticipate at the end of 1963 that will be carried forward to 1964?

Mr. TENNANT. Yes.

Mr. FORD. Going to "Financing applied to program," $1,305,386,000, those are new obligational authority and carryover which you expect to obligate in fiscal 1963?

Mr. TENNANT. Yes.

Mr. PASSMAN. Before we take a recess I should like to read from an article I have here:

TODAY

It is a gloomy moment in history. Not for many years—not in the lifetime of most men who read this—has there been so much grave and deep apprehension; never has the future seemed so incalculable as at this time.

You would not disagree with that, would you?

Mr. HAMILTON. I would say it did not look very good.

Mr. PASSMAN (continuing reading):

In our own country there is universal commercial prostration and panic, and thousands of our poorest fellow citizens are turned out without employment, and without the prospect of it.

In France the political caldron seethes and bubbles with uncertainty; Russia hangs as usual, like a cloud, dark and silent upon the horizon of Europe; while all the energies, resources, and influences of the British Empire are sorely tried, and are yet to be tried more sorely, in coping with the disturbed relations in China.

It is a solemn moment, and no man can feel an indifference—which happily, no man pretends to feel—in the issue of events.

Of our own troubles (in the United States) no man can see the end. They are, fortunately, as yet mainly commercial; and if we are only to lose money, and by painful poverty to be taught wisdom—the wisdom of honor, of faith, of sympathy, and of charity—no man need seriously to despair.

And yet the very haste to be rich, which is the occasion of this widespread calamity, has also tended to destroy the moral forces with which we are to resist and subdue the calamity.

That almost runs parallel with history today. When worrying too much about today remember that the article I have just read is a reprint from Harper's Weekly, volume 1, page 642, of the issue dated October 10, 1857, nearly 105 years ago.

Mr. HAMILTON. That is a very optimistic note.

Mr. PASSMAN. And here we are trying to cure the ills with our wealth.

THE PEACE CORPS IN TANGANYIKA

I heard a news report last evening to the effect that the Government of Tanganyika was considering asking the United States to withdraw Peace Corps men. I did not think too much about it until I read a similar story on the front page of the Washington Post this morning. It is by Reuters, and the headline is "Peace Corps Hit in Tanganyika." I quote:

DAR ES SALAAM, TANGANYIKA, June 11.—A vitriolic attack on the U.S. Peace Corps was made here today during a budget debate in Parliament.

John Mwakangale, regional commissioner in the southern highlands region, said Peace Corps members are "undermining the Tanganyika Government" and that "wherever they are stationed trouble starts."

I wonder if you could ascertain for the committee what party this man belongs to and if he is a regular member of that party?

We were in a country a few weeks ago, a country which has received much of our aid, and they said they wanted us to keep Peace Corps

men out of that country. This was a European country. I am not going to whip this to death, but I think we should find out about this man in Tanganyika.

Mr. HAMILTON. Did they say he was a member of their Government?

Mr. PASSMAN. This says he is a regional commissioner in the southern highlands region of Tanganyika.

(The information supplied follows:)

PEACE CORPS IN TANGANYIKA

The following is inserted in this transcript for clarification:

1. The article in the Washington Post was incomplete. The Post used only the first two paragraphs of the Reuters report. The complete Reuters report runs as follows:

"DAR ES SALAAM, TANGANYIKA, June 11 (Reuters).—A vitriolic attack on the U.S. Peace Corps was made here today during a budget debate in Parliament.

"John Mwakangale, Regional Commissioner in the Southern Highlands region, said Peace Corps members are 'undermining the Tanganyika Government' and that 'wherever they are stationed trouble starts.'

"Mwakangale's attack was quickly denounced by Prime Minister Tashidi Kawawa who said 'I've never heard such an irresponsible speech.'

"Mwakangale's voice was often so loud that his words were lost. He was interrupted eight times during his outburst and warned that he faced suspension from Parliament unless he lowered his voice.

"Mwakangale said: 'Are the Peace Corps really here to make peace? It's just the opposite. Wherever they are we always hear of trouble. We hear of people trying to overthrow the Government. These people are not here for peace, they're here for trouble. We don't want any more Peace Corps.'

"He said he knew that the Tanganyika Government had invited the Peace Corps to send volunteers here but 'the things they're doing are things which are undermining the Government.'

"Prime Minister Kawawa interrupted to ask him to substantiate his charges.

"Mwakangale then launched into another diatribe against foreign embassies in Dar es Salaam:

"'If they don't leave, one day they'll find themselves in the Indian Ocean. I know what they're doing. They're not here to benefit the people of Tanganyika, they're here to pursue their own policies—Imperialism and Communism.

"'It's better to have nothing than something which is going to destroy our unity, our peace.'

"Premier Kawawa later told Parliament: 'In my experience of membership in this house I must say I've never heard such an irresponsible speech before or after Independence by any member of this House, particularly considering the most responsible position he holds in the country.'"

The Washington Post ran the full story the following day, June 13.

2. Mr. Mwakangale is a member of the Tanganyika National Assembly. He belongs to the Tanganyika African National Union (TANU), as do all the other members of the Tanganyika National Assembly. TANU is considered to be the only political party of any consequence in Tanganyika.

3. Note the analysis of the Peace Corps in Tanganyika made by the Scripps-Howard correspondent, Mr. Friedenberg, as follows:

"*Tanganyika Lauds Peace Corps' Work*, Mbeya, Tanganyika, June 6.—A good Peace Corps man nowadays in Tanganyika is hard to find.

"They are good, all right. Tanganyika's energetic little Prime Minister Rashidi Kawawa says enthusiastically, 'they're very good, very helpful! We wish we had more!'

"The reason they are hard to find is that they are scattered all over the country, out in the bush, doing their job—mainly helping lay out feeder roads in the most remote parts of the land.

"The last place to look is in the modest Peace Corps office in the capital city of Dar es Salaam. There is an English secretary holding the fort, but the 35 Peace Corps volunteers themselves are off in Mwanza, Njombe, Morogoro, Mbeya or some other place you or they, never heard of before.

"Now halfway thru their two year tour, they have not transformed the face of the countryside, but they have made a few much appreciated nicks in Tanganyika's enormous ground-communications problem.

"The problem is that this undeveloped country of 360,000 square miles has only 3,500 miles of main roads and 10,000 miles of district roads, dirt for all but a few hundred miles.

"More thru routes are needed. But needed even more are bush-country feeder roads to enable farmers to move their corn, cotton and livestock to market, to encourage forestry, mining and transport, and permit government health, education and information services to penetrate communities now in near-isolation.

"To survey these feeder roads, there are simply not enough left-over British civil engineers, and the Africans who will someday replace them have not yet been produced in sufficient numbers. This is where the Peace Corps volunteers come in—and go out into the bush.

"One disappointment is that there is relatively little afterwork camaraderie between Peace Corps volunteers and their African work-mates. The educational gap is usually pretty wide and in many cases, the general feeling is that talking about the work at hand seems to exhaust the conversational possibilities.

"But American-African relations appear to be good, as indeed are U.S.-Tanganyikan relations. Prudently, the United States is not over-publicizing the Peace Corps, thus making it a blatant political tool, and this makes the Peace Corps work all the more acceptable, appreciated and perhaps successful.

"Clearly, Tanganyika would like to have more Peace Corps volunteers after this group goes home." (Washington News, June 6, 1962)

4. Note the analysis of the Peace Corps in Tanganyika made by Mr. Joseph Sterne, of the Baltimore Sun, as follows:

"*Peace Corps Life is Rugged,* Group in Tanganyika Finds Kennedy Was Right.—Dar es Salaam, Tanganyika, May 17—Wading hip-deep in swamps with hippos snorting behind a curtain of tall grass, riding the Kilombero River in a dugout canoe, palavering with tribal chiefs at sunset after a long day on safari, sleeping under thatch-roof shelters, getting up in the morning to find a crowd of natives wanting to join the hike because there is safety in numbers in elephant country.

"Such is the rugged outdoor life that enlistment in the Peace Corps has brought to two young Americans.

"As members of the 35-man team of engineers, surveyors, and geologists who arrived in Tanganyika last September, 22-year-old Thomas Katus, of McIntosh, S. Dak., and 24-year-old Jerry Parson, of Albany, N.Y., are ready, henceforth, to take President Kennedy at his word.

"Unlike some Peace Corps teachers in West Africa who have found life comparatively soft, the Tanganyika group has encountered the very hardships Mr. Kennedy talked about when he called for volunteers soon after his inauguration.

"*Flooded Trails.*—Two surveyors spent six weeks straight in the bush country near the Ruanda-Urundi border. Katus and Parson have gone on several 80-mile hikes along flooded trails. One volunteer, a Japanese-American named Allen Tamura, spent so much time with the Wagogo tribe that he will become an honorary member when the chief gets around to killing a goat.

"Yet for all these challenges, not a single man has wanted out. Going quietly about their job in helping with Tanganyika's $2,500,000 feeder-road program, they have earned the quiet gratitude of this country's newly independent Government. Not a single disagreeable incident has occurred. Prime Minister Rashidi Kawawa, when asked his verdict on the Peace Corps effort, said the volunteers here have 'done a very good job mixing with the people and encouraging self-help measures.'

" 'We hope to get more of them,' he remarked.

"*More Help May Come.*—According to Tanganyikan sources, more help may in fact be on the way later this year. The government has asked for 30 nurses, 25 experts in land development and 15 more surveyors and water specialists.

"Skilled personnel of this nature is needed because many British civil servants are leaving the country and there are few trained Africans to take their place. In addition, Government services are expanding.

"The Tanganyika Peace Corps group, under the leadership of E. Robert Hellawell, a Cleveland attorney, took preliminary training at Texas Western College in El Paso and in Puerto Rico before coming to Africa. Of an original 50-man contingent, 15 were weeded out or withdrew voluntarily.

"Those who made the grade received seven weeks of intensive instruction in Swahili after their arrival in Tanganyika, then reported for their assignments to scattered towns named Njombe, Mtwara, and Bukoba, Tabora, Dodoma and Morogoro.

"As representative members of the group, Katus and Parson had understandable reasons for joining the Peace Corps.

"Parson, a young Negro, said he 'wanted to know Africa and help people'. 'I was tired of doing the job I was doing (materials testing for the State of New York) and not doing anything for anyone else.'

"Katus, a one-time engineering aspirant who is switching to political science, said he felt 'the Peace Corps was a damn good idea in our foreign policy for a change'. In between safaris he is taking correspondence courses from the University of Minnesota and may try for the Foreign Service.

"Both young men have no regrets that they volunteered, but both feel they will have had enough when their tour of duty ends in July, 1963.

"Like most other members of the Peace Corps here Parson and Katus have had bouts of dysentery, a predictable disease for newcomers to the bush. They also have learned to be amateur doctors, dispensing medicines to villagers along their line of march.

"*Making Surveys.*—Working out of Morogoro, the two volunteers are making preliminary surveys of a trail that is periodically washed out in rainy season.

"It will be their task to move the narrow road to higher ground, build culverts over streams cascading into the river and erect simple bridges that can withstand flood pressures. The aim is to make the route passable in all weather so African villagers can get to market to sell their crops and buy supplies.

"The Peace Corps effort is but a small part of the large American aid program taking shape here in Tanganyika.

"Under the aegis of the Agency for International Development, 74 secondary school teachers are at work and another 61 will come next year. American specialists are assisting in community development. Africanization of the civil service and the establishment of an agriculture school and a teacher training college.

"Moreover, Washington has agreed to underwrite a $10,000,000 loan for Tanganyika's three-year development plan and is rushing relief under the Food for Peace program for villagers isolated by the flooding Rufiji River.

"The United States program, though not as large as the aid Britain is giving its former trust territory, is one of the key props in Tanganyika's economic planning.

"*Takes Time*—Economic development, however, takes time as well as money. Planning is hard enough in an underdeveloped country, but carry-through presents even greater problems. So far, for example, Tanganyika has not been able to launch a single project that will be financed from the loan funds.

"For this reason, the Peace Corps has special appeal at this stage in the country's history.

"In teaching health, engineering and agriculture, Tanganyika has many skilled and semi-skilled jobs to be filled and a surplus of mundane but necessary tasks to be performed without long months of preparation.

"One senior British official, who confessed he was skeptical about the Peace Corps when it was first announced, said he had changed his views 180 degrees.

"'I take it all back', he smiled. 'We have a dozen lads out here now on a Peace Corps type of program and I hope we send many more. It's good for the youngsters and it's very helpful to Tanganyika.'" (The Sun, Baltimore, Friday morning, May 18, 1962)

5. The Peace Corps does not send volunteers to European countries.

Mr. PASSMAN. We shall recess until 10 o'clock tomorrow morning.

JUNE 13, 1962.

Mr. PASSMAN. The committee will come to order.

I hope it will always be the case in this subcommittee that we can have disagreement without being disagreeable.

OBLIGATION OF CONGRESS TO APPROPRIATE TO MEET COMMITMENTS

One statement upon which all agree, I believe, is that the Congress abdicated much of its power to the executive branch last year.

Earlier this morning I was going over some of the things that transpired before the committee yesterday. There is about $775 million in a certain area which we discussed where no projects have been

planned. There is no program. It is only a plan that these nations have, yet the money has been committed and the Executive's interpretation of the law appears to be that Congress has no alternative other than to appropriate the money.

Mr. HAMILTON. Mr. Chairman, with all due respect, I must note a dissent, sir.

Mr. PASSMAN. You can note whatever you wish. It is in the record that, regardless of our interpretation, the Executive feels the legislation passed last year leaves us with no alternative but to appropriate the money. Did you answer the question in the affirmative yesterday when I asked if Congress had a moral obligation to appropriate for long-term commitments?

Mr. HAMILTON. I think what I said, sir, was that it was my understanding that when the Congress authorized forward commitments conditioned upon forward appropriations and did not appropriate the funds, it was my further understanding that that meant the money would be made available in the event those authorizations were utilized, unless there were circumstances that the Congress felt it not to support the authorization.

Mr. TABER. Do you realize what kind of a mess you are getting us into if we follow that rule? There are between $50 billion and $60 billion of authorization bills for rivers and harbors and flood control and you are making the appropriation of funds mandatory. Because we have been able to stave off part of those things, the country has been somewhere near breaking even, but if we are going to follow that philosophy on one thing we will have to follow it on everything. You are heading toward a slump of the worst kind.

Mr. PASSMAN. I want to associate myself with the statement of the distinguished gentleman from New York.

The Secretary of State came before the committee, and I asked the question that if this committee should discover that certain projects were not feasible and that the cost-benefit ratio was unfavorable, if we should specifically prohibit the continuation of them, would such action be considered rightfully within our prerogatives. He indicated that we would be attempting to administer the program if we did so.

On yesterday, I believe, you told us that long-range commitments would require the appropriation of $775 million in fiscal year 1963.

I also understood you to say that you believed this would go toward multiyear plans, and not to individual projects or programs as foreign aid funds have been used in the past.

Mr. HAMILTON. No, sir, that is not the case. I did not make my position clear, Mr. Chairman, if that is what your understanding is.

The commitments that have to do with these forward authorizations are not the supporting assistance and not the contingency funds and not the development grants——

Mr. PASSMAN. We are talking about development credits.

Mr. HAMILTON. Development loan?

Mr. PASSMAN. Secretary Dillon said "development credits." You call it "loans."

Mr. HAMILTON. Very well, sir. That being the case as you say, Mr. Chairman, the type and character of information that is provided

the committee with respect to development loans—as they are described in the act—is, I have been told, the type and character of information that has always been given to the committee since 1958 with respect to the utilization of development loans.

COMMITMENT OF DEVELOPMENT LOAN FUNDS PRIOR TO APPROPRIATION

Mr. PASSMAN. This year the President is asking for $1,250 million for the development credit, or, as you call it, loan, program?

Mr. HAMILTON. That is correct.

Mr. PASSMAN. And you have already made about three-quarters of a billion dollars in commitments to these countries?

Mr. HAMILTON. No, sir; that is not the case.

Mr. PASSMAN. How much have you committed of the $1,250 million?

Mr. HAMILTON. In respect of payments that will be made in 1963—let me check on this——

Mr. PASSMAN. If you will just tell us how much you have committed, we shall decide the manner in which it has been committed.

How much have you committed out of the $1,250 million?

Mr. HAMILTON. With all due respect, Mr. Chairman, the question in that form cannot be answered, for this reason: The total long-term commitments under section 202(b) which apply this year are for several years forward: for Pakistan, $225 million; and for Tanganyika, about $10 million. So that if on the average one-fifth were obligated and expended each year, that would mean there would be $47 million of the $1,250 million that you talked about that would be so to speak applicable to fiscal year 1963.

Mr. PASSMAN. I asked a simple question. How much of the $1,250 million have you obligated into the future?

Mr. HAMILTON. Oh, I see. That is a different question.

Mr. PASSMAN. You did not understand what I meant.

Mr. HAMILTON. What I understood, sir, was that you were asking how much of the $1,250 million——

Mr. PASSMAN. That had been obligated into the future. How much of it is obligated, or what commitments from it have been made to recipient nations?

Mr. HAMILTON. The only money, as I understand the law, that we can obligate of such of the $1,250 million as is appropriated is money that is made available for next year.

OBLIGATIONS OF DEVELOPMENT LOAN FUNDS, 1962

Mr. PASSMAN. How much did we appropriate for fiscal year 1962?

Mr. HAMILTON. There was appropriated for fiscal year 1962, $1,112,500,000 of the development loan funds.

Mr. PASSMAN. You have obligated how much of that $1,112 million?

Mr. HAMILTON. As of April 30, 1962, $681,200,000.

Mr. PASSMAN. Project it, if you will, to June 30, 1962, as to what amount will be obligated.

Mr. HAMILTON. It is estimated that by June 30, 1962, the whole amount will have been obligated or reserved.

Mr. PASSMAN. What do you mean by "reserved"?

Mr. HAMILTON. Well, I have been advised that that is the word with which the committee is familiar——

Mr. PASSMAN. I am familiar with it in the military, but I have never heard of it in this thing before.

Mr. HAMILTON. I see. Well, then, my advice was bad. It means funds that are either obligated in the technical sense in that it is a signed agreement, or an arrangement with another country or with a private enterprise that is going to borrow the money, or that it has been approved by the appropriate authority on what appears to be a reasonably firm basis, subject to final arrangements.

Mr. PASSMAN. But it is programed for a plan and not for a specific project.

Mr. HAMILTON. Not in the ordinary case, but it may be either. It may be programed under a plan but then the commitment to make the loan available is contingent upon the production of a project that meets the criteria of the statute or some other expenditure that meets the criteria. In other words, when one has a plan there are two steps. One, there is a program—as in the case of India we discussed yesterday—where the United States says, subject to a number of conditions, "We will go along this year for so much money." But the second condition is that before the money is obligated, much less spent, if it is the case of a project, they come forward with a project that meets the statutory criteria. If it is a case of the importation of goods, then you have a different situation.

Mr. PASSMAN. On yesterday you said we committed ourselves to a plan, and not necessarily to projects that have been firmed up.

Mr. HAMILTON. We do but we do not obligate the funds until——

Mr. PASSMAN. But you ask the Congress to appropriate funds prior to the time that any projects had actually been approved. I am not talking about a program where a plan has been approved, but I am talking about projects as such.

What we are trying to find out are the purposes for which you have committed this money.

At this point, I am going to read into the record part of page 15 of the green book:

> During the past year, four long-range commitments have been entered. These were offered to countries whose planning activities antedated the enactment of the new legislation. These commitments to India, Pakistan, Nigeria, and Tanganyika total more than $1.7 billion of which more than $600 million is being made available from fiscal year 1962 appropriations.

Mr. HAMILTON. That is correct, sir.

Mr. PASSMAN. How much of this will come out of the fiscal year 1963 program?

Mr. HAMILTON. It is not possible at this time to ascertain that because——

Mr. PASSMAN. How are we going to recommend money, Mr. Hamilton, for something as indefinite as this?

We operate this committee to find out what the projects are, what the amounts are, what they will cost in the long run, and what a particular reduction would represent, et cetera.

You say you are going to obligate $1,250 million. Can you furnish the committee with a list of the countries to which you have committed this money, and for what projects in those particular countries?

Mr. HAMILTON. We can certainly furnish you a list of what we anticipate the money will be obligated for.

(See p. 277 for the information.)

Mr. PASSMAN. Can you tell the committee anything about specific projects in the country to which the money is committed?

Mr. HAMILTON. Certainly with respect to this year.

Mr. PASSMAN. Fiscal year 1962?

Mr. HAMILTON. Yes.

I can give you a list of those. I, of course, do not have it in my head.

Mr. PASSMAN. Is there any way that we can get direct answers without supplying so much for the record?

Mr. HAMILTON. The point is, if I may say so, Mr. Chairman, that we have four assistant administrators who are primarily responsible for these four regions. They will be before you, of course, at your convenience and be perfectly prepared to discuss these matters in detail.

My understanding has been that the presentation that is being made this year with respect to these funds follows precisely the procedure that has been followed in the past with respect to development loan funds.

Mr. PASSMAN. No, sir. In the past you came up with an appropriation request. You had an authorization, so you were required to limit your loans to the amount of the appropriation. In 1962 you will have committed $1,112 million——

Mr. HAMILTON. That has already been appropriated.

Mr. PASSMAN. We know that. But you have asked for $1,250 million in fiscal year 1963, and with this new program you have already committed this money, have you not?

Mr. HAMILTON. No.

Mr. PASSMAN. How much of it have you committed? That is what we want to find out.

Mr. HAMILTON. As I mentioned, the commitments that have been made under the statutory authorization are $225 million to Pakistan and $10 million to Tanganyika.

Mr. PASSMAN. Why would you ask, then, for $1,250 million if you have only obligated $235 million, the amount that you mentioned here?

Mr. HAMILTON. Because we anticipate it will be in the national interests of the United States to carry on the development programs during fiscal year 1963, in which there can be prudently spent funds of that order of magnitude.

Mr. PASSMAN. Now, Mr. Hamilton, I think I am following you. You have actually so far committed only $235 million out of $1,250 million, actually firm commitments?

Mr. HAMILTON. Under 202(b) which is the authorization statute.

Mr. PASSMAN. That is what you have committed.

Mr. HAMILTON. That is right, those are the figures that have been given me.

Mr. PASSMAN. If this Congress appropriates $235 million, then, we will have appropriated all the funds that have been previously committed?

Mr. HAMILTON. All of the funds that have been committed under 202(b).

We are talking all the time to people about forward-going programs. In other words, it is no more possible to tell now what of these loans will be made than it would be for a bank on January 1 to be able to report to its board of directors what loans would be made during the ensuing 12 months.

Mr. PASSMAN. Could we operate our own Government, all of our old-line agencies, on the basis that we do not know how much it will cost to operate a given department, such as the Post Office Department: "We could only account for $200 million, but we would like to have $4.5 billion, believing during the year we could spend it"?

Mr. HAMILTON. The analogy is closer to the RFC and to the Export-Import Bank and neither of those institutions—which are lending institutions—could have told you, I suppose, at the beginning of the year what loans they were going to make or what the loans would be made for.

Mr. PASSMAN. Are you not mentioning an artificial thing when you try to bring the Export-Import Bank into something like this? They make hard loans.

Mr. HAMILTON. The RFC and the Export-Import Bank are banks and this is a lending fund.

Mr. PASSMAN. But none of this comes back to the U.S. Treasury. If it does come back it goes into a revolving fund.

Mr. HAMILTON. As of this year. I am told in the past it went back to the Treasury.

Mr. PASSMAN. That was largely a local currency matter which we have already discussed in detail.

If any money comes back it goes into a revolving fund, and not into the Treasury.

Mr. HAMILTON. That is my understanding; yes.

Mr. PASSMAN. You are asking for $1,250 million. You have committed only $235 million, so there is plenty of leeway in there for substantial reductions without upsetting the applecart at this time?

Mr. HAMILTON. Oh, no.

LACK OF INFORMATION ON 1963 DEVELOPMENT LOAN FUNDS REQUESTED

Mr. PASSMAN. Tell us the purposes for which you have committed the additional money.

Now you are asking for an appropriation—not an authorization—of $1,250 million, and we want to know for what purposes you are going to use the money.

Mr. HAMILTON. The only way that the Development Loan Fund can function is to have funds appropriated so that the officials charged with the disbursements of those funds can carry out and conclude negotiations that they are now making.

For example, when we work with one of the less-developed countries and endeavor to assist them to develop so that hopefully they can become economically strong and politically viable enough to exist and not fall into the hands of the Communists, it is neccessary for us in many cases to negotiate with them. We are trying to get them to undertake certain self-help measures.

Now, we obviously cannot negotiate unless the funds are available. On the other hand, we do not want to get in a position where we commit the funds before we have gotten them to take the measures that we think they should take. All flexibility in the administration of the program would be absolutely destroyed.

Mr. PASSMAN. We have given away some $115 billion of this country's wealth, through all categories, generally on the basis of projects that had been justified in detail, including the country, the project, and the amount.

Now you say that you cannot do these things unless we appropriate the money in advance of the negotiations or commitments.

Mr. HAMILTON. My understanding, Mr. Chairman, is that the manner in which the request for the $1,250 million has been presented is precisely the same manner in which the request was made for previous Development Loan Fund appropriations which were made.

Mr. PASSMAN. You have switched a lot of categories into development credits, to where you are asking for $1,250 million. In the past they told us to whom they planned to commit the money. They said, "This is where we propose to use this money."

I am only trying to understand it, Mr. Director. You are asking for $1,250 million in appropriations this year, for this development credit program.

Mr. HAMILTON. Yes, sir.

Mr. PASSMAN. You have committed $235 million up to this date. Now you are asking us to appropriate this billion and a quarter dollars.

Mr. HAMILTON. That is not committed against this appropriation, sir.

Mr. PASSMAN. What is it committed against?

Mr. HAMILTON. The nature of that commitment is a commitment that is contingent upon the Congress appropriating the funds.

Mr. PASSMAN. Mr. Hamilton, we understand that fact.

You have told us, as have other witnesses, that you make commitments and that, as commitments have been made, you expect the Congress to appropriate the money. The Congress abdicated on that point last year. We have the legal right to appropriate what we feel is necessary, but the Executive would argue that we were upsetting diplomatic relations, so we have to appropriate the money.

The point I am trying to understand is that of the $1,250 million that you are asking for there is at least a moral commitment made in the amount of $235 million.

Mr. HAMILTON. I did not make that clear because not all of that $235 million would be expended next year.

Mr. PASSMAN. I did not say it would be expended. Expenditures are one thing, and an appropriation is something else.

You have money unexpended that we appropriated 7 years ago.

Mr. HAMILTON. It would not necessarily be charged——

Mr. PASSMAN. Any time we appropriate this money you enter into an obligation and you remove that from the available——

Mr. HAMILTON. This is not, sir, an obligation. We might, sir, next year, for example, since it is a forward obligation of $235 million, expend only a fraction of it next year against whatever funds the Congress might appropriate.

Mr. PASSMAN. That is even worse. Then you were telling us that you actually have no commitments for the $1,250 million, and you will not have until we appropriate it, and after we appropriate it you will work out the plans for which it will be spent; is that it?

Mr. HAMILTON. We certainly have programs, but that is not a question one can answer "Yes" or "No" because what you were saying was, on the one hand, sir, that you have no commitments and on the other hand that you have no plans. It is a double-barreled question. We do not have it all committed but we do have plans, that is the answer.

Mr. PASSMAN. For what have you obligated the $1,250 million? You have either obligated it or you have not obligated it.

Mr. HAMILTON. We could not obligate it because it has not been appropriated.

Mr. PASSMAN. In the past the agency did not ask for funds until it came in and said, in effect, "We want funds to carry out these specific programs, by country, by project, by amount, and we want this slice to apply against this total."

Now, as you have indicated, you cannot tell us what the programs are until you get the money. We are trying to find out if that is the status we are in.

We are entitled to know whether you expect this money before you have projects planned——

Mr. HAMILTON. No, sir; that is not the case.

Mr. PASSMAN. Then, what are the projects for which you are going to spend the money?

Mr. HAMILTON. We presented in our material precisely—as I have been advised, of course I do not know directly—the same kind of information that the Congress had before it in respect to Development Loan funds in prior years.

Mr. PASSMAN. We shall accept your word and move along. We shall appropriate, if the committee will support me, $235 million to carry out our commitments, and next year when you justify the remainder of this $1,250 million we shall then consider that request.

You have justified partially here $235 million: Pakistan, $225 million: Tanganyika, $10 million.

If you could firm up these two items, it looks as if you could give us the same type of information on the remainder of the $1,250 million, and without that information——

Mr. HAMILTON. It would be utterly impossible to protect the national interests of the United States in that way, Mr. Chairman, in trying to drive bargains with these countries. Because if we do not have the authority to have the funds available and then negotiate, but instead have to go out and try to negotiate and then come back, it just won't work.

Mr. PASSMAN. The executive did it for 15 years, and dispensed $115 billion on that basis that you now say is wrong.

Mr. HAMILTON. That is just a question of fact. I have been told——

Mr. PASSMAN. It is a question of fact. I happen to know what I am talking about. I am speaking about the system, so far as the dollars are concerned. You can use anybody's figure you want to, but I am speaking of the system by which we recommended funds. It was after justifications were made, by country, by amount, by project.

Mr. HAMILTON. We have done this year I have been advised, sir, precisely what was done in previous years with respect to the $2 billion of the Development Loan Fund money that was appropriated before this year. The committee has been given exactly the same kinds of information in this regard——

Mr. PASSMAN. I keep telling you that is not a fact, that we had an itemized list as to where the money would be spent. They projected it and said, and I paraphrase, "Here are the countries where we expect to make allocations."

Mr. HAMILTON. This is, Mr. Chairman, as you correctly say, a question of fact. We have afforded the committee with information with respect to how much of this $1,250 million it is now anticipated would be lent to specific countries and that has been done with as I am advised, precisely the same amount of detail that was given to the committee when the committee approved, in the aggregate about a $2 billion appropriation of development funds. In other words, there has been no change, I have been advised, this year in the character of the kind of information that has been given to the committee.

Mr. PASSMAN. Is not the record complete that you are asking the committee to recommend that funds be appropriated prior to the time that you can tell us for what projects the money will be spent?

Mr. HAMILTON. Which I understood was the practice in previous years with respect to Development Loan funds.

Mr. PASSMAN. I do not agree with you at all about previous years. Let us deal with this year. Yesterday you said certain things happened before your time, and we accepted that and closed the chapter. That water has gone under the bridge, and it is gone. If we can deal specifically with this year, then I can make a statement of fact that you are asking the Congress to appropriate funds prior to the time that you have firmed up projects for the money.

Mr. HAMILTON. Just exactly so in the same way that the management of a bank could not tell the board of directors in January what all the loans were going to be that were going to be made during the ensuing 12 months.

Mr. PASSMAN. I do not know what a bank has to do with it.

Mr. HAMILTON. This is a lending operation.

Mr. PASSMAN. The committee has the discretion to recommend any amount of funds between $235 and $1,250 million; is that right?

Mr. HAMILTON. Under our Constitution, Mr. Chairman, the Congress has the power.

Mr. PASSMAN. I said within the discretion of the committee. According to the testimony you have given us.

Mr. HAMILTON. I could not agree with that because I am here recommending to you gentlemen that it is in the national interest of the United States to appropriate $1,250 million.

Mr. PASSMAN. Upon what basis can this committee take the bill to the floor and say, "We are asking you to support an appropriation re-

quest for $1,250 million for the development credit, or development loan, part of this bill."

Mr. HAMILTON. Upon the basis——

Mr. PASSMAN. Upon what basis?

Mr. HAMILTON. Upon the basis, if I may say so, of the record that has been made by my predecessors in respect of the $2 billion that were appropriated during the period from 1958 until the beginning of this year; and upon the basis of the information that is being made available to the committee as to what is being done with the funds this year, because the committee has before it that experience, and it can then decide on the basis of that experience whether it is prudent in the interest of the United States to continue this program.

Mr. PASSMAN. Suppose some Member on the floor says, "In what countries and for what projects will this money be spent?"

Mr. HAMILTON. You can refer to the papers that list the countries.

Mr. PASSMAN. They ask specifically, "For what projects and in what countries will this money be spent?"

Mr. HAMILTON. I think you can say, "On the basis of the experience that the Congress has had in the expenditure of the $2 billion that was appropriated from 1958 through 1961 and on the basis of the experience that the Congress has before it as to what has been done this year in respect to the $1,112,500,000, then one could make a decision, depending on what views one held, as to whether it is prudent in the national self-interest of the United States to continue that program as recommended, to curtail it or to abolish it."

Those are the facts, sir, that you would have before you.

Mr. PASSMAN. That is not a justification. You have given us words but you have not given us facts.

Let us go back to Pakistan, with $225 million. Suppose someone says, "To what projects specifically are they going to obligate the $225 million?"

What could we tell them?

Mr. HAMILTON. I am afraid you would have to get that from Mr. Gaud.

Mr. PASSMAN. Who is Mr. Gaud?

Mr. HAMILTON. He is the Assistant Administrator for Near East and South Asia.

Mr. PASSMAN. Now, the second question they may ask:

"You have explained away $235 million. How about the $2 billion? To what countries will you allot this money and for what projects?"

Then what would be the answer?

Mr. HAMILTON. The answer would be——

Mr. PASSMAN. I don't have one, do I?

Mr. HAMILTON. I can give you one. I do not know whether it will be acceptable.

Mr. PASSMAN. Tell us specifically for what projects we could tell them the money is to be obligated? "What projects are you going to obligate the money for and in what country?" That is the question they want answered. They will no longer take this on blind faith.

Mr. HAMILTON. There is a breakdown of the $1,250 million with tentative allocations to countries. When the gentlemen who are in charge of these four regions are before you they will be able to tell you in detail with respect, for example, to Pakistan, what kinds of

projects are under process of negotiation and similarly with respect to India—Mr. Gaud will be able to tell you—what it is now anticipated will be spent for projects, and similarly in the case of other countries.

But commitments have not been made for all of these authorized funds, because in many of these cases the matter has not yet proceeded to the point where we have had a feasibility study, where we have had an engineering report, where the statutory criteria has been met in terms of the agreements with the other countries. It is about 4 years from the time you conceive a steel mill or a fertilizer plant until it is on the line, and in many cases it takes more than a year to make the study necessary to determine whether or not the thing makes sense.

Mr. PASSMAN. How do you determine the need if you have not made these determinations? It is entirely a "pie-in-the-sky" guess?

Mr. HAMILTON. No.

Mr. PASSMAN. How have you established these figures that you have here if you have not made these studies?

Mr. HAMILTON. Well, the need is determined——

Mr. PASSMAN. How are you going to determine the cost of a project if it has never been planned?

APPROPRIATION REQUESTED PRIOR TO FEASIBILITY AND ENGINEERING STUDIES

Mr. HAMILTON. That is the very point I was trying to make, that you cannot determine with any degree of precision the cost until after you have had feasibility and engineering studies made.

Mr. PASSMAN. But you are requesting money before you have these studies.

Mr. HAMILTON. That is precisely why we are not trying to lock the money into a particular program because then you would have a most astonishing amount of deobligation. If we were to make a commitment to build a fertilizer plant in Ruritania for $30 million before we had a feasibility study, and before we had an engineering study, and before the country had agreed that it would, for example, buy the commodities in the United States and would undertake certain reforms, then indeed it would seem to me we would be conducting our affairs in a very imprudent fashion.

Mr. PASSMAN. I hope some day the Congress will wake up and recognize the danger of this long-term authority we gave you last year.

You have answered the question, finally, that you want the money and after you get the money——

Mr. HAMILTON. I do not want the money. I wish we did not have to spend it. I pay part of it. This is a painful process for me. I do not get any satisfaction out of it.

Mr. PASSMAN. When I speak of "you" I am speaking of this "give-away" agency, or whatever you care to call it. We are talking about the foreign aid program.

You want the money and after you get it then the feasibility studies and the determination as to what projects and what programs are wanted is worked out. After you get the money, you start your negotiations and your feasibility studies, and ascertain whether the projects are good or bad and whether money should be spent on them.

Mr. HAMILTON. Yes. Because I think it would be highly wasteful if we were to launch out spending funds for feasibility and engineering studies which run into a lot of money—they may run to $100,000 or $150,000 on a $10 million or $15 million project—without the assurance of the funds being available. And furthermore, to excite the interest and try to get these countries to work on a development program when we didn't have the assurance that if the thing worked out we could go forward with them would be much worse than never raising the question at all, because they would be frustrated and annoyed and it would produce a situation very adverse to our national interest.

Mr. PASSMAN. Do you realize that in America you could not even get money for a $50,000 flood control or drainage project, unless, first, feasibility studies had been completed, and you get an authorization and you pin it down to the penny? Then you come in and ask for the money.

Now, why do we have to get in a hurry after giving away $115 billion, more or less, on the basis of having these things justified by project and by country, and then all at once you come in and ask us to change the criteria and appropriate the money and then let you folks downtown allocate it without this committee or Congress knowing where it goes except into a big broad account. We do this even after we have pinned down that thousands of expensive mistakes have been made in the past. We frequently hear that someone is going to clean it up, and yet we are told you have the same personnel operating the program. In the past we had some degree of control, because we could query you about certain projects, the country, and just where the project was located. Now we are to give you the money, and after you get it you are going to enter into the contracts.

Mr. HAMILTON. Well, you have about $21 billion worth of banking experience of this kind to draw on. The Export-Import Bank has lent about $7 billion a year under precisely the same general circumstances that we are talking about. The Export-Import Bank has lent $7 billion since 1934 on the basis of having the funds available and then making loans. The World Bank has lent about $7 billion on precisely the same basis. When Mr. Jones and his successors at the RFC have transacted about $5 billion worth of business and the Development Loan Fund loaned $2 billion on precisely this same procedure that we are suggesting, and we have their experience. What inference one draws depends on what views one has on a variety of things but there is a lot of experience available to the Congress to arrive at what is in the national interest. That is its decision. I can only recommend.

OPERATIONS COMPARED WITH EXPORT-IMPORT BANK

Mr. PASSMAN. Does the President have authority to cancel loans of the Export-Import Bank?

Mr. HAMILTON. I would not think so. I do not know.

Mr. PASSMAN. Does the Export-Import Bank have the right to enter into a 40-year, no interest loan, with 10 years' grace period before they start repaying anything at all?

Mr. HAMILTON. No, sir. I was talking about the procedure.

Mr. PASSMAN. You would not mind answering these questions, would you, sir?

Mr. HAMILTON. Certainly not.

Mr. PASSMAN. You keep going to the Export-Import Bank to fortify yourself on this thing.

In the Export-Import Bank, the President cannot cancel out loans. The Export-Import Bank cannot make loans after questionable items are brought in. It cannot make loans where there is no interest, extending over a 50-year period, with the right to cancel a loan, can it?

Mr. HAMILTON. That is right.

Mr. PASSMAN. In the Export-Import Bank, does the money go back into the Treasury?

Mr. HAMILTON. I believe they pay interest and it is a revolving fund.

Mr. PASSMAN. Where do the profits go? They go back into the U.S. Treasury, do they not?

Mr. HAMILTON. That is what I meant.

Mr. PASSMAN. Is there any part of this development loan, or development credit, that goes back into the U.S. Treasury, or does it go into a revolving fund to be pushed out again?

Mr. HAMILTON. Under the present statute——

Mr. PASSMAN. We are talking about the present statute.

There is very little relationship between this and the Export-Import Bank as far as a lending operation is concerned.

Mr. HAMILTON. No. We just see it from a different perspective.

Mr. PASSMAN. If I did not have any more control over my office than this Congress is going to have over this program, my secretary would take my key away from me.

Mr. RHODES. Mr. Chairman, may I ask a question?

Mr. PASSMAN. Yes.

MEANING AND INTENT OF DEVELOPMENT LOAN AUTHORIZATION

Mr. RHODES. Mr. Hamilton, how do you differentiate between this authorization and any other authorization which the Congress has made? As I am sure you know, and Mr. Taber has mentioned, we have many authorization bills. The one that we have in mind here, of course, is for development loans and it was made after considerable controversy as you know. A long-term authorization was given by the Congress. However, we have other long-term authorization bills and it has always been the feeling of the Appropriations Committee and the House that an authorization is a ceiling beyond which the Appropriations Committee cannot appropriate but it is by no means a floor and it is by no means a promise to those interests which might be involved that all the money will be forthcoming next year, the year following or ever as far as that is concerned.

Now as I gather, the administration feels this particular authorization for development loans is in a different category than other authorizations. If you can spell that out a little bit further for me, I would appreciate it.

Mr. HAMILTON. My understanding of the situation is this: There was this very considerable difference of view which developed last year about (*a*) authorization and (*b*) whether the money could be obtained without annual review of the appropriation.

The President prior to this year, by virtue of his constitutional position with its responsibility in foreign affairs, had been in the practice for some years, I have been told, of making commitments, which commitments were highly conditioned in terms of the funds being available. If you are working down a road with a country and you think you have a program and the program makes some sense, it obviously is useful to be able to give the country such assurance as you can. Those commitments, of course, were always clearly conditioned on the appropriations.

Turning to the present commitments, there is a total forward authorization of $6 billion and the total amount we are talking about here is a few hundred million—I use "a few hundred million" advisedly, but it is very, very small in terms of the total authorization involved. It is very small indeed and would presumably fall well within any appropriation authorized.

I think my feeling about it would be that all the authorization means is that the country concerned has somewhat more assurance that there is a likelihood that the funds will be appropriated than it would have if it had only the bare commitment by the President.

Mr. RHODES. Now what you are saying is that at some stage in this process, the recipient country has a feeling or acquires the feeling that it has a vested interest in this loan.

Mr. HAMILTON. I think they understand clearly that the money may not be forthcoming. But I think they understand they are in a stronger position to go ahead and make their commitments on their side and do their programing than they would be if they just had a Presidential commitment. I think they have a feeling that it stands between a Presidential commitment and the point where the funds are available and legally committed.

Mr. RHODES. Presumably your agency negotiates with this country over a project or projects over a considerable period of time. Because you begin negotiations to build a dam on X river in Y country, that does not mean you are going to build a dam.

Mr. HAMILTON. That is right.

Mr. RHODES. At some stage in the negotiations, does Y country have some reason, or ordinarily does it occur that the officials of the country expect then that the dam will be built on X river. If so, at what stage of these negotiations does this "vested interest" feeling occur?

Mr. HAMILTON. When we have talked about a particular project like a dam, according to our experience so far, no commitment in terms of a legally binding obligation has ever been made unless there have been funds appropriated and available for it.

Mr. RHODES. We are talking legally and morally, interchangeably, and without proper differentiation. This is what makes the whole conversation rather fuzzy.

Mr. HAMILTON. When we come to moral commitments, we have not talked about the specific project so far. We are talking about very broad plans. In the case of the Nigerian plan, Ford Foundation specialists and others have worked with the Nigerians for several months getting up a plan which took account not only of the funds the Nigerian Government was going to put in but of the very substantial amount, about 40 percent of the total, it hoped to generate from

domestic and foreign private investment and private capital. It was a forward cash flow projection, a 6-year plan, they said they wanted to do.

What we are now in the process of saying is that, "We will tell you that we will give you such commitment as we can to put up $225 million out of a total of roughly $2.8 billion that is involved in the total plan—if you will put up your money as we go down the road 6 years together—if you put in the tax collection arrangements you have talked about—if the flow of private capital into the country is up to what the expectations and plans deem to be reasonable."

So that is the kind of a general commitment we have. Their commitment to us is no stronger than our commitment to them, from a legal standpoint. Before any of that money is spent, they come in with, let us say, a dam or a road or whatever. Suppose it is a dam costing $40 million; $20 million local money they are going to put up and $20 million they want from us. Then we appraise that project just as though it were not related to the plan—of course it is in the plan, but it has to go ahead—to see if it meets all the criteria and we do not sign off on it until we have the funds in hand.

Does this answer your question or not?

Mr. RHODES. Well, there are many facets to the question.

We are going to get off here into a rather interesting little tale about the hen and the egg.

You talk about this country plan and, as I gather, you are talking about dollars to begin with and not projects. When you negotiate——

Mr. HAMILTON. You budget a plan for 5 years.

Mr. RHODES. How do you know how many dollars you are going to budget unless you know what the project is going to be?

Mr. HAMILTON. You have an overall figure for the country. You say, "It looks as though you can expand steel by so much, with a certain amount of expenditure in coal, a certain amount of expenditure in mines, a certain amount of expenditure in processing capacity, and a certain step-up in transportation."

Mr. RHODES. In order to get the amount, don't you have to have some idea?

Mr. HAMILTON. You have ball-park figures on all these things. If you are going to say, "Over 5 years we are going to try to go from no steel up to perhaps 400,000 tons of steel; going from 2,000 barrels of oil a day to 5,000 barrels of oil a day; we are going to have so much for roads," you do, in these various sectors, have your estimates. Then you also have your estimates of what it is going to cost you by years in stepped-up foreign exchange. For example, you will put in so many plants, you need so much steel, and you need so much cement. You have estimates on all those.

CONSULTATION WITH CONGRESS BEFORE COMMITTING FUNDS

Mr. RHODES. Couldn't you at that stage of the game, when the plan is more or less perfected, come into this committee and lay out the plan for us so that we would know what it is, how much the share of the United States will be over a period of a given number of years, so we would have something to say about whether the plan should be adopted or not prior to the time that the adoption occurs and the first money is appropriated and used? In other words, the

chairman's point has been made many times. I feel the same way. I think we get into this picture much too late. We get into it after the barn door has been opened and the horse has been taken away.

Mr. ANDREWS. Will the gentleman yield? I think what is happening is that we are giving a blank check to AID and letting them finance whatever projects they agree on.

Mr. RHODES. That is the point I am trying to make. I do not think it is necessary that it occur this way. I think they could operate as well after taking us into their confidence.

Mr. PASSMAN. I have tried very hard to indicate for the record that is exactly what happened. The Secretary of State's testimony speaks for itself. Yesterday it was my understanding that we were asked to appropriate money for a plan for a country.

I am not trying to win an argument. I am trying to understand where we are going, because these procedures are different than in prior years. There is some similarity between this and the original Development Loan Fund as we knew it. You are transferring over to this and plan to transfer other appropriations that we knew were economic aid, such as the defense support, the supporting assistance, outright economic aid.

You are trying, and the record so indicated last year, to get all of it under this type of program, with the exception of maybe the contingency being on the outside.

Mr. HAMILTON. Isn't that more in the national interest than to have these grants?

Mr. PASSMAN. I am arguing about the responsibility of this committee and the Congress to the country, and what if you finally get all of these facets of foreign aid under this development credit; that is, taking it out from under control of the Congress, by your own testimony and by that of the Secretary of State.

Mr. RHODES The point I am trying to make is that this isn't necessary.

Mr. PASSMAN. We know it is not. The Congress was hoodwinked last year, in abdicating to such a plan.

Mr. RHODES. I do not think anybody intended for the Congress to abdicate its authority that way and I do not think the Administrator will, either, after this is well considered. There is a stage in this business at which we could get into this thing and I think be helpful to the program.

Mr. PASSMAN. I certainly think so, too.

OPERATIONS COMPARED WITH EXPORT-IMPORT BANK

Mr. RHODES. If I am not mistaken, you want us to treat you like the Export-Import Bank. If we go ahead and appropriate money without having it pinned down in the least bit to projects, aren't we in effect giving you capital to operate in the same manner as the Export-Import Bank? Wouldn't all discretion as to projects then be in your hands?

Mr. HAMILTON. We are talking about a problem.

Mr. RHODES. The fact is that you are a different institution than the Export-Import Bank. They have hard loans. By the very nature of this program you do not make hard loans although they are supposedly repayable in dollars.

It seems to me there is a genuine reason for congressional concern about the projects which are under this administration. Authority to approve specific projects could be delegated with a greater degree of safety in the export-import approach than in this, where the loans are admittedly of a lower quality.

Mr. HAMILTON. You mean because all of the money is coming home with much greater assurance. You discount immediately 55 or 60 percent. It is more than half grant to start with if you figure in the cost of the money.

Mr. RHODES. Yes.

Mr. HAMILTON. Certainly we want to do this thing in an efficient and responsible way. We do not want to give money away if it won't do something for the United States. The question that is puzzling to me and maybe you have some views on it—is this: You are working in a situation. Let's take India for example. You are working in a situation there where the World Bank says it will put up $250 million. That rides on top. Then there is roughly $500 million that the other countries come in with, which rides on our money because the terms are generally more advantageous. Then we put in what is in effect the equity in order to get a billion and a quarter dollars of equity money into India.

The problem from the Administrator's standpoint is difficult because you do not know until the year gets going how the plan is going forward, what projects we will bank, what projects the Europeans will bank, and what projects the IRBD will bank.

Mr. RHODES. Of course, Mr. Hamilton, maybe you picked an unfortunate example there because we appropriated money for the Indus Basin consortium, as I recall, and it was effected after we went through this very appropriations procedure I am talking about. It was explained here and we actually appropriated money.

Mr. HAMILTON. Is that true of the Indus consortium? I was talking about the Indian situation. We are trying to ameliorate the situation where some of these countries cannot get plans because they do not have enough people with planning expertise. There you just have a shopping list.

CHANGING POSITION ON AID

Mr. PASSMAN. Mr. Director, if we were dealing with this matter on the same basis that we have dealt with it in the past, it would be a lot more worthwhile for all of us. Many of the very people who are helping to administer this new program stated in previous years befor this committee, in no uncertain terms, that the only way that we could effectively help the underdeveloped countries was to make these grants, or loans, available, repayable in soft currencies. The contention was that if we should demand repayment of these loans in hard dollars, that would defeat the purpose of the program. They said that if we should make them take dollars earned in exports to pay back the loans, the program would not be successful at all.

Then, they took an about-face overnight.

There is no way to reconcile the conflicting positions on this issue.

It has been readily admitted from downtown that this new proposition is not a loan, but that it is a disguised grant, and we do not ex-

pect to get the money back. You may possibly have a little trickle in and you cover there by saying, in effect, "If we trickle it in we will trickle it out in the same program."

Mr. HAMILTON. This is not to make money for the U.S. Government.

VALIDITY OF U.S. COMMITMENT

Mr. PASSMAN. There is no record, to my knowledge, in the history of America where our country ever reneged on a commitment to a foreign nation. Do you know of any instance in which we reneged after we had made a commitment?

Mr. HAMILTON. After the Executive had made a commitment?

Mr. PASSMAN. I said our country, because these commitments are made together. Do you know of any time that we ever just said, "We agreed to this, but now we renege and we will not live up to it?"

Mr. HAMILTON. Not where the President and the Congress have signed a treaty.

Mr. PASSMAN. That is exactly what I said. We have been disbursing our wealth through foreign aid at a tremendous rate for the past 15 years. We have met every commitment that we have made. Now we are told that these people, the recipients, do not feel like going into these plans, or formulating a plan, because they do not have sufficient assurance that the money will be forthcoming. It does not add up, so far as I am concerned. The record is abundantly clear that we have never violated a treaty.

I feel reasonably sure that only after we have appropriated these funds, under the new criteria, will these countries then come forth with a plan for certain projects; is that right?

Mr. HAMILTON. No, sir.

Mr. PASSMAN. They plan them in advance?

Mr. HAMILTON. We work with them in anticipation of the appropriations being forthcoming.

Mr. PASSMAN. Do you plan these projects, firm them up, before you come to the Congress for the money?

Mr. HAMILTON. Not in every case, no.

It is impossible.

Mr. PASSMAN. It is not impossible. In the past it has been done. But now the country which is giving the funds away must appropriate the money and assure the nation which is to receive it, "Here is the money. Now you go in and formulate a plan." Is that just about the way it is to be said?

Mr. HAMILTON. No, sir. I am afraid it is a little more complicated than that.

Mr. PASSMAN. I am trying to get the facts as they are. You said a while ago that these countries did not feel they had sufficient assurance that this money would be forthcoming unless you had this kind of authorization and appropriation.

Mr. HAMILTON. We are not trying to do anything to please these countries.

Mr. PASSMAN. I think you are doing everything to try to please them, with this country having to appropriate money and go show it to them, shake it in their face, and say, "Here it is. You get a plan

and we will give to to you." It appears to me it is that simple, whether you agree to it in those terms or not.

Mr. ANDREWS. May I ask a question, Mr. Chairman?

Mr. PASSMAN. Yes, sir.

INITIATION OF PROJECTS

Mr. ANDREWS. Mr. Hamilton, who takes the initiative in suggesting these plans, the recipient countries or our people?

Mr. HAMILTON. Sometimes we do it, where we think it is in the interest of the United States to try to help a country along economically and try to strengthen it.

Mr. ANDREWS. Would our people suggest that the project be a dam or health center or housing project?

Mr. HAMILTON. What you would usually expect is kind of an interplay between our people and the people of the government of the country concerned.

NIGERIAN DEVELOPMENT

In other words, we are interested, say, in trying to develop Nigeria because we think it is in the interest of the United States and, because it is a country that everyone seems to agree has great potential. I was there a few days several months ago. It has manpower, a British-trained civil service and judiciary, an educated group of people, and some attractive natural resources including coal and iron ore. Those who know about these things seem to feel that with some help Nigeria can become a great, strong powerful country and a powerful stabilizing force in that whole area of Africa and the attitude of the people is rational.

They are realistic people. In such a case we have an interest in the United States in developing Nigeria. One of the things they lacked when they first got their independence was a fully staffed planning group. There is always a need for budgeting, forward projection, and so forth—the things you do in any business. We helped them pull together some people knowledgeable in this field, and with the further help of the British, Nigeria developed its national plan.

Mr. ANDREWS. There is an overall plan?

Mr. HAMILTON. It is an overall 6-year plan.

Mr. ANDREWS. What is the estimated cost for the plan?

Mr. HAMILTON. The figures, as I recall them, are about $2.8 billion.

Mr. ANDREWS. How much of that $2.8 billion will our country put up?

Mr. HAMILTON. If they meet the criteria specified in the Foreign Assistance Act, as expected, we plan to put up $225 million, about one-tenth, or a little less.

Mr. ANDREWS. Who will put up the rest of it?

Mr. HAMILTON. They will put up 50 percent of the capital costs and all the recurrent costs out of their own savings and taxes, and we hope that the British will make an appreciable contribution. Of the $2.8 billion, it is estimated that $900 million will come from government sources outside Nigeria.

(Statement off the record.)

Mr. PASSMAN. Mr. Rubin was just nominated and confirmed as attorney for ICA last year, was he not?

Mr. HAMILTON. Yes, sir.

CONSORTIUM ARRANGEMENT

Mr. PASSMAN. Are these consortiums worked out at a fairly high level in governments?

Mr. HAMILTON. As regards the Pakistan consortium——

Mr. PASSMAN. You missed my question. I asked if these plans were worked out with the top echelon in other governments.

Mr. HAMILTON. Sir, you have referred to consortiums and you referred to plans and they are different.

Mr. PASSMAN. I am talking about the consortiums. They are worked out at the top level in government?

Mr. HAMILTON. That is correct. The thing I am discussing is not a consortium.

Mr. PASSMAN. You said Mr. Rubin was over there to put pressure on. Is he high enough up in the echelon to be putting pressure on such people as were involved?

Mr. HAMILTON. No, sir.

Mr. PASSMAN. You said he was over there to pressure.

Mr. HAMILTON. There has just been concluded a meeting in Paris in which the people who are in charge of the foreign aid agencies—which most of the Western European countries have set up within the last 12 months—participated. Mr. Coffin went over as our representative to meet with them. He is on about a comparable level with them. Everyone sat down——

Mr. PASSMAN. You mean comparable level with Mr. Adenauer?

Mr. HAMILTON. Mr. Adenauer did not come. These were the heads of their various foreign aid agencies. Then, in addition, Mr. Rubin's work is a continuing missionary work, so to speak. On occasions when Mr. Rusk goes over, when Mr. Ball goes over, or when I go over—I haven't been over yet, but Mr. Ball and Mr. Dillon have been over—they talk to the Minister of Finance and Prime Minister of these countries and urge upon them the desirability from the point of self-interest of the West of having these programs and urge upon them the desirability of doing more in the way of grants.

Mr. PASSMAN. That is as far as it goes? You said pressures.

Mr. HAMILTON. It is just urging them.

Mr. PASSMAN. What if the Germans receive him on this score like they did in many of the plans we have submitted to them in recent years? They said, in effect, "If you do not know any more about how to run an economy than that, let us work our own problems out." It appears they did a very fine job. When you say pressure, it is just used as a loose term?

Mr. HAMILTON. Yes, sir.

ELIGIBILITY OF U.S. FIRMS FOR DEVELOPMENT LOAN FUND LOANS

Mr. PASSMAN. Is United States Steel eligible for a loan from the development loan appropriation if it proposes to build a steel plant in an underdeveloped country, if the steel plant is within the nation's development plan?

Mr. HAMILTON. The fact it is United States Steel would not mean it is qualified.

Mr. PASSMAN. You use legal terms in answering me.

Mr. HAMILTON. I have to, Mr. Chairman.

Mr. PASSMAN. I would prefer understandable replies.

Mr. HAMILTON. If the loan was an eligible loan; yes.

Mr. PASSMAN. United States Steel would be eligible for a loan from the Development Loan Fund to build a plant in an underdeveloped country if it comes within the framework of that country's development plan?

Mr. HAMILTON. Yes, sir.

Mr. PASSMAN. Thank you very much.

Mr. HAMILTON. We hope we can get more and more private initiative into this because the great need of many of these underdeveloped countries is know-how and the best way to get that is to try to get some American private enterprise interested.

Mr. PASSMAN. What would be the system if you should make loans to United States Steel and other companies to open up steel mills in those countries? Would they be permitted to supply their customers in those countries that they had been supplying from their production in this country out of the production of the new mills?

Mr. ANDREWS. They can sell steel anywhere they can find a buyer.

Mr. PASSMAN. What would we do with the people out of employment back here who had previously worked to produce steel to fill the orders in foreign countries?

Mr. HAMILTON. I do not know that would be the fact.

Mr. PASSMAN. I did not say it would, but what would happen if people were unemployed? Take the customers United States Steel is supplying out of their U.S. mills in the European countries. You permit them to build mills in low-pay countries. They will sell to their customers over there, deliver from their production over there what they had previously delivered from production in America. If that be so, it would cause some unemployment.

Mr. HAMILTON. If that is so, that is the case. I do not know it is the case.

Mr. PASSMAN. We know that we are presently importing more steel than we are exporting.

PROVISION RELATING TO EFFECTS OF LOANS ON U.S. ECONOMY

Mr. HAMILTON. We have under the act a criteria that we have to pay attention to if you get into a situation where a loan by us would shut back U.S. production, which would apply to that situation.

Mr. PASSMAN. You have what?

Mr. HAMILTON. It says in section 201 of chapter 2 of the Development Assistance Act:

The President is authorized to make loans—

Et cetera, talking about them, and—

In so doing he shall take into account the possible effects upon the U.S. economy, with special reference to area of substantial labor surplus of the loan involved.

In other words, one of the things we would have to be mindful of would be the extent to which the construction of a facility with these funds would back up and have adverse effects on the U.S. economy.

Mr. PASSMAN. If United States Steel were obtaining, say, 20 percent of its production market in Europe, and they open up steel mills in Europe and then supplied those customers from the European production, it would naturally affect employment back here, would it not?

Mr. HAMILTON. On the state of facts you assume, of course it would.

Mr. PASSMAN. For what would they be opening up the steel mills over there, for a show place or to produce steel? If it is to produce steel, they would naturally supply their customers from it.

Mr. HAMILTON. The consequences would turn on the facts of how much steel, on your illustration, United States Steel was selling.

DEVELOPMENT GRANT PROJECTS FOR FISCAL YEAR 1963 AND ASSISTANCE IN LONG-RANGE PLANS

Mr. PASSMAN. Mr. Director, how many development grant projects are there in fiscal year 1963, and what is the cost to assist various countries to formulate national development plans?

Mr. HAMILTON. I do not have those details. I will be glad to supply them.

Mr. PASSMAN. Do you have anybody to give them? Do you or your supporting witnesses have any idea? We are discussing the plan but if you do not have it, you do not have it.

(The information subsequently supplied follows:)

Number of projects for which development grant funds are requested in fiscal year 1963

Area	*Number*
Africa/Europe	331
Near East/South Asia	245
Far East	170
Nonregional	46
Total	[1] 792

[1] In addition to the above, 382 development grant projects are proposed to be financed in Latin America from fiscal year 1963 Alliance for Progress funds.

Estimated obligations in fiscal year 1963 for assistance to various countries in the formulation of long-range national development plans

AFRICA/EUROPE

Country	Project title	Project amount
Libya	Assistance to Development Council	$427,000
Niger	Economic policy and planning	65,000
Nigeria	Economic and financial statistics	57,000
Federation of Rhodesia and Nyasaland	Development analysis assistance	100,000
Tunisia	Economic policy and development	35,000
Uganda	Organizing and training for development	150,000
Africa, regional	Center for development	270,000
Liberia	Liberian Development Planning Agency	478,000
Total		1,482,000

NEAR EAST/SOUTH ASIA

Pakistan	Assistance to planning	$200,000
Turkey	Development planning and statistics	177,000
	Industrial planning and statistics	75,000
	Agricultural economic planning	24,000
Subtotal		276,000
Total		476,000

FAR EAST

China	Economic policy and planning	$500,000
Indonesia	Resource and project consultant service	1,550,000
Korea	Economic planning	200,000
Total		2,250,000

LATIN AMERICA

Argentina	Assistance to National Development Council	$100,000
Bolivia	Feasibility studies	500,000
	Resource surveys	100,000
	Sector potential analysis	150,000
Subtotal		750,000
Brazil	Assistance to National Planning Board	62,000
Costa Rica	Assistance to Planning Office	20,000
Ecuador	Economic and social development planning	80,000
El Salvador	Planning Commission	68,000
Nicaragua	Agricultural sector planning	100,000
	National Planning Office	145,000
Subtotal		245,000
Panama	National economic planning studies	150,000
Paraguay	National economic planning	182,000
Peru	do	496,000
Uruguay	Assistance to development planning	239,000
Venezuela	Economic planning	115,000
Eastern Caribbean	Economic development and planning	65,000
Central American area	Regional planning	209,000
Total		2,781,000
Worldwide total		7,089,000

Mr. PASSMAN. I do not know how in the world we are ever going to arrive at this unless we ask the other witnesses the same questions. You do have considerable, do you not?

Mr. HAMILTON. We have some.

Mr. PASSMAN. Some?

Mr. HAMILTON. I would suggest, Mr. Chairman, that each of the regional directors would be able to give you the details on these points.

TREASURY DEFICITS

Mr. PASSMAN. Mr. Director, we discussed yesterday the fact that we were approximately $10 billion overdrawn this year. We hope that this thing will get better, and I suppose we do intend to pay this national debt some day, do we not?

Mr. HAMILTON. I would hope so.

It is really a question Mr. Dillon is the expert on.

Mr. RHODES. Speaking of Mr. Dillon, isn't he the one who used to make the case about not making loans repayable in dollars in the DLF?

Mr. PASSMAN. He thought it was a terrible thing to do.

Mr. RHODES. We have not had any retraction from him have we?

It would be interesting to know how he feels about this new program.

Mr. HAMILTON. What was that, Mr. Rhodes?

Mr. RHODES. Mr. Dillon was always very vehement about making soft currency loans under the development loan category. It would not work any other way, he told us, as I remember.

Mr. PASSMAN. I think he has changed his mind. We may not be able to understand why, but we might give him a chance to explain to us.

Mr. RHODES. I think we owe him that.

Mr. PASSMAN. I, too, think so.

If we continue expanding these programs, regardless of these predictions, the time will come when we will have to cut back on these expenditures if we keep running these annual deficits.

Mr. HAMILTON. It is a question of whether or not the revenues went up.

Mr. PASSMAN. I am talking about deficits, not revenues going up. Revenues will go up by inflation alone. We cannot just continue indefinitely running annual deficits.

Mr. HAMILTON. Annual deficits, I see.

Mr. PASSMAN. Would we not have to have a look? We are overdrawn now by about $11 billion. We hope tax collections during the remainder of the month will reduce this deficit by at least a few billion dollars. But the fact of the deficit itself should prompt this committee to effect savings wherever possible; would you not agree?

Mr. HAMILTON. I should think if one had your responsibility, sir, since you asked me the question, that one would want to have a look at the whole range of U.S. expenditures and then determine what their relative value was from the standpoint of the national self-interest.

FINANCIAL RESPONSIBILITY UNDER CONSORTIUMS

Mr. PASSMAN. Mr. Director, in many of these consortiums we might be contributing to one project while another nation might be contributing to an entirely different project; is that correct?

Mr. HAMILTON. Yes, sir.

Mr. PASSMAN. For a very long time nations have been making loans to other nations, have they not?

Mr. HAMILTON. Certainly for a very long time.

Mr. PASSMAN. And nations long have had certain bartering agreements?

Mr. HAMILTON. Yes, sir.

Mr. PASSMAN. The fact that we are making financial contributions to a nation, or loans to some other nations, does not necessarily obligate either nation to continue it, does it?

Mr. HAMILTON. It does in the case of the consortium, where three of these—I do not know whether you pronounce them consortiums or consortia, but there is one in India and one in Pakistan and then there is the Indus Basin. In those cases there is a kind of a commitment, I do not suppose it is legally binding on us or on them, that the other countries put up so much money and the international institutions put up so much money and we put so much money.

The commitments are contingent all the way around.

Mr. PASSMAN. The Export-Import Bank is owned solely by the United States; is it not?

Mr. HAMILTON. Yes, sir.

Mr. PASSMAN. If they should decide not to go along with the program, does that release us from the obligation to continue our commitments?

Mr. HAMILTON. Yes, it does, precisely.

If they do not live up to their commitments, we do not have any obligation to put up ours.

Mr. PASSMAN. What status does that put the United States in, then?

Mr. HAMILTON. It puts us in the status——

Mr. PASSMAN. With respect to the recipient nation?

Mr. HAMILTON. The recipient nation understands that our commitment is contingent about the other fellows.

Mr. PASSMAN. What if the other country gets in a depression and cannot go forward?

Mr. HAMILTON. We do not have to go forward.

Mr. PASSMAN. It is expected that we would, though; is it not?

Mr. HAMILTON. I do not know. It would depend. If you had a situation where, say, the Europeans were not going along and that meant the thing was going to be a bust, there wouldn't be any sense in our putting up money.

Mr. PASSMAN. I did not say a "bust." I said that if for reasons of their own they could not continue their commitment to a project. Then——

Mr. HAMILTON. We would be relieved of the commitment we have.

Mr. PASSMAN. What position does that place us in with the recipient nation if they are in a depression and we are enjoying a strong economy? We are willing to go forward, but they are not. What position are we in then with the recipient country?

Mr. HAMILTON. Our commitment lapsed when the other fellow did not live up to his.

Mr. PASSMAN. It does not work that way in the United States, where other countries do not live up to their commitment. We are asked to pick up the check in an indirect way.

Mr. HAMILTON. I am not familiar with that.

Mr. PASSMAN. You are not familiar with the President's request for certain bond purchases?

Mr. HAMILTON. I am familiar in an indirect way. I am not associated with that.

Mr. PASSMAN. I am trying to associate one with the other to find out what we may or may not be getting ourselves into.

In the U.N. certain nations failed to live up to their commitments. Now it is suggested that the United States buy certain U.N. bonds to be paid for in subsequent years.

Would we be placed in that same kind of position in the consortiums; that is, if other countries do not live up to their commitments we are going to assume the responsibility?

Mr. HAMILTON. I would not think so because——

Mr. PASSMAN. It could be that way, could it not? We are doing that in the U.N. It is being advocated that the United States buy bonds to pick up overdrafts, or nonpayments, of other nations after they have made commitments.

Mr. HAMILTON. The U.N., of course, as you are more aware than I, Mr. Chairman, is an international organization that is engaged now in a variety of activities, some of which apparently our people feel are very much in our own interest.

Mr. PASSMAN. It is kind of a consortium, after a fashion?

Mr. HAMILTON. Everything is related to everything else, if it exists in the cosmic, either the realm of dialectic or the realm of matter. You relate everything. I would not say it was a consortium.

Mr. PASSMAN. You feel that should some nation in a consortium fail through economic upsets, and should not go through with a commitment, that releases us from all responsibility, and we would not be expected to continue our commitments?

Mr. HAMILTON. What they expect and what they are get two different things.

Mr. PASSMAN. Would we automatically pull out of it?

Mr. HAMILTON. I could not answer that until I have had a look at the situation. I know I would certainly say to these fellows that they have not lived up to their commitment, we are off the hook.

Mr. PASSMAN. I wonder why we did not figure in the U.N. on the same basis?

Mr. HAMILTON. We have plenty of responsibilities.

Mr. PASSMAN. There is a difference between our responsibilities and our being suckers.

Mr. RHODES. Mr. Chairman, before you leave that point and off the record——

(Discussion off the record.)

CONSORTIUM FOR AID TO AFGHANISTAN

Mr. RHODES. Mr. Hamilton, I have an article before me of the 13th of June from the Washington Post concerning our turning down an Afghan request for aid in the amount of $350 million. Are you familiar with that, sir?

Mr. HAMILTON. No. I saw that article.

Mr. RHODES. It appears that this is one consortium we did not go into. From the article it appears that the U.S.S.R. was to help finance half of a 5-year $700-million development program in Afghanistan

and we were supposed to finance the other half. If we did not go into the consortium, and it appears we did not, I want to congratulate the officials who turned it down.

Mr. HAMILTON. Congratulate Mr. Gaud, because if I turned it down, it was on his recommendation.

May I go off the record?

Mr. PASSMAN. Yes.

(Discussion off the record.)

Mr. PASSMAN. Earlier we discussed a consortium to provide aid to this country.

Mr. GARY. To that country, Mr. Chairman. Nobody is providing aid to this country.

Mr. RHODES. Haven't you heard of the International Monetary Fund? It is now supporting the American dollar, I am told.

Mr. PASSMAN. To that country, and if it remains in "status quo," if that phrase fits, then this country is off the hook with respect to its commitment?

Mr. HAMILTON. Yes.

Mr. PASSMAN. Which means that money would be available for obligations to other countries or other projects?

Mr. HAMILTON. Yes, to the extent it has been budgeted and will be used there.

Mr. PASSMAN. It is a very substantial amount we are thinking of, is it not?

Mr. HAMILTON. We do not know yet. The matter is still under negotiation. If it stops where it is now it will be a substantial, significant amount, yes. It is a lot of money.

Mr. PASSMAN. It is a substantial amount?

Mr. HAMILTON. If that is what you say, that is right, sir.

EFFECT OF FOREIGN ASSISTANCE ON U.S. ECONOMY

Mr. PASSMAN. I have difficulty in reconciling your statement on page 7 of the green justifications:

> In the long run the foreign aid program will help develop our own national economy. Prosperous countries are the best customers of the United States.

Is not the President requesting the expanded trade and tariff bill this session in order to enable the United States to compete with the European Common Market, which is composed of countries which were the recipients of our Marshall plan aid, and still are recipients of our aid?

Mr. HAMILTON. What I had in mind there was that we put $13.4 billion into Europe in the Marshall plan at a time when our commercial exports to Europe were about $2 billion a year and now they are more than $6 billion. We put about $2.6 billion of aid including a lot of surplus equipment into Japan. Now we have a very substantial favorable balance of trade with Japan and I think generally the facts are that the best customers that the United States has are the industrialized countries of Western Europe and the industralized countries of the British Commonwealth and industralized Japan. There are exceptions, of course. Cuba was one, Venezuela was one, where you do not have a highly industralized country, but where they are large dollar earners. The dollars tend to come home. In the case

of Cuba, it does not apply anymore. I think in general it is reasonable to assume that the more highly industralized a country is the better customer it is because there are certainly things we can make that they cannot make and compete with.

Mr. GARY. Will the gentleman yield?

Mr. PASSMAN. Yes.

Mr. GARY. Isn't it true, that that was one of the strong arguments used for the Marshall plan?

Mr. HAMILTON. Yes, sir.

Mr. GARY. The European countries were prostrate at the time. They did not have the purchasing power and therefore they could not trade with the United States.

While we had a very decided interest in seeing those countries rehabilitated so that we would have stronger allies, there was that idea that when they were rehabilitated and their economy was improved, that they would be better customers because they could then purchase a part of our surplus supplies. It has worked out in that way.

Mr. HAMILTON. Yes, sir. I think if you look at a country like Brazil, if we could ever get a program going, with the help of the Lord and everybody else, and Brazil would get going with its enormous population and its enormous potential and other countries in Latin America too, there would be an enormous market there.

Mr. PASSMAN. I am trying to reconcile these two statements.

Mr. HAMILTON. That would be to their advantage as well as to ours.

Mr. PASSMAN. They are our best customers, yet under the trade bill we are trying to get ourselves in position to be competitive with them.

Mr. HAMILTON. Again, this is outside the scope of my responsibilities.

Mr. PASSMAN. Your statement prompted my question.

Mr. HAMILTON. I think it is quite relevant. I think you are quite right. The size of the European market today is larger than the total U.S. market was in 1926. If we are as efficient as the Europeans, and we can get access to a market that big, it ought to be to our advantage.

Mr. PASSMAN. Even in the Common Market area of Europe, it will require some 15 years for it to become fully effective.

Mr. HAMILTON. You mean to be absolutely free?

Mr. PASSMAN. To become fully effective and meet the objectives for which it is planned.

Mr. HAMILTON. Yes, but there would be progressive improvement presumably.

Mr. PASSMAN. I hope so.

But, if you make available a billion dollars to a group of nations to buy what is produced in America—various commodities, steel, finished products—if you make this money available under one of these 50 year——

Mr. HAMILTON. Arrangements——

Mr. PASSMAN. Aid programs, and we ship out a billion dollars against that credit, then we claim that billion dollars as part of our exports, do we not?

If we export to the recipient nations a billion dollars worth of American products, do we take that into account as part of our total exports?

Mr. HAMILTON. You could.

Mr. PASSMAN. Do we?

Mr. HAMILTON. These statistics vary considerably. Nevertheless, they are statistics. The question is, Does the Department of Commerce include these as exports? I believe the answer is "Yes."

U.S. EXPORTS AND IMPORTS

Mr. PASSMAN. If we should give away $10 billion annually over there on the same terms that we are working the $1,250 million commitment, we would increase our exports by $10 billion, would we not?

Mr. HAMILTON. The Department of Commerce statistics for the last 2 years have been broken down to distinguish between Government-financed and non-Government-financed exports.

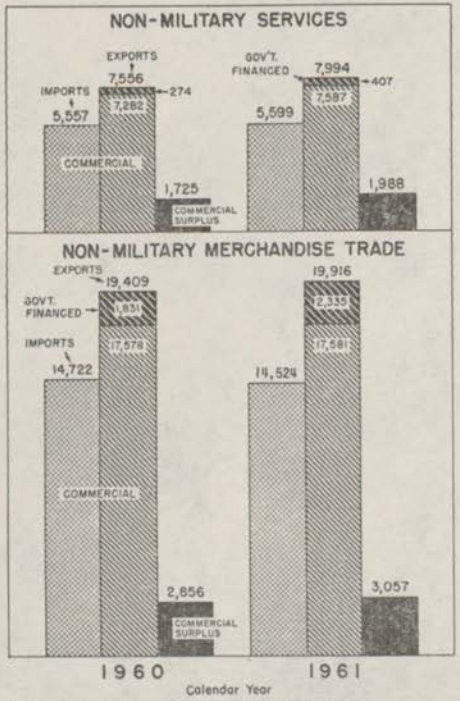
Mr. PASSMAN. We are aware of that fact. But, do you total it? When you say, "We exported thus number of dollars worth of commodities," it all goes in one figure, when this is given to the press?

Mr. HAMILTON. This is what AID says in a chart I have, that in 1961 there were total commodity imports of $14.5 billion, and total non-Government-financed exports of $17.6 billion, resulting in a commercial commodity trade surplus of $3.1 billion. In addition to the commercial exports of $17.6 billion, there were Government-financed exports of $2.3 billion.

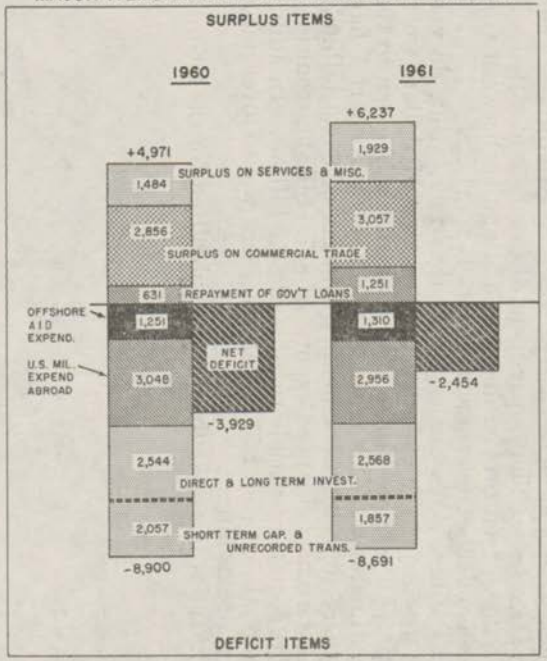
(The following was subsequently submitted for the record:)

ECONOMIC AID AND THE U. S. BALANCE OF PAYMENTS

($ Millions)



NOTE: All data exclude Military Assistance Programs. Based on data reported by the U.S. Department of Commerce.



Mr. HAMILTON. There is the $14.5 billion of imports, the $17.6 billion commercial exports, and $2.3 billion Government-financed exports, totaling $19.9 billion; the breakout shows Government financed.

Mr. PASSMAN. Please find out for us and give us a specific answer, when we total up our exports, when we tell the world or the taxpayers that our exports amount to thus and so, do you include the exports made against the appropriated funds.

Mr. HAMILTON. You mean the Department of Commerce.

Mr. PASSMAN. We do not care where you get it. We want to know if the responsible agency that gets up these statistics——

Mr. HAMILTON. That will be the Department of Commerce. I will be glad to find out how they keep their books.

Mr. PASSMAN (continuing). When they announce total exports, if they include the exports made against the development credit—or loan—funds. We know that we include the Export-Import Bank. We want to know whether or not you include these funds.

Mr. HAMILTON. All right, sir.

(The information supplied follows:)

COMPILATION OF OFFICIAL U.S. EXPORT STATISTICS

Data on U.S. exports are compiled by the Bureau of the Census from shippers' export declarations which exporters are required to file with collectors of customs for each shipment leaving the United States. Export data include U.S. exports under both the economic and military assistance programs, including, beginning with World War II, such programs as lend-lease, United Nations Relief and Rehabilitation Administration, the Marshall plan, mutual defense assistance, mutual security program, Export-Import Bank loans, Agricultural Trade Development and Assistance Act (Public Law 480), and the Act for International Development. Shipments to U.S. Armed Forces for their own use are not included in the export statistics for any period.

The transactions involving U.S. exports financed under foreign assistance programs are not identified in detail in U.S. export statistics.

Mr. PASSMAN. If we do, would it not be something rather artificial, to take money we are giving away, and ship goods out of our country and claim this as exports?

Mr. HAMILTON. Even if you did it, suppose I am a business fellow, and I manufacture trucks. I am a business fellow. I export them. I get paid for them.

Mr. PASSMAN. What we are doing is picking up——

Mr. HAMILTON. From our standpoint, how it is financed——

Mr. PASSMAN. You are a financier.

Mr. HAMILTON. I am just a lawyer.

Mr. PASSMAN. I thought you were a banker, too. Well, let us say that you are both. It is a sure thing, they have two ways of paying these invoices. One is with money they earn from their exports and the other is with dollars from the grants and credits which we make available.

Mr. HAMILTON. Your point is to the extent that the figures are set forth in such a way that it implies these exports are earning dollars that can be used to offset imports?

Mr. PASSMAN. Any way you put it, we tell people our exports amount to thus and so.

Mr. HAMILTON. That is right. I will get the figures. These exports do not earn any dollars to offset imports on the balance of trade.

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Mr. PASSMAN. There is a strong possibility that if we deduct from our exports the giveaways that we claim as part of the total, including surplus agricultural commodities, through Public Law 480, we actually are running a trade deficit. If you followed it through to the second conclusion, that we have had a balance-of-payments deficit from 1952 through 1961, inclusive, of $19,600 million, this thing becomes so scrambled up and artificial that not even the experts can unscramble it.

Mr. HAMILTON. These figures here which are based on Department of Commerce data, indicate that in 1961 we had surpluses in commercial trade, services, and repayments of Government loans.

Mr. PASSMAN. We had a balance-of-payments deficit of $2,400 million for 1961. That is an accurate, rounded-out total, as I compiled the figures earlier this year.

Mr. HAMILTON. $2,454 million deficit.

Mr. PASSMAN. You have $54 million more than I have, using a rounded-out figure.

Mr. HAMILTON. Yes.

Mr. PASSMAN. You implied that I was wrong, but I am right. If you are willing to take out the subsidy we provide and the claim for certain exports which are being paid for with Uncle Sam's money, rather than actually by funds of the importing country, you will find that we have a trade deficit, too.

The record will show that we now are on the minus side. We are importing more textiles, for one example, than we are exporting.

Mr. HAMILTON. In terms of units, but not of dollars.

Mr. PASSMAN. It has to be in terms of units. This dollar thing is so inflated that if you put the 1940 price tag on our 1961 gross national product, it would be about $233 billion, and not $500 billion. You can only associate it with units—not dollars.

Here is another example: We imported during the past 5 years 4½ million tons more steel than we exported. So, again, we are on the deficit side. That is basic to a lot of things, such as wages, productivity, modernization of plants and equipment, taxes, and so forth. Under these circumstances, how are we going to be competitive with them in that field?

Mr. HAMILTON. Aren't we competitive with them if we are earning more dollars on our exports than we are paying for imports?

Mr. PASSMAN. If we were competitive we would not be importing more steel than we export.

Mr. HAMILTON. How could we sell more goods abroad than we are importing into the United States unless we were licking the Europeans in the European market.

Mr. PASSMAN. How did we get the $19,600 million balance-of-payments deficit from 1952 through 1961, inclusive?

Mr. HAMILTON. You mean the $52,454 million.

Mr. PASSMAN. No. We have had a deficit every year except one, for the past 10 years.

Mr. HAMILTON. We have been accumulating deficits because of our military expenditures and foreign aid program and investments abroad. We invest $4 billion abroad. That is not down the rathole.

Business fellows own it. We may have a dollar investment. It does not represent waste.

Mr. PASSMAN. I am talking about foreign nationals.

Mr. HAMILTON. We are ahead of the Europeans.

Mr. PASSMAN. No, we are not.

Mr. HAMILTON. How can we sell more goods unless we are licking them?

Mr. PASSMAN. Simply because we are paying the invoices with our own money.

Mr. HAMILTON. Even if you "X" out the stuff, we are beating them if we are selling more than we are buying from them.

Mr. PASSMAN. Look at the last year.

Mr. HAMILTON. You are selling more stuff.

Mr. PASSMAN. We had a balance of trade deficit with Europe as late as 1959.

Mr. HAMILTON. That is because of the Government expenditures we made. Our business fellows were licking them.

Mr. PASSMAN. I am talking about a trade deficit. We moved into a favorable trade position only in 1960, and that was very small. It was $14.7 against $14.4 billion.

Mr. HAMILTON. $17.6 billion commercial exports against $14.7 billions imports, according to the figures they gave me.

Mr. PASSMAN. What year do you use and what do you show?

Mr. HAMILTON. In 1960 the figures they gave me were $14.7 billion imports as against $17.6 billion of exports. Those are commercial exports.

Mr. PASSMAN. If you take out the dollars we gave them, the exports we made that we paid for with Treasury checks, then we had $300 million net.

Mr. TABER. Maybe one of those sets of figures was the result of a fiscal year——

Mr. HAMILTON. As against a calendar year?

Mr. TABER. Yes.

Mr. HAMILTON. I have a calendar year. That might be it.

Mr. PASSMAN. I will refer you to the page number in the hearings. Each instance I tell you about we shall document.

Mr. HAMILTON. These figures are calendar figures.

Mr. PASSMAN. If they get 31 percent more production in the steel industry per man per day in Europe than we do, and they are paying from $8 to $10 a day in wages, against $32 to $50 in this country, we can only sell steel products abroad by subsidizing?

Mr. HAMILTON. If you fabricate it you can lick the world.

Mr. PASSMAN. You are sending raw materials abroad.

Mr. HAMILTON. It depends on what you fabricate.

Mr. PASSMAN. We get mixed up on the GNP and all of those things.

Mr. HAMILTON. I thought we were licking the Europeans.

Mr. PASSMAN. We are licking them on a dollar basis, but not unit production.

If you will take the time sometime, Mr. Director—we hope to have a real figure, but use $500 billion GNP for America—and put the 1940 price tag on it, it would be about $233 billion. If you will take the GNP for all the other nations of the world——

Mr. HAMILTON. Pardon me, sir, the 1940 figure?

Mr. PASSMAN. Take the 1939–40 price tag and apply to the 1961 production, instead of having $500 billion——

Mr. HAMILTON. With the 8 million people unemployed in 1940, what do we do with them?

U.S. DOLLAR PURCHASING POWER

Mr. PASSMAN. I am talking about the loss of the purchasing power of the dollar.

Mr. HAMILTON. What with the loss of wealth of these people not being employed?

Mr. PASSMAN. Let us discuss first what I am talking about. If you put the 1940 price tag on our 1961 GNP, then you would not have $500 billion, but it would be $233 billion. Furthermore, if you will take——

Mr. HAMILTON. Pardon me, if you are producing 3 million automobiles as against 500,000, and the price of the 500,000—I got a Plymouth in 1940 and paid $725 for it and kept it until 1946 and sold it for $750, but isn't the fact that you have the 3 million automobiles as against 500,000 the test of the productivity and wealth of the society? You are not pricing out the 3 million automobiles at the $725.

Mr. PASSMAN. That is not what I said at all. This comes about through your statement. I believe you are an expert in this field or you would not have the statement in there.

If you will take the unit production of 1961, instead of applying the 1961 price tag on that unit production——

Mr. HAMILTON. I see; the 1940.

Mr. PASSMAN. Pick up the 1939–40 price tag, and you would only have $233 billion.

Mr. HAMILTON. We had a GNP, as I recall it——

Mr. PASSMAN. I am not going to mix up the dollars. I am talking about how much the dollar has deteriorated. We know it has deteriorated down to about 44.8 cents in that period.

Mr. HAMILTON. Don't we know we are producing more than twice the goods for only 40 percent more people?

Don't we have to go back to the $100 billion GNP?

What you can get you can pat and if you have more than twice as much production this year as we had in 1940, then unless the population doubled everybody is a lot better off.

Mr. PASSMAN. The man who bought this $50,000 annuity in 1939—does he have as much security from the income?

Mr. HAMILTON. No, you cannot pat an annuity. It is something on paper.

Mr. PASSMAN. I want you to look into this. We refer to the GNP in America.

Mr. HAMILTON. Look at what we have got. I agree with you.

Mr. PASSMAN. If you will take the unit production of all the other nations of the world, pick up America's price system and apply to it, then their GNP would be in excess of $2 trillion.

Mr. HAMILTON. Pardon me.

Mr. PASSMAN. That is right.

Mr. HAMILTON. Would you go through that again?

Mr. PASSMAN. If you pick up the unit production of the other nations of the world and apply our price tag to it, then you would have a $2 trillion gross national product for the other nations.

Mr. HAMILTON. That would be interesting.

Mr. PASSMAN. Very interesting.

Mr. HAMILTON. Do you have literature on that?

Mr. PASSMAN. You can get it at the Library of Congress, from the Commerce Department, as well as other agencies.

This shirt moves into our GNP at $5.95.

Mr. HAMILTON. Now we make four times as many shirts like that as we did in 1940. Everybody has three shirts instead of one.

Mr. PASSMAN. I am not talking about how prosperous we are. I am talking about how we are devaluing the purchasing power of the dollar by some of these programs.

AFTERNOON SESSION

SECTION 202(B) COMMITMENTS TO PAKISTAN AND TANGANYIKA

Mr. PASSMAN. The committee will come to order.

Mr. HAMILTON. Mr. Chairman, there is one thing I misspoke on this morning that I would like to correct for the record. When we talked this morning about the $225 million for Pakistan and the $10 million for Tanganyika, I said those were section 202(b) commitments, and that is true. That was section 202(b) of the act which authorizes the commitments 4 years forward. But what I also said, which is inaccurate, was that the amount of those commitments the $235 million was on a multiyear basis. In fact, that is only partly the case. The $225 million for Pakistan, although it is under the authority of the section that authorizes the multiyear commitment, is in fact applicable to the 1963 appropriated moneys. Of the approximately $10 million committed for Tanganyika, it is estimated that the Government of Tanganyika will have qualifying loan applications of $5 million in fiscal year 1963. So that when I used the figure of $235 million, dividing that by 5, to come up with $47 million a year, that was inaccurate. About $230 million is applicable to the fiscal year 1963. Your question suggested that was the answer and the implication of your question was correct and my answer was incorrect.

Mr. PASSMAN. It would not be necessary to ask for any additional submission.

Mr. HAMILTON. Of authorization.

Mr. PASSMAN. No; a submission of the list of commitments, because these are the two positive commitments you referred to this morning, the $225 million to Pakistan and $10 million to Tanganyika.

Mr. HAMILTON. That is correct, sir; under section 202(b).

Mr. PASSMAN. I might say that is encouraging. It gives us some latitude to make adjustments when we mark up the bill. I want to thank you for being fair and factual about what has actually been committed.

Mr. HAMILTON. There are a number of others programed, but these have been committed.

Mr. PASSMAN. That gives us quite a long range there. And it gives us some hope that we can tell the Congress that we are appropriating some money against committed funds. Had it not been for these two, of course, we could not have said that.

Mr. HAMILTON. There are other types of commitments which will be discussed, but these are the section 202(b) commitments.

Mr. PASSMAN. There are other commitments in other sections of the bill?

Mr. HAMILTON. There are other Development Loan Fund commitments, but they are not commitments which are under the statute.

Mr. PASSMAN. Not commitments under the statute?

Mr. HAMILTON. That is correct, sir.

You cannot make them that binding.

Mr. PASSMAN. You just make them——

Mr. HAMILTON. Subject to appropriation.

INITIAL CAPITAL AVAILABLE TO INSTITUTIONS FROM DEVELOPMENT LOANS

Mr. PASSMAN. Page 15 indicates that AID has provided $48 million as seed capital to stimulate housing in Latin America. What is seed capital?

Mr. HAMILTON. These are funds that are made available to institutions that are like the savings and loan institutions. These funds would attract other funds and like a savings and loan association as loans were paid off, funds would be available for further loan.

Mr. PASSMAN. Suppose we make this available as seed capital and the seed do not produce? Then are we out the seed capital?

Mr. HAMILTON. If the capital is lost it is lost. If it isn't, it isn't.

Mr. PASSMAN. That is a good enough answer.

Could you tell us the countries and the amount of seed capital, the terms, and sources of funds, and the dates that you entered into the agreements?

Mr. HAMILTON. I would be glad to have them provided for the record or Mr. Moscoso could no doubt tell you about them. There are eight of them in Latin America that involve total AID financing of $48 million.

Mr. PASSMAN. I wonder if one of your associates could perhaps do a little filling in. We would like to have the data at this time.

Mr. TENNANT. I do not have a complete list of those; no, sir.

Mr. PASSMAN. Could you give us an incomplete list?

Mr. TENNANT. I do not have a list, sir.

Mr. PASSMAN. Could you tell us if all the funds are from the AID program? Why is this type of program not financed from the Inter-American Development Bank or the Social Progress Fund?

Mr. HAMILTON. The Inter-American Fund for Social Progress as I understand it is grant money. These are development loans.

Mr. PASSMAN. We made available $394 million for the Inter-American Development Bank, the social progress program.

Mr. HAMILTON. The Bank finances some and the Development Loan finances some.

Mr. PASSMAN. Why do you have to scatter it into two fields, as far as the seed capital is concerned?

Mr. HAMILTON. Each of those turns on the circumstances and Mr. Moscoso who coordinates our activities with the Bank will be in a position to give you the details of those.

Mr. PASSMAN. As of now there is no detail available for the committee?

Mr. HAMILTON. That is correct, sir.

Mr. PASSMAN. Thank you, sir.

(The information subsequently supplied follows:)

Seed capital projects in Latin America

Country	Borrower	Project	Amount (thousands)	Date agreement signed (obligations)	Interest rate (percent)	Duration (years)	Currency of repayment
Chile	Caja Central de Ahorros y Prestamos	Central housing	$5,000	June 14, 1961	[4	25	1st ½, escudos; 2d ½, dollars.
Colombia	Instituto de Credito Territorial	Self-help housing	12,000	Aug. 2, 1961	4	20	U.S. dollars.
Ecuador	Ecuadorian Housing Bank	Central housing bank	5,000	Oct. 31, 1961	4	25	Do.
Panama	Caja de Ahorros	Housing project	2,500	Feb. 9, 1962	4	22	Do.
Peru	Mutual Savings & Loan	Savings and loan association	1,000	July 13, 1960	5¾	20	Do.
	Government of Peru	Home savings program	7,500	July 27, 1961	4	20	1st ½, soles; 2d ½, U.S. dollars.
Venezuela	Fundacion de la Vivienda Popular	Housing project	5,000	Mar. 15, 1961	5	15	U.S. dollars.
	Banco Obrero	Central home savings	10,000	Dec. 17, 1961	4	20	Do.
Total			48,000				

ALLOCATIONS FOR SCHOOL CONSTRUCTION

Mr. PASSMAN. How much money do you have allocated to the fiscal year 1962 program and planned in the fiscal year 1963 program for school construction?

Mr. HAMILTON. Is that worldwide or Latin America?

Mr. PASSMAN. Take it both ways.

Mr. HAMILTON. I can supply those details for the record. I don't have it.

Mr. PASSMAN. You do not have the information at this time?

Mr. HAMILTON. No.

(The information was supplied to the committee):

RESISTANCE TO LAND REFORM

Mr. PASSMAN. Now, in connection with much of this program, especially the land reform under the Alliance for Progress, is there any truth to the statement that the church, or churches, in Latin America are resisting such efforts because of the large amount of real estate they own?

Mr. HAMILTON. On a matter of that kind I would think Mr. Moscoso would be the gentleman who could give you the information on the value of that.

Mr. PASSMAN. You are the director of this program. It is our understanding that the churches are resisting it, and I mean in a very high echelon, because they are very large landowners, and are not willing to part with their land, according to the information given to us.

Mr. HAMILTON. As I say, I know of no case of that kind.

Mr. PASSMAN. Have you endeavored to find out whether or not that is the situation? We are going in there with a mighty expensive program, so it will be something for you to deal with. This information was given to me by people who should know the facts.

It certainly would be an important thing if that should be the case, would it not?

Mr. HAMILTON. Well, resistance——

Mr. PASSMAN. To parting with land that they own.

Mr. HAMILTON. Any resistance to compliance with the criteria would be.

Mr. PASSMAN. The people who gave this information to me got it from people downtown. If they would impart such information to members of the Foreign Affairs Committee I do not know why they would not impart it to you, the director of the program. If you would have a check made on this situation we would be grateful.

(The information supplied follows:)

CHURCH OPPOSITION TO LAND REFORM IN LATIN AMERICA

All evidence at present points to the fact that the Catholic Church in Latin America, far from resisting land reform, is actually leading the way in many areas to moderate and progressive land reform measures. In the past, the church has had large landholdings; and, like all big landlords it did not welcome land redistribution. In this day and age, however, church holdings are much smaller. There may be some reluctance to proceed with reform in isolated areas. However, the new Vatican emphasis on programs of social action, as set forth by Pope

John XXIII, in his Encyclical Mater and Magister has been accepted in Latin America. Here are some examples:

(1) In Chile, the church hierarchy, of its own accord, has begun a pilot program of subdividing and selling church lands to the farmers who now work them. The present tenants are given training for ownership before title passes to them. The first 9,000 acres, some 10 percent of all church holdings, are in the present program.

(2) In Brazil, Catholic officials are given credit for the passage of the progressive land reform law in the State of Sao Paulo; and the Bishop of Rio de Janeiro serves on the National Commission for Agrarian Reform.

(3) In Colombia in 1960, a joint pastoral announcement of the bishops of that country is credited with breaking the log jam in the Colombian Congress that had prevented passage of the land reform bill.

PROGRAMING AND LOAN PROCEDURES

Mr. PASSMAN. Mr. Director, do I understand correctly the section on loan procedures, on page 15, which states that the AID program for the recipient country is developed by the AID mission and then submitted to the recipient country for approval?

Mr. HAMILTON. Are you referring to the sentence that reads, "After each field mission * * *"?

Mr. PASSMAN. Yes. My question is, do I understand correctly that the section on loan procedures, on page 15, indicates the AID program for the recipient country is developed by the AID mission, our people, and then submitted to the recipient country for its approval?

Mr. HAMILTON. What the language says is that the country programing procedure of AID also affects loan procedures. Financing is no longer made available on a first-come first-served basis and the governments are discouraged from making proposals directly to offices in Washington. Rather the central point for initiating action is the U.S. AID mission overseas.

If that is the language that you had in mind, sir.

Mr. PASSMAN. That is correct.

Mr. HAMILTON. What that means is instead of the countries coming up here, what we are trying to get them to do in the first instance is to go to the mission in the country so that competing claims can be appraised by the mission there.

Mr. PASSMAN. Go to our mission?

Mr. HAMILTON. The U.S. AID mission.

Mr. PASSMAN. AID in Washington consults with the mission head in the recipient country?

Mr. HAMILTON. Yes, and we try to get the countries that are interested in obtaining loans to go in the first instance to the U.S. AID mission in the country instead of coming up here, so that the U.S. AID mission in the country can advise us as to the relative merits of the development, from the standpoint of the various proposals that a country may make.

Mr. PASSMAN. And there is no commitment on the part of our country, directly or indirectly, as an aftermath of the AID mission out there discussing the programs and projects?

Mr. HAMILTON. Yes. Usually what happens is that the recommendation comes up from the mission in the country and then is appraised up here. What the language refers to is the measures we are trying to take to have the country go first to the mission instead of coming up to Washington, so that we can get the benefit of the views of the mission as to the relative importance.

Mr. PASSMAN. Reading further:

After each field mission has developed and has approved a set of priority goals and targets for AID assistance, in a recipient country, the mission examines with the local government the relationship of the particular financing proposals to these priorities. Once it is determined that a proposal has a priority the mission begins examination of the local government's plans for the particular activity.

Mr. HAMILTON. Yes, sir; that is right.

OBLIGATION OF U.S. GOVERNMENT AT TIME OF SUBMISSION OF PLANS FROM MISSION TO WASHINGTON OFFICE

Mr. PASSMAN. Then, to what extent are we obligated after this procedure has been followed to the end of the statement I just read?

Mr. HAMILTON. Not at all.

Mr. PASSMAN. That is the best news we have had during the 8 years I have been chairman of this subcommittee.

SUBMISSION OF MISSION PROPOSALS TO APPROPRIATION COMMITTEES PRIOR TO MAKING COMMITMENTS

Then it is a foregone conclusion, with your affirmative statement to that question, that we could determine what projects are feasible, and what they are going to cost, before the commitment is made, could we not?

Mr. HAMILTON. Well, certainly——

Mr. PASSMAN. Could I have an answer?

Mr. HAMILTON. Could the committee do it or could we do it in Washington?

Mr. PASSMAN. It could be determined by you and by this committee whether or not these programs and projects are feasible, and to our advantage, before we ever commit a dime. Because you have said that there was no commitment whatsoever when it had developed to this point. Then it comes to Washington, so why do you not give us an opportunity to examine these things before you make the commitment?

Mr. HAMILTON. Well, there are several reasons for that, I think——

Mr. PASSMAN. But I am right, and your answer is affirmative, that there is no commitment at that point. We have firmed it up, we know the goals and the priorities, and then it comes into Washington without any commitment. Therefore, why could you not, before making that commitment, come down to the Congress, the Committees on Appropriations, and justify it by project and by program, because that is how far they have carried it before you see it?

Mr. HAMILTON. No, I think, sir, if you read the language it says:

Once it is determined that the proposal has priority the mission begins examination of the local government's plans for a particular activity.

Then after—which is the next step—

The host government has prepared what can be regarded as a preliminary application, the mission transmits it to the Assistant Administrator here in Washington with preliminary appraisal and recommendation.

Mr. PASSMAN. At that point you could present it to us, could you not? Because, as you said for the record, there has been no commitment whatsoever at this point; nevertheless, you are far enough along

that you know the project, you know the goals, so why would you not present it to this committee before proceeding to make a commitment that would bind this country?

Mr. HAMILTON. Well, one of the things for example that is done when it comes is that we then search here in Washington to see if there are other funds from which the proposed project can be financed. As, for example, Export-Import Bank——

Mr. PASSMAN. That is not what I meant at all. You said that at this point there is no commitment.

Mr. HAMILTON. That is correct.

Mr. PASSMAN. But, that we have advanced far enough to know what the program is to be, what the priority is, and what the project is to be. Then if you move into Washington to this point, you could then firm up what the cost is going to be and then come down and discuss it with the people's elected representatives, this committee, the Congress, so that we could reach an agreement as to whether it is feasible, as to whether it is a profitable project.

Mr. HAMILTON. No, sir; I do not think that would work.

Mr. PASSMAN. They thought so in the past, although you do not think so now under this blanket authority.

Mr. HAMILTON. My understanding is different. This procedure is one that will be followed by the Development Loan Fund—it was so followed in the past.

Mr. PASSMAN. I am grateful for the help you attempt to give us. Your first answer was adequate, and I do not know why I want to foul it up with another question.

DEVELOPMENT GRANTS

Now, since the one criteria for development grants includes the payment by recipient nations of a fair share of the program, would you tell us how much money each nation proposes to receive as a development grant in fiscal year 1962 and fiscal year 1963?

Mr. HAMILTON. I will be glad to furnish that for the record. I do not have it with me.

(The information requested is classified and was furnished to the committee.)

Mr. PASSMAN. Those are the recipient countries, and if one should be a primitive country which just got its independence since we started our hearings at 10 o'clock this morning, still it should make some contribution. You are not just starting it on a rock out there. It is understood that they would make some contribution to their own program.

Have you had any nation refuse a development grant because it did not want a direct grant from the United States, but would rather receive such assistance from a multilateral source?

Mr. HAMILTON. If they can get the money from any other source, we do not want to make it available, because we want our money to be the last money that is available.

Mr. PASSMAN. It looks to me like it has always been the first and only money available, on the terms it is made available, but that was really not the question.

Have you had any nation refuse a development grant because it did not want to take a direct grant from the United States but would rather receive such assistance from a multilateral source?

Mr. HAMILTON. Well, I do not recall any.

CIVIC ACTION PROGRAM

Mr. PASSMAN. I note, on page 19 of the green book, that you are proposing $10 million for the cost of civic action projects to be carried out by the local armed forces in selected countries.

Please indicate the countries and the amount for each one.

Mr. HAMILTON. I will be glad to supply that for the record.

(The requested information follows:)

CIVIC ACTION PROJECTS

For some years the military forces of a number of underdeveloped countries have participated in civic action projects contributing to economic and social development. This normally has been done on a decentralized and ad hoc basis varying widely from country to country. Since 1959, it has been U.S. policy to encourage and support such activities. This policy has been formalized in foreign aid legislation since 1959.

A serious obstacle to the development of a civic action program by an indigenous military force has been the lack of financial resources. Consistent with our overall aid objectives, the Agency for International Development and the Department of Defense devised a funding formula to support approved civic action programs for fiscal year 1962 and for future years from MAP and AID sources. In general, the military assistance program funds equipment and training requirements of civic action units. The Agency for International Development funds equipment and materials for clearly identifiable economic development projects.

It is estimated that in fiscal year 1962 approximately $10 million of funds ($5 million, MAP; $5 million, AID) made available under the Foreign Assistance Act of 1961, as amended, has been used to support civic action-type projects in some 15 countries. Development grant funds have been used for varied purposes, as supporting a vocational training program for conscripts in Peru and providing construction materials to Army engineer units in Ecuador.

The $10 million proposed for fiscal year 1963 projects to be funded by AID is a conservative estimate based on a planned continuation for high priority programs funded in fiscal year 1962, and anticipated new projects for fiscal year 1963 which are now being firmed up by U.S. AID and MAAG missions.

In the past few years, insurgency has become a major problem in several critical areas. Civic action programs have been found to be a useful and practical means to counter this problem. The need for developing these programs rapidly and effectively by the combined efforts of the MAAG's and AID missions has precluded the identification of exact amounts of new programs pending receipt of the fiscal year 1963 MAP submissions from the unified commanders, which are due in Washington on July 15. At that time a review of both MAP and AID civic action projects will be conducted and an appropriate allocation of resources to each project will be determined. The urgent need for these programs makes their early development of first importance in helping meet the internal security requirements of a number of countries. The following estimate of fiscal year 1963 AID requirements by region is preliminary and changes undoubtedly will take place.

	Amount
Far East: 8 countries	$5,750,000
Near East: 2 countries	1,300,000
Africa: 1 country	100,000
Latin America: 11 countries	2,950,000
Total	10,100,000

Mr. PASSMAN. Is this $10 million in addition to the $10 million for the same purpose in the military assistance program?

Mr. HAMILTON. Yes. The total program is a $20 million program of which $10 million would come from MAP.

Mr. PASSMAN. How do you know the answer to that when you do not even know what countries are involved?

Mr. HAMILTON. I am familiar with the general structure of the program, but I don't know the blueprint.

Mr. PASSMAN. What bills will the military pick up and what will you pick up?

Mr. HAMILTON. That, as I say, I do not know. I do not know that but I know they will not be paying for the same things.

Mr. PASSMAN. I would not think you would be paying the same invoice twice, but it could be the same objective, could it not?

Mr. HAMILTON. $20 million goes for the civil defense objective, yes, sir.

NO-YEAR FUND AVAILABILITY FOR DEVELOPMENT GRANTS

Mr. PASSMAN. Mr. Director, on page 19, you are again requesting the no-year funds availability for development grants?

Mr. HAMILTON. Yes.

Mr. PASSMAN. The primary justification seems to be that such a procedure would eliminate hasty obligations to prevent the loss of funds and would eliminate the acceptance of lower standards for individual projects?

Mr. HAMILTON. To my own way of thinking, sir, the justification for that is this: If you are negotiating with a country in Africa, for example, one of these new countries that you mentioned, on a technical assistance program, say in the field of health or education and we are trying to get them to undertake self-help measures such as putting in the local labor, setting up a program that will be more productive, I am told that one may very well find one's self in a position where negotiations have gone on for 3 or 4 or 5 months. They haven't come through with their commitments. They are in the process of doing so. They feel with reason that we have expressed an interest in working with them on a program and they have self-help measures which they can undertake with us but they haven't been able to firm them up to where we are willing to make a commitment yet. Then if the funds are cut off, the program is then stopped.

Mr. PASSMAN. Can you cite just one example where funds have been cut off during 15 years of this program, if it was a worthy project? We will give you all the time you want, with all the witnesses downtown, from Mr. Rusk on down to the man who sweeps the floor.

Now if we had been guilty of such action that would be one thing. If we have not been, this is not justifiable.

Mr. HAMILTON. The point I am making does not turn on the question of whether or not the Congress made the funds available. The point I am trying to make is a different point and that is this: That if we had been working with a country for 5, 6, or 7 months setting up a system of education and it was indicated we would put up $3 million if they would find the people to build the schools, put up some of the local cost, and we have programed $3 million against, say, the 1962 fiscal year appropriation but the country has not been able because of circumstances to which you allude, to get its house to the point where

it can make a commitment, and then we had to say on June 30, "Well, the funds are not available, we cannot do this," you think this would be disadvantageous from the standpoint of the United States? In other words it is only where the funds have been programed, and we have been trying to work out a program and we have run into difficulty, where we feel it would be adverse to the United States, if we had to at that point chop it off.

Mr. PASSMAN. You do not have to do that. May I respectfully call your attention to the fact that you have money still being carried on hand from programs that, according to the information we have, are yet to be firmed up in the last stages, under such items as the President's Asian fund. Are you familiar with that one?

Mr. HAMILTON. In a general way, yes.

Mr. PASSMAN. And the development assistance fund. That one is so old it has whiskers. Do you not still have some of that money carried over? The fact is, we respect those obligations and continue respecting the obligation each year, year in and year out, sometimes going into 6 or 7 years.

Mr. HAMILTON. Are these funds no-year funds, sir?

Mr. PASSMAN. It does not have to be no-year funds. If you enter into an obligation, even if it is for dolls for the children out there, we respect it. When you say it is obligated we close our case.

Mr. HAMILTON. I was dealing with a situation where we did not want to obligate funds because the country had not yet done what we felt it ought to do.

Mr. PASSMAN. I do not believe our own agencies, with a few exceptions, have no-year funds. If they are obligated, we respect them. At the end of the year they lapse, if not obligated.

Mr. HAMILTON. That is correct.

Mr. PASSMAN. Why would that procedure not be good for these other nations?

Mr. HAMILTON. If these other nations had the capacities for planning and programing and administering their governments as we do here in our great institutions like the Army Engineers and so forth, then we would not have the need that we do for these development programs.

Mr. PASSMAN. Is it right to start them off wrong or would it be better to start them off right with a system such as we have, which has proved over the years to be good?

Mr. HAMILTON. If we could get them to a point where they had a system as good as ours, that would be a good achievement.

Mr. PASSMAN. Do not say "as good as ours," but first plan the program, and when we find the program is feasible, and it is desirable to help out their economy, and it has a favorable cost-benefit ratio, then make the money available. As it is the American taxpayers' money that we are giving to these people, why should they have concessions over and above what our own people get?

Mr. HAMILTON. When one is talking as we are about development grants, though we are talking about trying to help these people set up methods of educating themselves and training themselves, and they just do not have the kinds of facilities that we do in our great Department of Health, Education, and Welfare or Agriculture.

Mr. PASSMAN. If they do not have it, how do you know it is being successful, especially if you are not following plans formulated on

the basis of justification? How do you know it is good at all? It is either good or bad. If we have our people out there assisting them we should be able to determine whether or not this program is a good program or a bad program. If it is a good program then commit money to it.

Mr. HAMILTON. That is why we want the authority in respect to these grants. If we are working on a program and pressing them to set up, as near as they can, given their lack of education and lack of training and lack of experience, as near as they can, standards that approach ours, we want to be able to continue to have the money so we can say to them: "Now we will go forward and only go forward if you set up a reasonably good system."

ADVISABILITY OF REQUESTING AND COMMITTING FUNDS ONLY AFTER PROJECT IS SET UP

Mr. PASSMAN. Could we not give them the money after they set it up? Why rush out and give the money away and let them come up with some system quite inferior to our system, which has been so successful?

Mr. HAMILTON. I think generally speaking you have put your finger right on the one central point of our whole foreign-aid program, that really is a difficult problem, and that is the problem of undertaking development programs that are designed to help these underdeveloped societies—in many cases through no fault of their own—to reach a point where they can conduct their economic programs in a fashion reasonably like ours. But because they do not have all the necessary facilities now—we are trying to help them get those facilities—it is necessary—at least I think there is a rational basis for saying it is necessary—to operate in a way different than we would if we were building a dam, dredging a river, or something in this country where one has people trained and literate and you have a structure of railroads and plenty of people who can keep books and do analyses.

Mr. PASSMAN. Have you not told us, either directly or indirectly, that you are not spending money on these projects unless they are firm, and unless it is for the welfare of the recipient country?

Mr. HAMILTON. Certainly that is the objective of the development grants.

Mr. PASSMAN. Could you not bring these matters up before you get the money?

You are making the case that the projects must be worthy, that they must be good projects, or we will not furnish the money.

Why could you not determine it is good before you get the money just as well as you can after you get the money?

Mr. HAMILTON. When you are talking about what is good in the case of a development grant, for example—one may be talking about what is, given the circumstances of the country, a reasonably good school system——

Mr. PASSMAN. You said it had to be a justifiable project before you would give them money, and I said, if that be true, why would you not come up with it and justify it before you get the money, rather than after you get the money.

CONGRESS LOSING CONTROL OF AID PROGRAM

Mr. HAMILTON. Because I don't think it would be practical in the interest of the United States to do it that way.

Mr. PASSMAN. It is just like every other part of this program. You are working to get it away from the control of Congress—not technically, but in effect it is the same thing, and then you are working to get it on a no-year appropriation basis. The trend has been developing in that way, simply because this committee has cooperated in trying to help put some sense into the program.

This thing has skyrocketed from $2.8 billion back to $5 billion. When we had some control we worked it down, and still, every year the witnesses reluctantly acknowledged, "You have helped the program by your reduction."

You can refer to the record and find where these people said we had made a better program through our reductions. Now we are getting into the position where we are told that we cannot reduce the funds because commitments have been made.

TYPE OF ASSISTANCE TO CERTAIN COUNTRIES

I note, on pages 22 and 23, that supporting assistance is to be provided to 15 countries and a CENTO program.

Would you indicate under which one of the four categories each of these 15 countries falls?

Mr. HAMILTON. This is on page 23, sir?

Mr. PASSMAN. Yes.

Mr. HAMILTON. Which reference is that?

Mr. PASSMAN. It is on page 23. We do not attempt to pick up all the fine print.

Mr. HAMILTON. Pardon me, sir. What was the question?

Mr. PASSMAN. I note, on pages 22 and 23, that supporting assistance is to be provided to 15 countries and also a CENTO program.

Now, would you indicate under which one of the four categories each of the 15 countries falls?

It is scattered all over the page here.

Mr. HAMILTON. I see what you mean now.

Mr. PASSMAN. Even though they have made it complicated, we are going to try to understand it.

Mr. HAMILTON. We have assistance to the common defense, maintenance of bases, and maintaining economic stability.

I would be glad to provide you with an answer. I don't have it.

Mr. PASSMAN. Again, it is to be provided for the record?

Mr. HAMILTON. Yes.

(The requested information was supplied to the committee.)

INCREASED REQUIREMENTS FOR SUPPORTING ASSISTANCE

Mr. CONTE. Mr. Hamilton, in regard to the supporting assistance, on your statement on page 11 you state that you are endeavoring to reduce the number of countries receiving supporting assistance and that during the past year it has been decided that several countries such as Greece, Iran, Pakistan, Afghanistan will not in the future require this form of assistance.

Mr. HAMILTON. Yes, sir.

Mr. CONTE. However, you are asking for $481.5 million which is more than last year, and you are cutting down on countries.

How do you rationalize that?

Mr. HAMILTON. Because we anticipate having and indeed are currently having stepped-up requirements in countries like Vietnam—especially Vietnam. In Iran this year, we have a heavier requirement for supporting assistance because of the matter I referred to here earlier. We are trying to get these countries that have come along pretty well economically, like the Greeks in particular, off of it.

We do have requirements in those countries and then there is also some requirement in Africa but mainly the requirement for the supporting assistance is around——

Mr. CONTE. Around the periphery of the Soviet bloc?

Mr. HAMILTON. Yes.

Mr. CONTE. Actually you are cutting down on assistance to certain countries.

Mr. HAMILTON. Overall we think because of the cold war getting hotter, we have these requirements, mainly in the military area.

Mr. PASSMAN. Even though it appears we are cutting down at one point, the overall request is up, is it not?

Mr. HAMILTON. Yes. I think last year the appropriation as I recall it was $425 million.

Mr. PASSMAN. I mean the budget request is up over last year?

Mr. HAMILTON. Over last year's appropriation and below last year's request.

Mr. PASSMAN. It is above last year's appropriation?

Mr. HAMILTON. That is correct.

Mr. PASSMAN. The request?

Mr. HAMILTON. Yes.

Mr. PASSMAN. And the plan is to take up supporting assistance and later work that into this wide and fuzzy field of development credits?

Mr. HAMILTON. No, sir.

Mr. PASSMAN. It is not? You said so in your statement. But thank you. I am glad it is not.

I yield to Mr. Rhodes.

SUPPLANTING OF DEVELOPMENT LOANS FOR SUPPORTING ASSISTANCE

Mr. RHODES. Can you give us a statement as to the total number of American dollars which will go into the various programs in those four countries which are being taken off of supporting assistance: Greece, Iran, Pakistan, Afghanistan—I mean the amount that will go in this next year?

Mr. HAMILTON. Do you mean the amount programed in the way of development loans?

Mr. RHODES. The total program. In other words, I am wondering if you are putting dollars in under another program to take the place of the dollars which will not be going in as supporting assistance money.

Mr. HAMILTON. That is right—I will be glad to supply that.

(The information follows:)

[In thousands]

	Fiscal year 1960 (actuals)	Fiscal year 1961 (actuals)	Fiscal year 1962 (preliminary actuals)
Greece:			
Supporting assistance	$25,000	$20,000	$20,000
Development grants	600	500	330
Development loans	31,000		[1] 10,000
Total aid	56,600	20,500	30,330
Public Law 480:			
Title I (sales agreements)	6,300	15,600	10,600
Title II		4,100	
Title III	7,200	7,600	10,400
Total, Public Law 480	13,500	27,300	21,000
Iran:			
Supporting assistance	32,000	21,800	44,000
Development grants	5,400	4,300	4,450
Development loans		37,200	6,000
Total aid	37,400	63,300	54,450
Public Law 480:			
Title I (sales agreements)		[2] 21,900	9,000
Title II		[2] 11,800	
Title III	700	1,600	2,300
Total, Public Law 480	700	35,300	11,300
Pakistan:			
Supporting assistance	90,000	95,600	25,000
Development grants	7,100	7,500	7,954
Development loans	102,000	27,200	[3] 207,900
Total aid	199,100	130,300	240,854
Public Law 480:			
Title I (sales agreements)	114,600	45,200	[4] 156,000
Title II			
Title III	1,200	2,400	3,800
Total, Public Law 480	115,800	47,600	159,800
Afghanistan:			
Supporting assistance	5,300	[5] 3,700	[6] 31,137
Development grants	4,400	[5] 9,100	[7] 7,400
Development loans	700		
Total aid	10,400	12,800	38,537
Public Law 480:			
Title I (sales agreements)		[8] 22,500	([9])
Title II		600	1,300
Title III	100		
Total, Public Law 480	100	23,100	1,300

[1] Approved since the fiscal year 1963 congressional presentation was prepared.
[2] Crop failure.
[3] $7,900,000 increase over the level shown in the fiscal year 1963 congressional presentation.
[4] Congressional presentation estimated level was $180,000,000. The levels for fiscal year 1962 and projected for fiscal year 1963 relate to a 4-year commitment.
[5] All but 4 fiscal year 1960 and prior year supporting assistance projects were shifted to development grants funding.
[6] $23,700,000 to cover costs of the ongoing regional transit road program was approved after the preparation of the fiscal year 1963 congressional presentation.
[7] Reduced from $9,200,000 shown in the congressional presentation. Border closing precluded financing commodity elements of certain projects.
[8] This large program was undertaken to fulfill Afghanistan's anticipated food grain deficit. Only a portion was shipped owing to the border closing.
[9] $11,800,000 shown in the congressional presentation was not approved because of the border closing.

Mr. HAMILTON. Maybe I can amplify that a bit here. Take the case of Greece. As a result of the very large amounts, of course, of foreign aid that have gone in there, the situation in Greece has considerably improved. When such supporting assistance, which is for an immediate situation, you have a situation in which you conduct your negotiations with respect to it in the context of a grant. Giving full aid to the point the chairman has made about these loans by no means being commercial loans——

Mr. RHODES. That is my point, too. I just wonder if you haven't merely traded dollars between programs here. In other words, the same number of dollars, or more going into these countries in total——

Mr. HAMILTON. I will be glad to give you the facts, whatever they show. I do not believe there will be an increase, but what we are trying to do is to say that these countries who have been getting supporting assistance, which is budget support and where your control is simply looking at their budget and determining how much they need to support military activity, and they get it—what we are trying to do is say "No; we don't want you to have this kind of funds. You may have funds to assist your development," but we want to get those funds into an area where they have to meet the criteria of these development grants. It is true that since dollars are fungible, since a country has been getting $20 million of supporting assistance which has helped meet its imbalance of foreign trade under an assistance grant, if you keep that over $20 million from the Development Loan Fund, from the standpoint of their balance of payments you have substituted dollars from one category to another.

We feel that if one makes the assumption it is in the interest of the United States to make dollars available to them, it is more in the interest of the United States to do that in the form of development loans and in the form of development grants; but it is perfectly true that if the dollars go in, from the standpoint of their balance of payments, whether they go in in the form of supporting assistance or whether they go in in the form of development loans, they are the dollars.

We feel that we can——

Mr. RHODES. Do you have a difference there in that your development loan category includes "Buy American" policies?

Mr. HAMILTON. That is correct, and there we have an opportunity to exercise more control over the actual expenditure of funds because what we are trying to do—I do not know whether we are going to succeed—what we are trying to do is to distinguish between foreign aid for immediate national security considerations, primarily military, where you pretty much have to take the country as it is, or say, "Well, we won't," and take the consequences, I mean—and these development funds where we think—and I think—I hope—we will be able to demonstrate to you; we have had some experience—that there we insist upon a much higher standard of performance, more businesslike performance and all the rest of it.

Because if you are underwriting a budget deficit in a country—it is perfectly obvious: Where do they have any incentive? I mean they may not have any incentive to produce the stuff on their own.

In the Development Loan Fund we feel we have a much greater degree of control to see to it that the funds are spent productively.

Mr. CONTE. Actually there is a difference in our balance-of-payments situation between these two, isn't there? If you have a "Buy American" policy on a development loan category and you do not have it on the supporting assistance, then the amount of aid, at least directly, does not affect our balance of payments in the same way?

Mr. HAMILTON. That is correct.

Mr. RHODES. The chairman's point, however, is still valid, that dollars can be shifted to put goods in and you free their dollars to do something else.

That is the reason I say the "Buy American" policy is possibly a direct aid on its face, but the indirect and final effect may be about the same.

Mr. HAMILTON. It depends on the facts of each case as to how many dollars there are.

Mr. PASSMAN. But then we are substituting, or will substitute, development credits, or development loans, for supporting assistance? Is that policy for the future, to eliminate supporting assistance and switch over to the so-called loans?

Mr. HAMILTON. No, sir; because if you have a situation as in Vietnam where there is in the situation, where you can't expect the Government to meet the criteria of the development loan, then you cannot substitute development loan funds for supporting assistance funds.

What we are trying to do is to make this distinction I mentioned to Mr. Rhodes between this case of supporting assistance where you put it in, because you think it is immediately in our interest to do so on the one hand and on the other where we have a very much greater degree of control, where it goes in on a development loan basis, where we can set up controls and follow the funds into some productive element in the economy.

It is a complicated thing. Since dollars are dollars, there is a sense in which you can say if they get them on development loans, where they had been getting them on supporting assistance, they are getting dollars through development loans that would have the economic consequences of supporting assistance.

But we are not in all cases going to be able to do that.

Mr. PASSMAN. Not in all cases, but I am trying to reconcile your thinking with that of the Secretary of State.

Mr. HAMILTON. What was his thinking?

Mr. PASSMAN. I am going to get into that now. Under the supporting assistance program we appropriate annually, do we not?

Mr. HAMILTON. Yes, sir.

Mr. PASSMAN. And any unobligated funds would naturally lapse?

Mr. HAMILTON. Yes, sir.

Mr. PASSMAN. It is on an annual basis, whereas on the development credits, that fits into this wide range to where you are committing to a plan, and not to projects individually, and that is on a no-year basis, is it not?

Mr. HAMILTON. Yes.

Mr. PASSMAN. That is the way we understand it, and we think we know where it is being switched over. So the committee will again lose any actual meaningful supervision over it.

Mr. Rusk says, on page 11 of his statement, under "Supporting Assistance":

> Although we are concentrating our economic aid efforts in this decade of development, we must also continue to support those countries struggling to maintain their independence under heavy financial burdens. Most of these countries are on the periphery of the Sino-Soviet bloc. Three-quarters of the $481.5 million we are asking will go to three Far Eastern countries and Turkey. In line with our purpose of supplanting this type of assistance with development loans as soon as it is feasible, we are proposing to terminate supporting assistance for a least four countries which we have assisted for a considerable number of years in the past.

That is what he says, and we understand they are trying to supplant this program with your wide-range program.

OTHER ASSISTANCE PROGRAMED FOR COUNTRIES ELIMINATED FROM SUPPORTING ASSISTANCE PROGRAM

These four countries that you are eliminating, are they still getting some types of foreign assistance from the United States?

Mr. HAMILTON. Do you mean is it proposed they would continue to get them next year?

Mr. PASSMAN. Yes, sir.

Mr. HAMILTON. Yes; because that is——

Mr. PASSMAN. Can you give us the countries now? It is no longer classified information is it?

Mr. HAMILTON. It is classified as to what——

Mr. PASSMAN. Is it classified if it is over in this other range of financing?

There are four countries. How much do you propose to give these four countries, total and by country, in fiscal year 1963?

Mr. HAMILTON. In the case of——

Mr. PASSMAN. Give us the total so you will not have to take it off the record.

Mr. HAMILTON. What we don't like to do is——

Mr. PASSMAN. I will tell you what we want and you decide what you will put in: What is the total that you have planned for these four countries for fiscal year 1963?

Mr. HAMILTON. Yes, sir. It is $335 million for the four countries.

Mr. PASSMAN. Give us the countries. As long as it is a total, you do not have to take it off the record, according to your own rules.

Mr. HAMILTON. The countries are Afghanistan, Greece, Iran, and Pakistan.

It is on page 6 of the worldwide summaries: Afghanistan, Greece, Iran, and Pakistan.

Mr. PASSMAN. What amount did you give these four countries out of supporting assistance last year?

Mr. HAMILTON. As of May 31, 1962, the supporting assistance was $96.5 million, approximately.

Mr. PASSMAN. Gentlemen, that is a peculiar way to save money. We had $96.5 million in fiscal year 1962 under supporting assistance where we could look at it, but now you have that at $335 million for fiscal year 1963.

Mr. HAMILTON. It is not a question of saving, it is a question of a different type of funds.

Mr. PASSMAN. We asked for supporting assistance and that is what you gave us. We are using Mr. Rusk's own statement to pin this down. If it is not accurate let him correct the record.

Mr. HAMILTON. In the first figure you had substantial amounts of development loan funds.

Mr. PASSMAN. I am reading his statement.

Mr. HAMILTON. We are trying to shift categories though.

Mr. PASSMAN. You are shifting it out to this wild range where we cannot pin it down, but you are good enough to tell us you are "reducing" it from $96.5 million to $335 million for the same 4 countries, and it is just about that simple.

Mr. HAMILTON. The $335 million included the DLF of this year.

Mr. PASSMAN. We knew something would be included, but there is a process of elimination you are going to get us into when we give up control.

SUPPORTING ASSISTANCE FUNDS FOR BUDGET SUPPORT

Of the total $496,950,000 proposed for "Supporting assistance," how much is for budget support?

Mr. HAMILTON. I am sorry, that is not "Supporting assistance," sir. Those were the figures I gave you for the DLF.

I am sorry. Are we still talking about these figures, Mr. Chairman [indicating]?

Mr. PASSMAN. No, we have gone to another question. The other has been answered in the affirmative.

Of the total $496,950,000 proposed for "Supporting assistance" for fiscal year 1963, how much is for budget support or cash grants?

Mr. HAMILTON. I can supply that for the record.

Mr. PASSMAN. Let us find out how much now. Do you have someone who could tell us?

Mr. HAMILTON. As the Secretary of State mentioned, three-fourths of it would go to the three countries plus Turkey.

Mr. PASSMAN. That was my question.

Mr. HAMILTON. All of that virtually is for budget support.

Mr. PASSMAN. Could you tell us the amount in the form of cash grants, of the $496,950,000?

Mr. HAMILTON. I could supply it for the record.

Mr. PASSMAN. Do any of the supporting witnesses know the amount?

Mr. HAMILTON. The preponderant amount of it is for budget support. In case of Vietnam for example, and Korea——

Mr. PASSMAN. Let us find out. Do you have that, Mr. Tennant?

Mr. TENNANT. I do not have a breakdown for 1963 for budgetary support.

Mr. PASSMAN. Let us take the comparable item for 1962 and see how much went for budgetary support.

Mr. TENNANT. For 1962?

Mr. PASSMAN. Yes, sir.

Mr. TENNANT. $104 million went for budgetary support.

Mr. PASSMAN. Out of a total of——

Mr. TENNANT. Out of a total of $465 million.

Mr. PASSMAN. How much of that was really in cash?

Mr. TENNANT. In——

Mr. PASSMAN. Fiscal year 1962.

Mr. TENNANT. Cash grants?

Mr. PASSMAN. Yes, cash grants.

Mr. TENNANT. The answer to the question how much would be made in cash transfers in 1962 is $279.6 million of which $146.6 million were cash grants and $133 million were cash loans.

Mr. PASSMAN. In cash transfers?

Mr. TENNANT. Yes, sir. That is as of May.

Mr. PASSMAN. Is that in accordance with the way you justified the request last year?

Mr. TENNANT. I believe so. Most of these were justified.

SUPPORTING ASSISTANCE FUNDS FOR COMMODITY IMPORTS

Mr. PASSMAN. Now, of the $496,950,000 for fiscal year 1963, how much is for commodity imports?

Mr. TENNANT. We will have to furnish that for the record. I think it is in the detail in the books. It would have to be summed up for you.

(The information follows:)

Proposed commodity imports AID nonproject assistance, fiscal year 1963

[Thousands of dollars]

	Agricultural commodities [1]	Industrial commodities [2]	Total
Africa:			
Guinea		$2,000	$2,000
Morocco		10,000	10,000
Near East/South Asia: Turkey		55,000	55,000
Far East:			
Cambodia		[3] 14,900	[3] 14,900
Korea	$40,000	85,000	125,000
Vietnam	13,300	116,700	130,000
Total	53,300	283,600	336,900

[1] Primarily fertilizer and sugar.
[2] Petroleum products; raw materials: iron, steel, cement, chemicals, lumber, textiles, plastics, aluminum; machinery and equipment: motor vehicles, electrical equipment, tractors, and generators.
[3] $4,600,000 from development grant funds. All other amounts are from supporting assistance funds.

Mr. PASSMAN. We could study these books and we do study these books, but we think you ought to know some of the answers.

Could you cite the justification for your commodity imports under the budget supporting items?

Where could we find the justification for it?

Mr. TENNANT. The justification is in the usual classification books under the country tabs.

Mr. PASSMAN. Let us find it, sir.

Mr. TENNANT. Which country?

Mr. PASSMAN. Bolivia. Off the record.

(Discussion off the record.)

Mr. PASSMAN. Let us go to Bolivia. Tell us where you find it. This is under the justification for commodity imports for Bolivia.

Mr. MILLER. Do I understand your question to be the justification for the supporting assistance program to Bolivia for fiscal year 1963?

Mr. PASSMAN. For commodity imports.

Mr. MILLER. My understanding of your question is that you wish to know why we had a program for supporting assistance to Boliva?

Mr. PASSMAN. I will ask the question again: Of the total request of $496,500,000 proposed for supporting assistance, how much is for support cash grant aid to the recipient countries, and what percentage would be for commodity imports?

Where do we find the justifications for the commodity import part of the program?

Mr. MILLER. To make it perfectly clear to me, Mr. Chairman, do I understand that you are asking for a projection of the commodity import components for fiscal year 1963?

Mr. PASSMAN. I just do not know how to make it any clearer. We want the justifications. If you would just read what you interpret as a justification for it. We are trying to understand it. We do not find the justification for it. We assume that you had a justification; otherwise you would not have programed it.

Mr. MILLER. Mr. Chairman, the justification for supporting assistance is contained in the books which you have before you. Those justifications are for various political reasons that Mr. Hamilton has spoken about earlier, for immediate national security interests of the United States primarily military.

SUPPORTING ASSISTANCE FOR KOREA

Mr. PASSMAN. How are we going to reconcile this? This is on page 113 of the gray book. We find that you list five items. Let us get the two. This is a breakdown: $125 million for commodity imports. Nowhere else in any of the books do we find any supporting justifications, other than just a list that this is what you are going to do. Usually there is some justification to back up these figures. We do not find the justifications. Am I getting through now?

Mr. MILLER. Mr. Chairman, in the supporting assistance programs such as the one which you have cited, which is Korea, on page 113 of volume 6, the purpose, as Mr. Hamilton earlier explained, is prevention of inflation, maintenance of the economy, and generation of local currencies for military and development budgetary support. This is done in this case by the importation of commodities. Certain estimates are made for fiscal year 1963 as to what commodities will do this and generate the local currency necessary to provide the support for the national security interests of the United States in Korea. It is estimated that nonproject assistance total for Korea in fiscal year 1963 will be $125 million. That is the amount necessary to meet these policy objectives.

Mr. PASSMAN. What you are doing, of course, is discussing a program. You have increased it in fiscal year 1963 over fiscal year 1962, from $90 to $125 million. Where do we find your specific justifications for it?

Mr. MILLER. The specific justification for this program starts on page 37 of volume 4 in the books which have been presented to the committee and continues through page 40. There is an analysis there of the need for supporting assistance.

Mr. PASSMAN. You are going to these printed pages?

Mr. HAMILTON. Maybe I could shed a little light. I do not want to switch witnesses on you.

Mr. PASSMAN. I know we shall solve this riddle yet, but just referring us to a page of figures is not any justification. We want to know the specific justification. Where do we find it? You have increased it from $90 to $125 million.

Mr. HAMILTON. If you will look on page 37, on the first full paragraph on the right-hand column, it begins on that page commencing with the phrase—

> What appears to be an increase in supporting assistance in fiscal year 1963 as compared with fiscal year 1962 is in fact a moderate decline. As a result of the economic dislocations and business conditions following the 1960–61 revolution, there was an insufficient demand for all of the supporting assistance funds available in fiscal year 1961. About $55 million of fiscal year 1961 funds were actually licensed to importers in fiscal year 1962, making the total available of supporting assistance in fiscal year 1962 approximately $145 million, or $20 million more than the $125 million requested for fiscal year 1963.

Mr. PASSMAN. On page 113 you show $90 million.

Mr. HAMILTON. $90 million of what, sir?

Mr. PASSMAN. Supporting assistance.

Mr. HAMILTON. For what year?

Mr. PASSMAN. Fiscal 1962.

Mr. HAMILTON. That is right. In 1962 it was $90 million that was shown as appropriated but in addition to the $90 million that was appropriated in fiscal year 1962 there was available from 1961 fiscal year appropriations $55 million, making the total available for expenditure for supporting assistance in Korea in fiscal year 1962, $145 million, as contrasted with the $125 million that is requested for fiscal year 1963, which is the basis for the statement that what appears to be an increase in 1963 over 1962 is in fact a moderate decline.

Mr. PASSMAN. Is this one of the hoarding items that was brought out by the Foreign Affairs Committee, because you had $55 million in supporting assistance for Korea in fiscal year 1961 that you did not use that year; is that correct?

Mr. HAMILTON. That is right.

Mr. PASSMAN. Instead of letting that money lapse because you did not need it, or did not use it, then you asked for $90 million for fiscal year 1962, then you went back and picked up out of the hoarded account, $55 million, which brought your expenditures up to, I believe you said, $145 million?

Mr. HAMILTON. Those funds were committed, obligated in fiscal year 1961. Because of the turbulent political conditions——

Mr. PASSMAN. If there was insufficient demand why did you obligate it and, if so, for what?

Mr. HAMILTON. It was obligated at a time when it was anticipated that the political and economic situation was such, I assume—and I am speaking only on assumption because I do not know this firsthand—but I assume it was done on the basis that they felt it would be necessary and usable. The political situation got choppy. I presume they could not subauthorize the funds. The need was there, but it simply was not met.

Mr. PASSMAN. How could you obligate when you had an insufficient demand, and if you obligated how could you reobligate the funds without deobligating them for fiscal year 1962?

Mr. HAMILTON. I assume they were obligated early in fiscal year 1961 but then because of the turbulent situation in Korea that devel-

oped later in connection with the revolution, when there was confusion in the Government and business circles, the funds were not utilized during that period, but the demand for them in economic terms continued to exist but could not be satisfied until fiscal year 1962.

Mr. PASSMAN. The revolution came at the end of the fiscal year, did it not?

Mr. HAMILTON. I think so.

Mr. PASSMAN. Is it not a question, Mr. Director, of requesting more funds than were actually needed for Korea? We have poured money and materiel into that country in excess of their ability to absorb it. You had in cash grants $55 million more than you had demands for in fiscal year 1961 for Korea, and at that time your people appeared before this committee they said, "We want $90 million for supporting assistance for Korea for fiscal year 1962."

They said nothing about the $55 million for which you had no demand.

Mr. HAMILTON. They did not tell you they had these funds?

Mr. PASSMAN. Certainly they did not tell us they had the funds.

Mr. HAMILTON. I thought we always afforded you with how much funds——

Mr. PASSMAN. Tell us where you reported it to us.

Mr. HAMILTON. I was not Administrator of the Agency at the time.

Mr. PASSMAN. Let any of your supporting witnesses tell us where the Agency reported it to us. These are the things that occasionally we uncover which indicates what will happen when the committee and the Congress lose control.

Mr. HAMILTON. There is no effort on our part to keep it from you. They were all set out in the papers submitted to you.

Mr. PASSMAN. It all boils down to this: That you did have more supporting assistance in fiscal year 1961 than you had a demand for in Korea?

Mr. HAMILTON. I cannot speak to that. I was not responsible at the time.

There is no effort on our part to conceal anything because all of this information is in the books.

Mr. PASSMAN. It was concealed nevertheless.

Mr. HAMILTON. They are not concealed this year.

Mr. PASSMAN. I will pick this up:

There was insufficient demand for all the supporting assistance funds made available in fiscal year 1961; about $55 million of the fiscal year 1961 funds were actually licensed to importers in fiscal year 1962.

Here is the sole justification for the $125 million for fiscal year 1963, and I do not believe that I could borrow $250 from my bank, in which I am a stockholder, on just this much justification:

The supporting assistance program for fiscal year 1963 is composed almost entirely of fertilizer, industrial raw materials, and semifinished products and spare parts for replacement.

That does not give us any detail whatsoever. I believe just such language accounts for the fact that this committee has furnished more money under the grant aid program than even a country like Korea could utilize. The record speaks for itself.

PUBLIC LAW 480 ASSISTANCE

In addition to the $3,378,500,000 requested for economic aid, what amount, Mr. Director, of Public Law 480 foreign currencies do you anticipate will be available for obligation or commitment in fiscal year 1963, by titles?

Mr. HAMILTON. I will have to supply that for the record.

Mr. PASSMAN. Supply it for the record.

(The information supplied follows:)

Estimated U.S.-owned or controlled foreign currencies available for country use in fiscal year 1963

Public Law 480:	*Country use, millions*
Title I	$2,063.2
Title II	[1] 40.1
Title III	--------
Title IV	--------
Subtotal	2,103.3
Counterpart funds	[1] 719.5
Secs. 402 and 550	41.8
Total	2,864.6

[1] Country owned.

Mr. PASSMAN. What has been the repayment experience to date of Public Law 480 loans for economic development?

Mr. HAMILTON. In terms of local currency or in all categories?

Mr. PASSMAN. All of it is in local currency, is it not, under Public Law 480?

Mr. HAMILTON. I will provide that for the record.

Mr. PASSMAN. May I ask the question of some of the other witnesses? Is it your understanding Public Law 480 is repaid in local currency?

Mr. TENNANT. Yes, sir.

Mr. HAMILTON. Some.

Mr. PASSMAN. Is it repaid in local currency or repaid in dollars?

Mr. HAMILTON. By far the preponderant amount of it is local currency.

Mr. PASSMAN. How much?

Mr. HAMILTON. Title IV is dollars.

Mr. PASSMAN. How much comes back in dollars?

Mr. HAMILTON. We will be glad to supply that.

Mr. PASSMAN. You could not pin it down now?

Mr. HAMILTON. No, sir.

Mr. PASSMAN. Does it go back into the Treasury or back into the program?

Mr. HAMILTON. The repayment in dollars, I will have to look. It is not in our legislation.

Mr. PASSMAN. It is another part, and that is why we want to know about it.

Mr. HAMILTON. It is certainly relevant, of course.

(The information supplied follows:)

Repayments of Public Law 480 loans, cumulative through Mar. 31, 1962

	Repayment of principal	Interest collections
Economic development loans (104g):		
Repaid in U.S. dollars	$2,294,864.10	$12,435,627.94
Repaid in local currencies	410,511.44	38,093,694.87
Total 104(g) loans	2,705,375.54	50,529,322.81
Cooley loans (104e):		
Repaid in local currencies	7,857,608.22	6,047,809.08
Total Public Law 480 loans	10,562,983.76	56,577,131.89

NOTE.—Dollar receipts are deposited to Treasury miscellaneous receipts; foreign currency receipts are deposited to the Treasury foreign currency accounts as available for any purpose specified in sec. 104 of Public Law 480.

Mr. PASSMAN. Could you tell us, Mr. Director, how much foreign currency has been available for economic development on a grant basis?

Mr. HAMILTON. That is from all sources available?

Mr. PASSMAN. Yes.

Mr. HAMILTON. I will be glad to supply that.

Mr. PASSMAN. There is no information available from the witnesses here this afternoon?

Mr. HAMILTON. No, sir.

(The information supplied follows:)

FOREIGN CURRENCY AVAILABLE FOR ECONOMIC ASSISTANCE ON A GRANT BASIS

Foreign currency equivalent to $1,861 million had been deposited to AID accounts from inception of foreign aid program through June 30, 1961, for economic assistance grants. These currencies were generated from sales of surplus agricultural commodities as follows:

	In millions of dollars equivalent
Public Law 480	396
Mutual Security Act (secs. 402 and 502)	1,465
Total	1,861

DEVELOPMENT LOANS, 1962 AND 1963

Mr. PASSMAN. This might as well be for the record, too, Mr. Hamilton: Kindly submit to the committee a table showing the name of the country and the amount of development loan funds approved for each country in fiscal year 1962 and a list of countries and development loans proposed for each in fiscal year 1963?

Mr. HAMILTON. Certainly, sir.

Mr. PASSMAN. There is a significant increase in the overall request.

Mr. HAMILTON. Certainly.

(The information follows:)

AGENCY FOR INTERNATIONAL DEVELOPMENT

Development loans, fiscal year 1962 activity [1]

[In thousands of dollars]

	Loan number	Description	Loans approved	Loan agreements signed
Africa:				
Cameroun		Transcamerounian Railway	9,200	
Ghana	AID/DLF 187	Volta River project	7,000	7,000
	AID 31	Valco Aluminum Co. loan	55,000	55,000
Total Ghana			62,000	62,000
Sudan		Industrial Development Bank	2,000	
Tunisia		Sfax water supply	600	
		Tunis water supply	800	
		El Haouaria irrigation	1,000	
		Commodity import loan	10,000	
Total, Tunisia			12,400	
Total, Africa			85,600	62,000
Far East:				
China	AID 12	Taiwan Telecommunications Administration.	5,200	5,200
		Loan for industrial-type imports	20,000	
Total, China			25,200	5,200
Korea	AID 5	Pusan thermal power project	20,900	20,900
		Hyun Dai cement project	4,250	
Total, Korea			25,150	20,900
Philippines	DLF 81	Bataan pulp and paper mills project.	100	100
Thailand		Irrigation projects	11,100	
Total, Far East			61,550	26,200
Latin America:				
Argentina	AID 9	Commodity import loan	20,000	20,000
Bolivia	AID 26	Highway maintenance equipment program.	400	400
		El Alto Airport	1,200	
	AID 44	Feasibility studies of development projects.	6,000	6,000
Total, Bolivia			7,600	6,400
Brazil	AID 1	Comodity import loan	50,000	50,000
	AID 1 (amended)	do	15,000	15,000
	do	do	9,500	9,500
Total, Brazil			74,500	74,500
Chile		CORFO Development Bank	40,000	
Ecuador		National industrial credit	5,000	
Mexico	AID 43	Supervised agricultural credit	20,000	20,000
Nicaragua		Second road project	900	
Peru		Lima water and sewage project	8,600	
		Feasibility studies of development projects.	3,000	
Total, Peru			11,600	
Venezuela		Program of supervised agricultural credit.	10,000	
Total, Latin America.			189,600	120,900

See footnotes at end of table.

AGENCY FOR INTERNATIONAL DEVELOPMENT—Continued

Development loans, fiscal year 1962 activity [1]—Continued

[In thousands of dollars]

	Loan number	Description	Loans approved	Loan agreements signed
Near East:				
Greece		Economic Development Financing Organization.	5,000	
		National Bank of Greece	5,000	
Total, Greece			10,000	
Iran	DLF 97c	Highway construction project	6,000	6,000
Israel	DLF 214	Development program	10,000	10,000
		Development program: 2d loan	20,000	
		Do	15,000	
Total, Israel			45,000	10,000
Syria		Grain storage program	14,700	
Turkey		Diesel locomotives	10,000	
United Arab Republic.	AID 17	Cellophane plant	3,000	3,000
	AID 18	Egyptian grain storage program	17,000	17,000
Total, United Arab Republic.			20,000	20,000
Total, Near East			105,700	36,000
South Asia:				
India	DLF 215	Cambay thermal power project	33,600	33,600
	DLF 217	First commodity import loan	25,000	25,000
	DLF 217	do	75,000	75,000
	AID 30	Second Premier Automobiles, Ltd.	3,000	3,000
	AID 15	Patherdiah coal washery	4,200	4,200
	AID 35	Fourth railway	35,000	35,000
	AID 14	Bandel thermal project	38,000	38,000
	DLF 217	Commodity import loan	100,000	100,000
	AID 34	Pamba-Kakki Hydroelectric	20,200	20,200
	AID 36	Industrial Finance Corp.: 2d loan	20,000	20,000
	AID 33	Rayon tire cord project	9,800	9,800
	AID 37	Trombay Thermal Power Station	17,900	17,900
	AID 35	Fourth Railway	8,000	8,000
		Hindustan Motors	15,800	
		Telecommunications truck plant expansion.	13,700	
		Ramagundam thermal power	8,400	
		Delhi C thermal power	16,000	
		NAPCO Bevel Gear	2,300	
Total, India			445,900	389,700
Pakistan		Sui Gas Transmission Co., Ltd (2d).	2,800	
		Pakistan Industrial Credit & Investment Corp.: 4th.	7,500	
		Karachi Electric Supply Corp	26,000	
		East Pakistan power distribution	8,600	
	AID 7	Iron and steel imports	45,000	45,000
		Fourth railway	31,000	
		General commodites imports	42,000	
		Iron and steel imports	45,000	
Total, Pakistan			207,900	45,000
Total, south Asia			653,800	434,700
Grand total			[2] 1,096,250	679,800

[1] Preliminary figures as of June 30, 1962.

[2] Appropriation, $1,112,500,000; loans approved, $1,096,250,000; transferred to inspector general, $190,000; balance $16,060,000.

EFFECT OF CANCELLATION OF CONSORTIUM COMMITMENTS ON U.S. OBLIGATION

Mr. PASSMAN. As we discussed earlier today, there is one country where we presently have very large commitments through the consortium. Now, in the event that the other countries, for good and sufficient reasons of their own, decide that they shall not participate at all, or only to a smaller extent, then, of course, that lets us off the hook. Our commitments would be voided?

Mr. HAMILTON. Yes. Our commitment in that situation——

Mr. PASSMAN. Is tied into their commitments?

Mr. HAMILTON. Yes. If they have a short fall we have no obligation to go beyond the short fall.

Mr. PASSMAN. Some of the countries have decided to either cancel in full or in part some of their commitments?

Mr. HAMILTON. Mr. Chairman, I may not have made that clear, that some of the countries, the matter is still under negotiation but some of the countries have certainly not yet agreed to go to the full amount; that is correct. They have not said under no circumstances would they.

Mr. PASSMAN. They have not agreed?

Mr. HAMILTON. That is right.

USE OF U.S. FUNDS RELEASED AS RESULT OF FAILURE OF CONSORTIUM

Mr. PASSMAN. In the event they do not, then that will release this money for our country to commit back to the same country on a different basis or to other countries; would it not?

Mr. HAMILTON. I think it would depend on the circumstances, what we feel was in the interests of the United States.

Mr. PASSMAN. I hope that is true in every case.

Mr. HAMILTON. It is.

Mr. PASSMAN. My question is simply this——

Mr. HAMILTON. I would say I would want to keep an open mind on that question.

Mr. PASSMAN. I hope you will keep an open mind on all these things, but my question was this: If they do reduce their commitments, or eliminate them altogether, then that automatically cancels our commitments to that country, which would release the amount that you have obligated, or reserved for that country to be used on a different plan or in another country?

Mr. HAMILTON. A different plan in that country or another country, certainly.

Mr. PASSMAN. That is how simple the question was.

APPROVAL OF LEVEL OF AID AND DEVELOPMENT LOANS

Do you in every case approve the aid level for these countries?

Mr. HAMILTON. Yes, sir.

Mr. PASSMAN. Is your word final?

Mr. HAMILTON. In the case of a development—my word is final subject to my two superiors, the Secretary of State and the President.

Mr. PASSMAN. And is this aid level established before it reaches your desk or does it reach your desk and go up to higher authority for approval?

Mr. HAMILTON. No. In the ordinary case what happens is that I specifically approve every development loan. As to the other programs, I approve the levels of aid for the country concerned in the case of supporting assistance or in the case of the development grants.

Mr. PASSMAN. There is no disagreement between your office and the other two echelons that you just mentioned?

Mr. HAMILTON. There has not been so far.

Mr. PASSMAN. If they should make a decision that is going to be twice what you recommend, of course that would become final?

Mr. HAMILTON. They are my superiors; yes, sir.

Mr. PASSMAN. This foreign aid is an arm of the State Department and part of our foreign policy, is it not?

Mr. HAMILTON. Certainly.

Mr. PASSMAN. It would only be natural for these foreign dignitaries who usually get in about every 2 weeks—I do not know who will come next, but there is probably one due now—if they are at the Minister or Ambassador level, to usually open this up first with the Secretary of State?

Mr. HAMILTON. Well, there are discussions, of course.

Mr. PASSMAN. At that level before it gets to you. I was in hopes all along that you would finally make the decision, and would get the President or Secretary of State to yield to your judgment in working out this program. If there is a higher command in which the commitments have tentatively been made before they reach your desk it is not as encouraging as we would like for it to be.

The overall aid program, as you indicate in your statement, embraces, of course, military, too, does it not?

Mr. HAMILTON. Yes, sir. It embraces the MAP as well as the other items of appropriation.

Mr. PASSMAN. Your interest, then, would be in an advisory capacity or in a capacity seeking knowledge. It would lead also into the Inter-American Development Bank, which is a part of the overall aid program that we have worked out for Latin America?

Mr. HAMILTON. Yes, sir. Of course, the degree of the authority I would have in respect to the funds are different.

Mr. PASSMAN. Specific authority rests with the Inter-American Development Bank Board of Directors.

Mr. HAMILTON. Yes, sir.

Mr. PASSMAN. You have an interest there, as in the other parts of it.

Mr. HAMILTON. I have an interest, but my authority is considerably less.

INTER-AMERICAN DEVELOPMENT BANK

Mr. PASSMAN. Would it be in the interest of what this committee is endeavoring to do, and what you are endeavoring to do, to take up two matters dealing with the Inter-American Development Bank, so that you may have a look at it and, along the way, if you can, through a little diplomacy, indicate to these people that they should get their house in order? If you can do that without offense, we would like for you to do it.

Mr. HAMILTON. We would like to do whatever you wish in this matter.

Mr. PASSMAN. The Inter-American Development Bank Board of Governors—it is my understanding that the Governors operate more or less in an honorary capacity? I think there is a Governor for each country.

Mr. HAMILTON. I am not quite sure. They are the representatives of the countries with respect to the Bank.

Mr. PASSMAN. You have the Directors, but you have the Governor who is occupying sort of an honorary position.

Mr. HAMILTON. If that is the fact that is the fact. I am not familiar with it.

Mr. PASSMAN. I am trying to find out.

Mr. HAMILTON. I will see that you certainly get the facts.

GOVERNOR'S MEETING

Mr. PASSMAN. There are those who say, "That is an international organization. You may offend these people." After all, it would be wonderful if the people who are the recipients of the American taxpayers' generosity would recognize that we do not pick this money off trees, or get it out of rivers with fishhooks. Well, anyway, the IDB Board of Governors had a meeting down in Rio last year, which I think lasted for a week. They had an expenditure of $143,358 just for this 1 week's meeting down in Rio. We are going to again insert the data in the record so that you may have a look at it.

(The information referred to follows:)

Board of Governors, Inter-American Development Bank

	1961 annual meeting (Rio de Janeiro), actual expenses	1962 annual meeting (Buenos Aires), estimated expenses
Travel of Directors, officers, and staff	$92,698	$124,352
Local services (secretarial, translation, guards, etc.)	19,638	22,180
Printing	6,859	5,000
Transportation of records, documents, and equipment	2,644	8,300
Rental of interpretation and other equipment	1,560	7,500
Representation	17,745	20,535
Sundry expenses	2,214	10,133
Contingencies		27,000
Total	143,358	225,000

Mr. PASSMAN. The representation allowance, and I have never whipped those things too hard—I guess that means whisky—was $17,745 for 1 week's meeting. They proposed to have a similar feast in 1962, and asked for $225,000 for that purpose. After we raised a question about it they called it off temporarily, but went on and held it a bit later, anyway. Would you have a look into this extravagant matter?

Mr. HAMILTON. Yes, sir.

EUROPEAN TRIPS OF BANK OFFICIALS

Mr. PASSMAN. Three members of this newly formed organization, this bank, found business all at once over in Europe. This trip, of these three men was from June 4 to July 9, 35 days, and it cost, I believe, $12,786.74. The subsistence per day per person—and they wanted me to add in parenthesis, "Incidentals"—was $64.54; for the subsistence for the three of them, 35 days, $2,258.90. Transportation was $6,934, which included one additional round trip, I believe from Paris back here, and back, to witness the President signing the agreement.

(The following was submitted for the record:)

Inter-American Development Bank—Detail costs of European trip, Mr. Herrera, Mr. Menapace, Mr. Cardenas, from June 4 to July 9, 1961

Subsistence [1]	$4,876.05
Incidentals [1]	860.67
Representation	1,040.68
Transportation [2]	6,009.34
Total	12,786.74

[1] Includes lodging, meals, personal communications, fees and gratuities, laundry and cleaning, local transportation, official communications, secretarial services, etc.:

Subsistence per day per person	$64.54
Subsistence per person for 35 days	2,258.90
Total expenditures per person for 35 days	4,262.24

[2] Includes transportation of Mr. Herrera from and to Europe in mid-June to meet with the President of the United States and sign the Social Progress Trust Fund Agreement.

Mr. PASSMAN. Regardless of any feelings otherwise, if we are going into an expensive program for our neighbors in Latin America—and I certainly think we should help them—those who are to administer a fund as large as the Inter-American Development Bank should be told in some polite way that these things are excessive, and if they repeat them, then, the international organization notwithstanding, we are going to raise a lot of "Sam." I do not think you would quarrel with the committee about checking into this type of expense.

I wish you would have a look at those items. It is out of your field, but you have a certain amount of interest all along.

Mr. HAMILTON. Very well, sir.

Mr. PASSMAN. You do not disagree with me that we should have an interest there, do you?

Mr. HAMILTON. It looks to me certainly appropriate.

Mr. PASSMAN. Thank you.

Mr. Rooney?

RELATIONSHIP OF AID WITH THE PRESIDENT AND SECRETARY OF STATE

Mr. ROONEY. Mr. Hamilton, I should certainly commend you on your frank, straightforward, and patient testimony which we have listened to for the last 3 days. I realize that all the questions asked could not be immediately answered in view of the extent of this program.

Now, of course, the President and the Secretary of State are, as I believe you said, your bosses insofar as the administration of this program is concerned and I am sure you agree that that is rightly so.

Mr. HAMILTON. Of course.

Mr. ROONEY. This program is so tied in with our foreign policy, which is the function of the President, aided by his Secretary of State, that it is impossible to separate the two?

Mr. HAMILTON. Unquestionably.

Mr. ROONEY. That is the purpose of the program?

Mr. HAMILTON. Yes, sir; through our own resources so they can conduct our foreign affairs and our national self-interest.

Mr. ROONEY. That is all I have, Mr. Chairman.

Mr. PASSMAN. Thank you very much, Mr. Rooney.

Mr. Rhodes?

Mr. RHODES. Mr. Chairman.

Mr. Hamilton, this is off the record.

I want to compliment you, Mr. Director, for your statement and your forthright answers. I think you have been very helpful to the committee and as one member I certainly appreciate it.

Mr. HAMILTON. Thank you, sir.

REVIEW OF PROGRAM BY COMMITTEE BEFORE FUNDS ARE COMMITTED

Mr. RHODES. I do hope that you will take under consideration the suggestions which I made earlier and which followed along the line of questioning taken by the chairman concerning the time in the process of committing funds that this committee is to be taken into your confidence. It might just well be possible that wherever a country program is to be established that we could be brought into it before any funds are actually earmarked or before the recipient nation has been brought to the point where it might expect something. We might then have a look at the overall prospective program and then your agency and the committee can begin by agreeing on the idea of what the program should be.

Mr. HAMILTON. You do not want to be faced with a fait accompli.

Mr. RHODES. That is right. I think the chairman was absolutely right in his analysis of the probable effect of the switch to development loan emphasis. I for one favor the loan program over the grant program for many reasons but at the same time I think that the inherent advantage in substituting a loan program for a grant program can be completely lost if the Congress is not allowed to exercise its constitutional function in this regard. I just hope that some way or another it will be possible to change your mode of operation so that this can be done.

Mr. HAMILTON. I will certainly give thought to that.

Mr. RHODES. That is all, Mr. Chairman.

Mr. PASSMAN. Mr. Director, as we conclude this session, let me say again that I do appreciate the fact that you have tried to be helpful. This is an unusual program. It is very complicated and diversified. It is one agency for which I suppose in the future, as in the past, to some extent we will have to recommend funds on faith, rather than facts as we understand them in other committees.

It would be my hope that somewhere along the way the program could start decreasing again, rather than increasing. Only time will tell whether or not that will be the case.

I have conducted the only type of examination that I know how to conduct. I have asked the same questions of you that I have asked

other Directors during the 10 years I have been on this Committee. And, if we are to know anything about this program and about these accounts and about what you will do with the money, I do not think we could get the information without asking just the very same type of questions that have been asked.

Mr. HAMILTON. I certainly think your questions were relevant in discharging your responsibilities and I appreciate your courtesy.

Mr. PASSMAN. Thank you. I believe we would be in a very bad state in this country if we should ever abdicate the function of one branch of the Government completely to another.

Mr. HAMILTON. I believe that is right.

Mr. PASSMAN. Only by this method can we know anything about it. I am glad that you concur. I knew that you would.

Again, thank you for your cooperation.

AFRICA-EUROPE PROGRAM

THURSDAY, JUNE 14, 1962.

WITNESSES

HON. G. MENNEN WILLIAMS, ASSISTANT SECRETARY OF STATE, BUREAU FOR AFRICAN AFFAIRS
EDMOND C. HUTCHINSON, ASSISTANT ADMINISTRATOR, BUREAU FOR AFRICA-EUROPE, AID
OLIVER TROXEL, SPECIAL ASSISTANT FOR ECONOMIC AFFAIRS, BUREAU OF AFRICAN AFFAIRS, STATE
J. R. MOSSLER, DIRECTOR, OFFICE OF DEVELOPMENT PLANNING, BUREAU FOR AFRICA-EUROPE, AID
LEIGH M. MILLER, LEGISLATIVE PROGRAMS COORDINATOR, AID
KENNETH M. RABIN, PRESENTATION COORDINATOR, AID (PRCS)
EDWARD F. TENNANT, CONTROLLER, AID

CONFLICTING STATEMENTS ON LONG-TERM COMMITMENTS

Mr. PASSMAN. The subcommittee will come to order.

Before proceeding with the statement and examination of our witnesses this afternoon, I believe the record should indicate that the members of the committee are becoming more confused as more testimony is presented, which will leave us in the position of not knowing what to do, when to do it, how or where to do it, unless there is clarification. For example, page 8 of the statement of the Secretary of State includes this declaration:

> Long-range commitments under the authority granted by Congress last year have already been made with India, Pakistan, and Tanganyika.

That would be three countries.

Then, we go to page 7 of the statement of AID Administrator Fowler Hamilton, and he states:

> Long-range commitments under new aid legislation have been made thus far to Pakistan and Tanganyika.

That represents only two countries where such commitments have been made. India is not mentioned.

Now, from page 9 of Governor Williams' statement:

> We have made commitments to support development plans of Nigeria and Tanganyika.

That is two countries, and we are picking up a new country, about plans for which apparently the Secretary of State and the AID Administrator had no knowledge.

It will be most difficult for the committee to reconcile these discrepancies when we start marking up the bill.

Mr. MILLER. I might shed a little light on the printed statement of Secretary Rusk, page 8, to which you referred, which states:

> Long-range commitments under the authority granted by Congress last year have already been made with India, Pakistan, and Tanganyika.

This was a misprint in the statement, and it was intended that the Secretary would not read the word "India" in his statement. The other two countries remain as in Mr. Hamilton's statement.

Mr. PASSMAN. Then we have made no commitments with India for any of these long-range programs?

Mr. MILLER. No, sir. As the statement reads:

> Long-range commitments under the authority granted by Congress last year have already been made with Pakistan and Tanganyika—

this clearly refers to section 202(b).

Mr. PASSMAN. Is that the $1,112,500,000 for long-term commitments?

Mr. MILLER. Not under section 202(b), sir. Section 202(b) reads, and I quote:

> Whenever the President determines that it is important in the advancement of U.S. interests and necessary in order to further the purposes of this title and in recognition of the need for reasonable advance assurances in the interest of orderly and effective execution of long-term plans and programs of development assistance, he is authorized to enter into agreements committing, under the terms and conditions of this title, funds authorized to be appropriated under this title, subject only to the annual appropriation of such funds.

You were, I believe, referring to section 202(a), which authorizes the funds for development lending in the amount of $1,200 million for fiscal year 1962.

Mr. PASSMAN. What was the appropriation made for, if it was not to carry out long-term commitments?

Mr. MILLER. The appropriation was made for the purposes of title I, Development Loan Fund.

Mr. PASSMAN. Is that the fund Secretary Dillon refers to as development credits? When I asked him specifically if you refer to these things as loans, he said, "No, development credits." I want to be sure we are talking about the same account. Are we?

Mr. MILLER. We are talking about title I, sections 201 through 205.

Mr. PASSMAN. You are dealing with long-range commitments out of both sections, the whole paragraph, are you not?

Mr. MILLER. The funds were authorized for the Development Loan Fund, which includes sections 201 through 205, and of course there are many purposes, and they are subject to the criteria outlined in those sections.

Mr. PASSMAN. We have no long-range commitment to India at this time?

Mr. MILLER. No, sir; the Secretary of State was speaking of long-range commitments under the statute, and I would suppose——

Mr. PASSMAN. You said the Secretary of State erred when he included India. So, you are now deleting India from that category.

Mr. MILLER. I believe my statement, Mr. Chairman, was that it was a misprision that India was included in that particular sentence which refers to long-range commitments under the authority of the statute.

Mr. PASSMAN. Will you please cite specifically under what authority you do have any commitments to India? I want to repeat that question for the record simply because of the three discrepancies in the statements—Secretary Rusk's statement, Administrator Hamilton's statement, and Governor Williams' statement—in which they refer to different countries. You said it was subject to correction. So, under what authority have you made any commitments to India, if any?

Mr. MILLER. Mr. Chairman, I spoke only to the question of the misprision in Secretary Rusk's testimony, and I would like Mr. Gaud, who will be up here before you very shortly, to discuss the matter of India. He is the Assistant Administrator for the Near East and South Asia region.

Mr. PASSMAN. I want the gentleman to understand that we are trying to understand the discrepancies. You have cleared it up for Secretary Rusk. Now we get to Administrator Hamilton. Did Mr. Hamilton make a statement of fact?

Mr. MILLER. I wish solely to speak to the point of the fact that there was a misprision in Secretary Rusk's statement which included India in a fashion which did not apply.

Mr. PASSMAN. You seem to be in position to explain this statement, but you are not in position to explain under what sections, if any, you have made commitments to India. That is what we are trying to find out, so when we mark up this bill we will know how to proceed.

Mr. MILLER. Mr. Chairman, my responsibility in this regard is solely concerned with the printing and preparation of the Secretary's statement as such.

Mr. PASSMAN. Then you are correcting for the record the misstatement in Secretary Rusk's statement?

Mr. MILLER. I am correcting for the record. Such error as occurred was my error, that India was included where it was not intended to be included.

Mr. PASSMAN. Is it the habit of the Secretary of State, to have these statements prepared and then he reads them without ascertaining whether or not the facts are in keeping with the record?

Mr. MILLER. Mr. Chairman, my duties are concerned with the preparation and printing of this statement.

Mr. PASSMAN. I think that is what I just said. Therefore, when you prepare these statements, please be sure you do not give information that is not in keeping with the record, because we could be inclined then to discount what the Secretary says.

You did not include Nigeria in the previous two, did you? Before we proceed further, we are trying to get it cleared up, because

we have three different statements here, by three different important public officials, each one differing from the other. We notice that Secretary Rusk did not include Nigeria, and neither did Mr. Hamilton. Should it have been included under the long-range commitments?

Mr. MILLER. I believe, Mr. Chairman, with the correction that I noted, the statements stand as they were given.

Mr. PASSMAN. Does that mean Nigeria is incorrectly included?

Mr. MILLER. I would suggest, Mr. Chairman——

Mr. PASSMAN. You are speaking for the Secretary of State, and you prepared his statement. I do not know why you could not speak to this. I am sparing Governor Williams any examination until we pin down just where you have made long-term commitments. He is directly interested only in Nigeria and Tanganyika. You picked up Tanganyika, but omitted Nigeria in Secretary Rusk's statement, and in Director Hamilton's statement Nigeria was also omitted.

Mr. MILLER. Mr. Chairman, I did not say that I prepared or wrote the speeches of either Mr. Hamilton or Secretary Rusk.

Mr. PASSMAN. Did you say you omitted it?

Mr. MILLER. I said the printing.

Mr. PASSMAN. Let the reporter read back what you said. I am not trying to get you to agree that you said something you did not say.

(The reporter read from his notes.)

Mr. ROONEY. I frankly do not know if what I am going to say sheds any light on this, because I have not been present during all this colloquy. I just do not know. I do recall that on Thursday, last, the Secretary of State read his prepared statement at page 8 thereof, and he omitted reading the word "India". At that point I put these marks around the word "India" in my copy of the statement. I assumed that he omitted the word purposely at the time, and it appeared to be cleared up later on in his testimony. I do not know whether this contributes anything to this colloquy or not, but I remember it distinctly. Does it contribute anything?

Mr. PASSMAN. Certainly it contributes something, but there is the question of what was said and the fact that neither Secretary Rusk nor Administrator Hamilton included Nigeria.

Mr. RHODES. Mr. Chairman, obviously Mr. Miller was authorized by Secretary Rusk to clear up the misstatement concerning India which appears in his statement, but he apparently was not authorized to tell what happened to India. I find it difficult, Mr. Miller, to know why Secretary Rusk would have sent you up here to do half a job. If India was not supposed to be mentioned, then you surely would have some information as to what the actual situation was as to India. I think this is the source of the chairman's wonderment, and also the source of mine. I do not know why we are getting all this diplomatic language.

Mr. PASSMAN. I was thinking the absence of a reply would indicate absence of knowledge of it, and on that basis we intended to proceed. We shall yield to Mr. Miller. If he has any additional information, then he may convey it to us.

Mr. RHODES. I do not imagine Mr. Miller would want my statement, that the Secretary sent him up here to do half a job to stay unchallenged. I just do not understand this.

Mr. PASSMAN. We are not trying to quarrel. We are bound, somewhere along the way, to reconcile the differences in the three statements by Secretary Rusk, Mr. Hamilton, and Governor Williams. Neither one agrees with the other. Now Mr. Miller has corrected, by authority of Secretary Rusk, his statement, so we understand it; but now we get into Nigeria, which neither Administrator Hamilton nor Secretary Rusk included, and that certainly causes confusion.

Do you want to delay any further comment, Mr. Miller?

Mr. MILLER. I understand your concern, Mr. Chairman, and to Mr. Rhodes' statement, I would like just to say that Mr. Gaud, who is in full possession of all of the facts concerning the Indian program, would like to speak to this specifically. I believe it would be far more fruitful for you to question him concerning this matter and the program in India for the next year.

Mr. PASSMAN. You are authorized to delete India, but you are not authorized to elaborate as to whether or not India is in on any other program for long-term commitments?

Mr. MILLER. Mr. Chairman, in the interest of orderly procedure——

Mr. PASSMAN. I think we are proceeding in an orderly manner.

Mr. MILLER. The testimony by Mr. Gaud——

Mr. PASSMAN. Would you let me decide whether this is orderly, until I am relieved of this responsibility?

Mr. MILLER. The testimony by Mr. Gaud on the Indian program would be the best source of evidence for the committee's consideration, and my capacity would not allow me to make a statement on the Indian program at this time.

Mr. PASSMAN. If you had said that, we would have been along the way. It was you who was hedging on it, the way I understood it.

This undoubtedly, as we all understand, is about the most complicated program we have to consider in the Congress, because it covers some 97 nations of the world and many different facets of aid. Along the way there have to be some explanations.

QUESTIONABLE USES OF FOREIGN AID FUNDS

I want to read about two incidents into the record, one domestic and one foreign.

This is captioned "Monkeys":

Senator Harry Byrd, Democrat of Virginia, reported with fiscal indignation today that the Government plans to spend $1,201,925 to see why baby monkeys love their mothers. Senator Byrd, Senate Finance Committee Chairman, added while the national debt has soared to nearly $300 billion, the Government wants to study ways of using shellcracker sunfish to control snails. Another point on the agenda is studying the differing reflex and volume receptors of the seal.

Now I read from the Arizona Republic, under the heading, "Wife Buying Made Easy":

For years foreign aid funds have been spent to build superhighways in countries where there are few, if any, autos, a luxury yacht replete with air-conditioning and gold wallpaper—

incidentally, it cost in excess of a million dollars—

for a millionaire emperor, suits for Greek undertakers, troughs for camels. But the most ingenious expenditure of our tax dollars was unearthed recently when it was discovered that Africans in Kenya are using U.S. aid to buy extra wives.

I thought that in fairness to Governor Williams, I had better read that item into the record, so they can do a bit of research, and we shall ask some questions about it later.

PROGRAM IN AFRICA

Gentlemen of the committee, we have with us this afternoon, the Honorable G. Mennen Williams, Assistant Secretary of State for African Affairs.

Governor Williams, we are happy again to welcome you before the committee. If you have a statement to make, we shall be pleased to hear from you, sir.

Mr. WILLIAMS. Thank you very much.

STATEMENT OF THE ASSISTANT SECRETARY OF STATE FOR AFRICAN AFFAIRS

Mr. Chairman and members of the committee, it is a privilege to have the opportunity to meet with you once again to discuss the program for international cooperation in Africa that is proposed for this next fiscal year.

A year ago, I reported to you on the dramatic changes that were occurring in Africa. The stress was on Africa as a continent in ferment—a continent newly awakened and turbulent, in which 18 new states had become independent during the preceding 18 months.

The political, economic, and cultural ferment is still there.

But there is a shift in emphasis in African thinking that is all the more important because of the remarkably short time in which it has occurred. I have seen evidences of it not once but many times in my travels in Africa and in working with African representatives here.

PROBLEMS OF DEVELOPMENT PREDOMINANT

Colonialism, independence, an African voice in world affairs—in more and more countries in Africa, there are no longer the questions of exclusive or even of first priority concern. Increasingly the major preoccupation is one of development.

Mr. PASSMAN. The committee will come to order, please.

Secretary Williams, we are very sorry for the delay, that we kept you and your colleagues waiting. We had two important rollcall votes on the floor, and we had to respond to the bells. And, further, something else of importance delayed me for an additional 12 or 15 minutes.

I thought the Governor should have an explanation as to why we would keep him waiting for an hour and 15 or 20 minutes. I think this is the first time in my 10 years on this subcommittee that such a delay as this has ever occurred.

If you will, sir, you may now proceed.

Mr. WILLIAMS. I wish to express my appreciation for your words, but you have shown us nothing but courtesy and I am very grateful for it.

As I recall, I was on the testimony on page 2.

Mr. PASSMAN. That is right, sir.

Mr. WILLIAMS. Everywhere I went on my fourth visit to Africa in April and May of this year, I found governments—both national and local—increasingly concerned with the myriad problems of economic development, education, transportation, and communications. Most of them are taking long, hard looks at these problems and trying to arrive at realistic priorities in order to solve the most pressing.

A heartening aspect of this concern with development is the large number of leaders who are interested in attracting private American capital. This interest is strong, even in areas such as Guinea and the Congo's Orientale Province, where there has in the past been a great deal of anti-Western influence. Guinea has enacted legislation protecting foreign private capital and providing important tax exemptions. A recent economic mission went to West Germany and this country concluded investment guarantee agreements to encourage greater private investment in Guinea.

The African concern with development does not mean that there is any less a determination to carry on the difficult task of working out African solutions to the many political problems that they still face. It is rather that there is a heightened appreciation of the fact that nation-building is an economic and social as well as a political task. As President Sylvanus Olympio of Togo said during his recent visit here, "We must now actually prove to our people that we can have a better life from now on."

In a sense, it is the old struggle for human dignity in a new form. Human dignity suffers if a people is deprived of its freedom or a man of his rights as an individual. Human dignity also suffers from the onslaughts of hunger and disease, and it is against this tyranny that the new fight for freedom is now clearly and consciously being waged.

When President Kennedy in his aid message this year spoke of strengthening the capacity "to master the inherent stress of rapid change," his words had special meaning for Africa, where the pace of change has been without parallel. The stress is great and may temporarily at times break through the bonds, only partially forged, of African society. But the experience of this past year gives me increasing confidence that, with the help of ourselves and other free nations, Africa can surmount these difficulties.

We as a nation have a foreign aid program because we are trying to create the world described by President Kennedy in his second state of the Union address:

> * * * A peaceful world community of free and independent states, free to choose their own future and their own system so long as it does not threaten the freedom of others.
>
> Some may choose forms and ways that we would not choose for ourselves, but it is not for us that they are choosing. We can welcome diversity—the Communists cannot. For we offer a world of choice—they offer the world of coercion. And the way of the past shows clearly that freedom, not coercion, is the wave of the future.

The program we are proposing is necessary in the interest of our Nation and the cause of human dignity. It will help build self-reliant

nations that not only can participate in a better life, but can make their own contribution to a free, open, and stable world community.

NEW AID PROGRAM

How, then, have we gone about devising a program that will strengthen Africa during these formative years, and that will give to Africa a constructive role in the world of the future?

In the presentation before you on our worldwide foreign aid program, five principles have been stressed: (*a*) The recognition that foreign aid can provide only one of the ingredients needed for development; the leadership and resources of the countries themselves must play the major role; (*b*) the need for the recipient governments to plan the use of their resources systematically and within increasingly long-range perspectives; (*c*) our willingness to assure nations of significant financial assistance over an extended period of time, when performance and plans warrant and when assurances of our participation will help governments to take the difficult steps in undertaking a sound development program; (*d*) the need for the program to reach the people where they are; and (*e*) the recognition that foreign aid should increasingly become a cooperative effort of the free world.

These principles are eminently well suited to Africa, and I would like to take a few minutes to show how each of them applies. In doing so, I will take the liberty of changing the order somewhat, to reflect the emphasis that we feel best fits the needs of Africa.

SUPPORT OF SELF-HELP EFFORTS

First, our help is designed to contribute to African leadership, to support Africa's own efforts, and to make primary use of the human and material resources of Africa itself. We cannot and should not expect to transplant alien institutions to African soil. The nations of Africa are rightly insistent on building societies of their own, on developing their own personality.

We need fear neither the lack of African initiative nor the nature of it. Imaginative self-help measures are being taken under enthusiastic African leadership. Barriers to trade and the free flow of resources among African countries are being reduced as a result of African meetings in Lagos, Yaoundé, and Casablanca. New patterns of transport and communications are being created. New kinds of agricultural cooperatives have been formed, organizations to encourage the development of small industries are being set up, and financial institutions designed to mobilize savings are now being planned.

NEED FOR SOCIAL PROGRESS

Second, the program in Africa is designed to reach the people, in recognition of the need for social progress in the countries we help. By far the largest component of the grant program is in education, concentrated in particular at the secondary school and college level. To take just a few examples, we are planning to set up a secondary school in each of the three regions of Nigeria. We plan to provide American technical assistance for an institute of education in Tangan-

yika. In Ethiopia we are giving broad support to the Haile Selassie I University. Without far more trained teachers, administrators, and technicians, neither economic progress nor long-term political stability can be attained in Africa.

Training in agriculture is a necessary priority in a continent where the vast majority of the people live on the land. By helping set up county agent-type programs to teach Africans to be better farmers or raisers of livestock, we reach the people through their means of livelihood, while contributing toward the growth of the economy as a whole. Further, we must face squarely the fact that animal and plant disease and locust infestations are serious obstacles to economic development. Our assistance in the control of these age-old afflictions is therefore a logical element in our program.

In Congo (Brazzaville), for example, we plan on setting up some agricultural training centers, where Congolese farmers will learn the use of fertilizers, become acquainted with improved seed types, and get a general grounding in modern farm practices. In the Malagasy Republic, where soil erosion is particularly serious, our proposed agricultural program will focus on soil conservation and the expansion of the Agricultural Extension Service. In the cattle country of Upper Volta, our aid will help to improve range management.

Health is also a way to reach the people and is first of all a matter of training—in sanitation, public health, and medical services of all kinds. It is important both on humanitarian grounds and as an essential means of maintaining human efficiency. We are primarily engaged in an educational effort—a school for nurses in Upper Volta, for example, and a program of public health demonstration in Gabon—but we must also be prepared to provide limited capital support for potable water systems and certain kinds of basic equipment for public health use.

Transport and communications are of particular importance to Africa because their improvement is both an economic and a political necessity. Economically, the most serious single obstacle in some areas to the transition from a subsistence to a cash economy is the lack of farm-to-market roads. Thus, in Niger we plan to provide road maintenance equipment and train operators, mechanics, and supervisors. Elsewhere, African products are sometimes at a competitive disadvantage in the world market because of high transport costs. In the Somali Republic, it calls for the construction of a small deepwater port in the southern part of the country, where the agricultural potential is the greatest.

Politically, the lack of transport and communications is a major impediment to the development of a national consciousness to replace tribal loyalties. The isolation of large groups of Africans from a central government to which they have no tradition of allegiance remains a serious source of political instability in many areas of Africa. Here again, our effort is directed toward people in an especially meaningful way.

Only one of the major fields of aid activity in Africa might be considered as stressing general economic ends rather than social progress. Yet, it may have an effect on the lives of the people as profound as any other. I speak of electric power—particularly hydroelectric power—which is Africa's great hope for the development of a modern

economy. Although some dramatic petroleum discoveries have been made, largely in the north, most of Africa so far as we know is poorly endowed with oil or coal. Its hydroelectric potential, on the other hand, is huge—over four times that of the United States. To African leaders, it is the key to developing a truly modern economy. A beginning at tapping this potential is being made where there are large-scale requirements for the use of power in the reduction of ores. An early byproduct will be more and cheaper electric power for homes, farms, and small industries.

LONG-RANGE PLANNING

Third, our program gives particular support for African action toward long-range planning and the establishment of sound economic priorities. To take a prominent example, we are providing assistance to the Liberian Central Planning Agency by financing a contract with a U.S. consulting firm.

This does not mean to say that we are expecting in the near future to provide all assistance to Africa in support of comprehensive long-range plans. For many countries in Africa, a considerable period of time must pass before they can collect the data needed, train the economists, statisticians, and administrators required, and think through their priorities. In some cases, the nature and extent of the domestic resources on which they must rely have never been adequately explored. The educational base may be too narrow as yet to provide adequate numbers of skilled technicians for programs embracing all kinds of economic activity. But even in these countries, the institutional foundations can be laid, and the assistance we furnish may be a key to important advances. The emphasis in these countries may be on project development, or on plans that concentrate on certain high priority sectors of the economy. This question of the varying stages of development found in Africa is one to which I would like to return.

ADVANCE COMMITMENTS FOR LOANS

Fourth, we are actually moving ahead in Africa on advance commitments for loans, subject to appropriations, to African countries that have reached the stage where our encouragement to proceed on a comprehensive development program is warranted.

We have reviewed the development plans for three countries in Africa—Nigeria, Tanganyika, and Tunisia—and have found that they reflect both the high competence of the African leadership and the determination of these Governments to make systematic efforts to improve the lot of their peoples. In all three plans, provision is made for stimulating and helping private enterprise. Priorities have been set up based not on the desire for showy prestige projects but on conscientious efforts to appraise economic needs. Responsible tax measures have been incorporated as integral parts of the plans. With these important assurances that our aid can be effective, we have made commitments to support the development plans of Nigeria and Tanganyika, and discussions with Tunisia toward the same end are well advanced.

EXPLANATION OF COMMITMENTS UNDER APPROVED LEGISLATION

Mr. Chairman, I might stop here because I think earlier you made reference to my inclusion of Nigeria along with Tanganyika in the long-range development. It appears on page 9 of my prepared statement. It also appears on page 14 at the top, although to expedite matters I have stricken this out.

Mr. PASSMAN. If I may comment there, we were not being critical of your inclusion of Nigeria. It is a question that the others omitted it as a part of the approved program.

Mr. WILLIAMS. I think I can explain it, sir.

Mr. PASSMAN. Explain why the Secretary of State or why Mr. Hamilton did not put it in?

Mr. WILLIAMS. I think I can, sir.

Mr. PASSMAN. All right, sir.

Mr. WILLIAMS. The reference made by the Secretary, to which you referred, was on page 8 of his copy. He said:

> Long-range commitments under the authority granted by Congress last year—

this is the critical reference, that is, to the authority granted by Congress last year.

Mr. PASSMAN. We were talking about names of countries omitted.

Mr. WILLIAMS. Yes, but this is the critical point. I had better read it all so we can get to it.

> Long-range commitments under the authority granted by Congress last year have already been made with—

and the question was whether India was included or not. I think that the suggestion by Mr. Rooney may have been the answer, India being omitted, then "Pakistan, and Tanganyika."

I would like to refer also to page 10 of his statement where he said:

> The support of long-range commitments already made in India, Pakistan, Nigeria, and Tanganyika will require about half of these development lending funds.

The critical point here is whether we are considering long-range commitments generally or whether we are considering those made under the authority granted by Congress last year.

Mr. PASSMAN. Would you cite the specific authority, the specific items and countries that you referred to, and under what conditions they were made?

Mr. WILLIAMS. As accurately as I can. I may need some assistance from my colleagues and aids.

The page 8 statement of the Secretary—in which he referred to Pakistan and Tanganyika, when the India correction is made—refers to section 202(b) of the legislation, and that also is the limited reference made by Mr. Hamilton when he referred, as you said, to Pakistan and Tanganyika.

Mr. PASSMAN. Omitting Nigeria?

Mr. WILLIAMS. Omitting Nigeria.

The references made by the Secretary on page 10, when he includes India, Pakistan, Nigeria, and Tanganyika, and the reference that I make to Nigeria and Tanganyika, have reference to the commitment made by the executive, as I have indicated here, subject to appropriations.

Mr. PASSMAN. So are the commitments made under section 202 subject to annual appropriation?

Mr. WILLIAMS. They are made subject to annual appropriation, but in a different way, sir.

Mr. PASSMAN. What different way?

Mr. WILLIAMS. The difference, I think, has been explained in the past—that under section 202(b) there is a kind of moral commitment in the legislation, not a legal commitment.

Mr. PASSMAN. You say "kind of moral commitment"?

Mr. WILLIAMS. I will say a moral commitment, not a legal commitment. As a lawyer, I would say the straight executive commitment was a kind of commitment that required congressional appropriation as a condition precedent. In other words, we would say to the country, "We in the executive are ready to make this commitment, but it is subject to congressional appropriation."

Mr. PASSMAN. Governor, I want to apologize for breaking in, but I want to keep the continuity so I can understand it, too. In what category will India and Nigeria be, according to your interpretation?

Mr. WILLIAMS. As of the minute, they fall into the appropriations that were made under previous——

Mr. PASSMAN. I am speaking particularly of the ones that need the appropriation first before the commitments are made.

Mr. WILLIAMS. Not first before the commitment is made, but the commitments are made by the executive subject to the appropriation.

Mr. PASSMAN. Are you referring again to section 202?

Mr. WILLIAMS. I am not, sir. As I said to begin with, both of them are made subject to a congressional appropriation.

Mr. PASSMAN. Both of them are moral commitments, in a sense.

COUNTRIES COMMITTED UNDER SECTION 202(b)

Mr. WILLIAMS. No. It is section 202(b) which is the one I say has the moral commitment of the legislation.

Mr. PASSMAN. Under that particular section, which countries could we include at this time?

Mr. WILLIAMS. Under section 202(b) are the two countries of Pakistan and Tanganyika.

Mr. CONTE. Will the chairman yield at that point?

Mr. PASSMAN. Yes.

Mr. CONTE. I think this is a condition subsequent rather than a condition precedent. If you make an agreement with a country subject to the appropriation, it would be subject to the approval of the Appropriations Committee and, therefore, would be a condition subsequent rather than precedent.

Mr. WILLIAMS. Perhaps I am using the wrong term, but the point I want to make is that the commitment really does not have anything more than the promise of the executive until the Legislature acts under the old authority. That is why I say the Legislature's action is precedent to the commitment taking full effect.

Mr. PASSMAN. Then, strictly and legally speaking, we do not have to honor the commitments made to India, do we?

Mr. WILLIAMS. Legally.

Mr. HUTCHINSON. The commitment to India was not under section 202(b).

Mr. PASSMAN. Does this particular commitment require congressional appropriation?

Mr. WILLIAMS. The India one was made under the old executive branch form. It does require an appropriation.

AUTHORITY FOR LONG-TERM COMMITMENTS TO INDIA

Mr. PASSMAN. We are trying to get this in a little bit too fast. Will you at this point cite the authority for those commitments to India? By what authority did you make those long-term commitments to India?

Mr. WILLIAMS. I cannot give you an exact congressional act, but——

Mr. PASSMAN. Can your supporting witnesses do it?

Mr. HUTCHINSON. May I speak to this for just a second?

Mr. PASSMAN. Please do.

COMMITMENTS PRIOR TO APPROPRIATION ACTS

Mr. HUTCHINSON. You have a situation in which it has been the position of the executive branch, as you know, for years, and I think agreed to by the congressional committees, that the executive could enter into commitments of a long-term nature prior to the appropriation having been made, but those commitments were subject to the appropriation by the Congress and were not binding upon the Congress in any way, except insofar as support of the executive was concerned.

Mr. PASSMAN. What countries do you include in this particular category?

Mr. HUTCHINSON. Insofar as this testimony is concerned, the Nigeria commitment at this moment stands in that category.

Mr. PASSMAN. How about India?

Mr. HUTCHINSON. India would be, according to my understanding, but I cannot testify to this of my own knowledge because I did not handle it.

U.S. COMMITMENTS TO A LONG-TERM PLAN RATHER THAN SPECIFIC PROJECTS

Mr. PASSMAN. You are formulating agreements at this time with countries in your region for long-term development, are you not?

Mr. WILLIAMS. Yes.

Mr. PASSMAN. Is that what you would refer to as maybe a 3- or 5-year plan?

Mr. WILLIAMS. Yes.

Mr. PASSMAN. You have what you refer to as plans which include a time, maybe a 5-year plan, maybe a 7-year plan. You have that in the making in Africa?

Mr. WILLIAMS. That is correct, sir.

Mr. PASSMAN. Under your interpretation of the present legislation, would it be your understanding that you can commit funds to a plan for a country, not necessarily programs or projects, but to a plan in dollars and cents?

Mr. HUTCHINSON. It would be my interpretation that you can make commitments to those plans.

Mr. PASSMAN. We will say you have a plan in Nigeria, a 5-year plan. You do not know what that plan encompasses, but you make a commitment to the plan.

Mr. WILLIAMS. No, sir. We do know what the plan encompasses.

Mr. PASSMAN. But you do not work out the detail and have projects until you have the money, and then you proceed. Is that correct?

Mr. HUTCHINSON. We may not have the detailed project justification. We know what is intended to be accomplished with the plan. We know the sectors in which the plan is to be effective. We may have an indication of projects that are likely to be carried out under the plan.

Mr. PASSMAN. But you do not firm these projects and programs up until the money has been made available?

Mr. HUTCHINSON. We do not make any of the money available——

Mr. PASSMAN. I say you do not actually firm up a flood control project or hydroelectric project, and detail it, until you have the money; is that right?

Mr. HUTCHINSON. We do not obligate the money for that project until what you say has happened. It may be that we have that detail before the commitment in support of the plan is made, but the actual obligation of those funds——

Mr. PASSMAN. Let us keep the obligation away, if you will. That is not my question at all. You make your commitment after you have the appropriation or prior thereto?

Mr. HUTCHINSON. You are authorized under section 202(b) to make the commitment in advance of the appropriation.

COMMITMENTS MADE TO PLANS BEFORE DETAILED COST OF INDIVIDUAL PROJECTS

Mr. PASSMAN. Do you make the commitment prior to ascertaining the actual cost of the several projects that may be covered?

Mr. HUTCHINSON. Of the individual projects that may go into the plan. We do not necessarily know the total cost of every project that will enter into the plan before the commitment.

Mr. PASSMAN. How do you arrive at what you need, then, if you have not gone so far as to establish the cost of the project, or projects, for a country?

Mr. HUTCHINSON. No plan goes into the detail that is necessary to get the cost of every individual project.

Mr. PASSMAN. Upon what basis do you request an appropriation, if you have not ascertained the cost of the projects in these countries?

Mr. HUTCHINSON. We request an appropriation based on our estimate of the projects that are going to reach the stage which you are speaking about.

Mr. PASSMAN. How do you arrive at the estimates without research and engineering data?

Mr. HUTCHINSON. We arrive at it by the information which has been submitted.

Mr. PASSMAN. By whom?

Mr. HUTCHINSON. By whom?

Mr. PASSMAN. Yes. Who gives it to you?

Mr. HUTCHINSON. Who gives us the information?

Mr. PASSMAN. Yes.

Mr. HUTCHINSON. The proposed borrower or recipient of the assistance.

Mr. PASSMAN. He gives you the information. How do you know it is accurate?

Mr. HUTCHINSON. We do not know that it is accurate originally.

DETAILED PROJECT COSTS PRIOR TO APPROPRIATION OF FUNDS

Mr. PASSMAN. Do you not think we could go back to the same type of criteria which have been used in this country, and it has been very successful, that you make no commitments to the citizens, to the States, or to a project until you have detailed the costs?

Mr. HUTCHINSON. We make no commitments, Mr. Chairman, to an individual project.

Mr. PASSMAN. You said you did not, but in this country we do. You could not get $4.85 for any project in this country until you have justified it with detailed information, engineering data, et cetera. Then you do not get very much of the money. You may get it in 20 different slices.

Mr. HUTCHINSON. Mr. Chairman, you are much more familiar with the appropriations processes than I.

Mr. PASSMAN. I am not talking about appropriations processes. I am talking about the processes of our Government and our Congress, that we do not ask for money for a project in this country without detailed cost estimates.

Mr. HUTCHINSON. You are much more familiar with the processes of the Congress and our Government than I. However, it is my very distinct understanding that appropriations are frequently made for programs which encompass a great variety of projects, the detailed cost estimate of which is not available at the time of the appropriation.

Mr. PASSMAN. Can you cite one series in that category where you get a blanket appropriation prior to the detailing of the cost of the entire project?

Mr. HUTCHINSON. Project by project, I would be very much surprised if the Defense Department projects, the Corps of Engineers projects, the Bureau of Reclamation projects, the Department of Agriculture projects, are detailed down to each individual project in the exact cost estimate before appropriation.

Mr. PASSMAN. What if I said that you are mistaken, and they are detailed. I live in a State where, in my district, 80 percent has been inundated by overflow, and we had one flood which cost a billion dollars and took 379 lives. We have never been able to get as much as a $5 bill for flood-control projects until first we have the engineering data from every level. Then, we reach the Congress with it. What do we get? Investigation upon investigation. Then the Corps of Engineers comes in with an estimate. You have to go through all the processes to get an authorization. This is not presented "approximately," but is the estimate of the cost. Later, we come in and get a partial appropriation. We have projects on the books 15 years old and have never obtained a dime for them, because the cost-benefit ratio changed from the time of the authorization until the time of preconstruction planning.

All the other witnesses have said, in effect, "We are asking for funds to be used against a plan, and not against projects or programs," but your testimony indicates just the opposite. So, we shall let the record speak for itself.

Mr. HUTCHINSON. May I add one thing here?

Mr. PASSMAN. Definitely, yes.

Mr. HUTCHINSON. I think you will also find the Export-Import Bank gets the authority to use U.S. Government funds without the detailing of projects.

Mr. PASSMAN. Every time I get in trouble down in the district, I always refer to my pastor. Sometimes it does not do me any good. You people always rest on the Export-Import Bank, which is a business institution, making hard-dollar loans. On the other hand, it is generally admitted that this program does not actually provide for loans, but, rather, disguised grants. Money, if any, that comes back in, merely comes back in to be sent out again.

Mr. WILLIAMS. Mr. Chairman, may I add one word? I think it important to recognize that the plan, when the commitment is made, does not start the dollars flowing. There must be an obligation. So, the system which is employed in the AID program is not too dissimilar from the one that you mentioned. There, the engineers—I have had the same problem, too, in Michigan—make a preliminary survey. That gives you some authorization to go further ahead, but you do not yet get your money.

This is similar to the fact that, when there is a commitment made to the plan, it does not give any money. It is not until a project is finally engineered down to the last item that the money is available.

Mr. PASSMAN. Governor, these other people say yes, it is a commitment. I asked the specific question of the Secretary of State that, if this committee should, upon investigation, find that a project is not feasible and that the cost-benefit ratio is unfavorable, and we should specifically prohibit money to be spent on it, would such action be respected. He said, in effect, "No. Then you would be trying to administer the program." All along the way, so far, the testimony reads that you want a blank check. The witnesses have said, and I paraphrase, "We don't want you to be too rigid. Cut us loose and let us run the race. We understand what we are up against."

Mr. HUTCHINSON. Mr. Chairman, I would not want to leave the impression that we in AID do not agree with your position that all the economic and technical findings that you have indicated as being necessary must be made with respect to an individual project before the funds are obligated and expended.

Mr. PASSMAN. I am not talking about funds being obligated and expended. We are dealing with how you interpret this executive commitment and how you interpret the legislation. If you have made the commitment we have no alternative other than to furnish the money. If we start off with an understanding that this is a blank check, that you want the money and, after you get the money, the planning will be done, then we shall proceed into our investigation.

COMMITMENTS UNDER SECTION 202(b) OF FOREIGN ASSISTANCE ACT OF 1961

Mr. RHODES. May I ask a question? I am still confused as to which of these projects you claim come under section 202(b), which nations come under 202(b).

Mr. HUTCHINSON. I can testify that in my region the Tanganyika program commitment does come under section 202(b). The Secretary and Mr. Hamilton, I understand, have testified that Pakistan likewise comes under section 202(b). So I assume this is also correct.

Mr. RHODES. Is that according to your understanding, Mr. Miller?

Mr. MILLER. Yes.

Mr. HUTCHINSON. I can testify that as we sit here today, the commitment we have made to Nigeria does not come under section 202(b).

PROVISIONS OF SECTION 202(c) OF FOREIGN ASSISTANCE ACT OF 1961

Mr. RHODES. May I go just a step further here? Mr. Miller, as I recall from reading 202(c), it requires that certain notification of these plans, once they are formulated, be submitted to various committees of Congress. Have those notifications been given insofar as the program for the two countries which were mentioned are concerned?

Mr. MILLER. My understanding—I would have to check the record on this, Mr. Rhodes—is that the Tanganyika notification has been given to the Congress under section 202(c). I am not certain on the Pakistan notification because, the last time I checked, one of the signatures of the two parties to the agreement had not yet been received. Section 202(c) states: "Upon conclusion of each such agreement involving funds to be appropriated, the President shall notify * * *," and therefore we have to make the formal notification after the agreement has been signed by all of the parties involved.

Mr. RHODES. The very strong moral position the Congress assumes as far as honoring obligations made by the executive is concerned, comes completely from plans prepared and submitted under section 202(c) does it not?

This is where the authorizing legislation provided for what the people downtown, at least, consider to be a situation which would require us to appropriate funds unless we had very good reason to the contrary.

Mr. MILLER. That is correct. That is my understanding.

Mr. RHODES. This superstrong moral obligation does not, then, run to any other programs or projects which we now have before us, except the two which we have mentioned and which Mr. Hutchinson enumerated.

Mr. HUTCHINSON. I would not want to mislead you in that respect. The Nigerian commitment may well become a section 202(b) commitment.

Mr. RHODES. I am talking about at this particular moment in time and space.

Mr. HUTCHINSON. At this particular moment in time and space, it is not under section 202(b).

Mr. PASSMAN. If we may, we are going to conclude for the day and return next week to continue the hearings. I mentioned earlier our

regrets for the delay. Are you going to be able to come back later, Governor Williams?

Mr. WILLIAMS. I shall be happy to.

Mr. PASSMAN. Now we shall recess, gentlemen, until Tuesday morning at 10 o'clock.

TUESDAY, JUNE 19, 1962.

Mr. PASSMAN. The committee will come to order.

When we recessed last Thursday Secretary Williams had not completed his prepared statement.

Governor, you may finish your statement if you like, sir.

Mr. WILLIAMS. Thank you very kindly, Mr. Chairman. I believe I finished page 9 and I will start on page 10 of the text I have provided.

COOPERATIVE EFFORT

Fifth, the program for Africa is part of a cooperative effort by the free world as a whole. European aid expenditures in Africa are far greater than our own, and European technicians and teachers are numbered in the thousands. In fiscal year 1963, French aid to Africa exclusive of Algeria is expected to exceed $300 million, and United Kingdom aid will probably be more than $100 million. Together, these two countries will provide perhaps $450 million, and it is anticipated that their assistance will be matched by a similar amount from the Common Market, West Germany, and a number of other developed countries. When aid from international financial institutions and the United Nations is added, the total from other free world sources should again exceed $1 billion, as it will this year.

It is vital that this free world assistance be maintained and that the effort be thoroughly coordinated. We have accordingly had increasingly frequent and detailed bilateral consultations with the other major aid donors this past year, and we are arranging for still more intensive consultations in fiscal year 1963. In addition, procedures for continuous coordination have now been established through the Development Assistance Committee of the Organization for Economic Cooperation and Development.

It is occasionally suggested that, in view of the amount of aid going into Africa, U.S. assistance can be sharply limited or even withdrawn. There are several reasons why this would be tragically shortsighted.

Despite the assistance provided from many sources, the volume still falls far short of meeting the tremendous needs of Africa. A few examples will serve to show how far Africa lags behind the rest of the world. While no reliable figures are available on the number of children of primary school age who are enrolled in school, recent estimates suggest that the average for the continent is perhaps 35 percent or less. Of those fortunate enough to get a primary education, only a small number—15 percent or more in a few countries, less than 5 percent in most—are able to enter secondary school. In agriculture, the Managing Director of the United Nations Special Fund has estimated that—

productivity of Asian agriculture is approximately 10 percent of that of North American agriculture; African, 4 percent.

In terms of agricultural skills, and the requirement for the kind of basic facilities for education and training long since available throughout Europe and North America, therefore, the gap is broad indeed. Perhaps even more serious is the fact that the gap between the standard of living in Africa and that in the developed West is not decreasing but is probably growing wider. Per capita income in many parts of Africa appears to be growing hardly at all, and in only a few instances do the estimates of growth exceed 3 percent. Almost certainly the average is somewhat less. In countries of the developed world increases of 3 percent have in recent years been almost the minimum while in much of Europe the rate of growth is double that or more. The African is thus confronted with a world in which his relative position is declining rather than improving.

There are also important political reasons for the United States to add its assistance to that of Europe. I cannot stress too strongly the significance to the Africans of avoiding economic dependence on the former colonial power. Moderate political leaders are open to severe attack from extremist elements within their countries unless they can demonstrate that they have developed new contacts in the world, as befits an independent nation, and that they are no longer solely dependent on the metropole for aid. By providing visible evidence of their change in status to one of sovereign equality, help from the United States makes it easier for the African nations to maintain the close ties with Europe that are in the interest of all of us.

WHERE AID WILL GO

The United States has security and political interests in Africa which justify assistance quite aside from the economic benefits that it will produce. Where there are special strategic interests or are military installations whose effectiveness must be maintained for the benefit of the free world, the nature of our assistance may necessarily be influenced by that fact. There may be a few cases where the need for providing assistance may be clear but the standard economic development criteria are not appropriate. While the amount of assistance devoted to these particular ends has been decreased, it must be considered separately and is carried under the supporting assistance category.

The bulk of the aid to Africa is in the form of development assistance, most of which in fiscal year 1963 is expected to take the form of long-term loans repayable in dollars, but also including substantial grant aid.

There is one respect, however, in which the African nations themselves are moving toward a rational solution of the problem. They are working hard at developing increasingly close economic ties, including breaking down customs barriers, harmonizing development plans, planning transportation, communications, and even electric power networks, on a regional rather than purely a national basis, making common use of educational institutions and research facilities, and arranging for the free movement of both capital and manpower. Efforts of this kind represent the only hope for a real solution to the problem of limited producing and trading areas—the only way in which resources can be used with maximum efficiency and the benefits of industrial and agricultural specialization can be significantly in-

creased. It is not an easy road, but the African nations are devoting a great deal of time and attention to working out the multitude of problems involved. We must give them every reasonable support.

President Kennedy has pointed out in his message to the Congress that we are still in the first months of a decade's sustained effort, and that it would be premature to make now any claims of dramatic results. We certainly would make no special claims with respect to Africa. But we can report to you that a firm foundation is being laid, and that there has already been a not inconsiderable measure of concrete accomplishment. On that foundation we can help build in Africa a community of free, stable, and self-reliant nations, capable of making their own contribution to the peace and freedom of the world. The proposals before you are well designed to perform that task.

Mr. PASSMAN. Thank you very much, Mr. Secretary.

I think maybe you can give us some information that we would be very glad to have, and which would be valuable to us, because after we have concluded the hearings it is going to be necessary that the committee sit for many hours, maybe days, trying to arrive at what the committee believes would be a fair level of funds to recommend for House consideration.

TREASURY REPORT OF WITHDRAWALS AND RECEIPTS

We pick up the Treasury statement of June 13 and we see that a new record has been established in that budgetary receipts deposited to the Treasury in the first 11 months and 15 days of the fiscal year amounted to $91,926 million.

But, we also observe a new record having been set, and that is the total of withdrawals during the same period, amounting to $103,042 million. We are in the red in excess of $11 billion during the first 11 months and 13 days of this fiscal year.

If we contrast the withdrawals from the U.S. Treasury for fiscal year 1962 with the corresponding period last year, we see that we have withdrawn about $9.25 billion more than we did the preceding year.

Now to read this statement alone would not particularly alarm us, but we wonder whether the Europeans will be able to stand the acid test. They are making some hard currency loans and we are coming up with the giveaway part of this program.

Have you had an opportunity to review these matters, Governor?

Mr. WILLIAMS. Not recently; no, sir.

Mr. PASSMAN. Does it cause you people who are helping to run our Government—we are all working together—any concern when you look at those figures?

Mr. WILLIAMS. It does of a kind, sir. I was impressed by the speech that the President gave at Yale where he called on us to take a new look at our accounting procedures and a new look at the values for the future. I think he pointed out that as of the moment our governmetal accounting does not, as any normal business would, take recognition of the difference between current operating expenses, long-term capital or trust funds and that we perhaps should look behind our present set of figures.

Furthermore, on the point you so cogently make here of the annual deficits, he indicates that this is something which again has to be studied in relationship to the overall picture because in some times of deficit we did have inflation and in other times of deficit we did not. We must look to the overall picture, being mindful that what we are trying to accomplish overall is the health of our economy, full employment, ample business. These are some of the measures of success in the Government's policy to see to the individual prosperity of our people.

So I think that the figures you cite are of concern, but I do not think they are the only figures that one can look at in making one's overall judgment.

Mr. PASSMAN. I am very fond of the President, but that was not his attitude when he was a Member of Congress.

We are still going to have the gap, regardless of how you change your bookkeeping system, if we continue spending more than we take in. That gap is there and it is a gap that is worrying us.

Mr. WILLIAMS. May I just add——

Mr. PASSMAN. Surely.

Mr. WILLIAMS. If at the time the Government is creating this gap, the people as a whole through an increased gross national product are increasing their standard of living and general prosperity, then perhaps this gap for a time can well be countenanced. In the final analysis what concerns us is not a particular figure on the ledger, but whether the people themselves are enjoying prosperity and a better life.

Mr. PASSMAN. By that reasoning, could we not double that gap and make it even a little bit better, then?

Mr. WILLIAMS. Not necessarily, no. I do not say that this is, in the long run, a desirable thing, but I say that there may be periods in which there are things more important than reducing this gap.

Mr. PASSMAN. I do not think there is any justification for continuance of this practice.

The record shows that the contributions being made to foreign aid by our friends in Europe are in support of some of their former colonies, or they are making hard loans, short-term, with a profitable rate of interest, whereas we are handling the giveaways.

There are news items coming out of Europe indicting alarm, that not only are we wrecking ourselves, but that we may take them along with us. As one example, I offer the following for the record:

(The article follows:)

[From the Washington Star, June 16, 1962]

EUROPEAN CONCERN FOR THE DOLLAR—SERIOUS TROUBLE IS FEARED IF UTOPIANS TRY TO "SPEND" WORLD TO AFFLUENCE

(Constantine Brown)

BASEL, Switzerland.—Responsible Swiss bankers regard the Black Monday of May 28 and the less virulent Blue Monday of June 4 as symptoms of serious disturbances in the American body politic.

"What is ailing you," said a leading adviser of the Swiss banks, "is a kind of political blight which is affecting not only your economics but also your political structure—the same kind of blight which in the last century destroyed the finest vineyards of Europe because nobody paid any attention until too late."

According to most European experts, the economic power of the United States would remain the strongest in the world and capable of meeting any eventual

challenge from the Red bloc if it were not directed by theoreticians in the administration who hope to make the most powerful nation into the first utopian state. It worries the Western European people as much as it should our own because the repercussion could be fatal to the free world. For America belongs to the economic complex of the free world, and neither can survive without the other.

The spectacular slump of May 28 was partially the result of fear by European holders of large blocks of American stock of our extravagant economic and financial policies. They started unloading methodically sometime last November when it became evident that the administration would not adopt a policy of fiscal sanity.

It is inconceivable, say the European bankers and practical economists, for any country, regardless of how rich and competent, to continue to throw about its substance without concern for the lean years. True enough, America's early efforts to help Europe produced miraculous results. But no nation is rich enough to continue this indefinitely and embrace the globe.

The idea of the utopians who surround President Kennedy and have his ear is to increase domestic and international expenditures rather than put on the brakes. Mr. Kennedy, say those watching the American scene, has some conservative streaks in his political and economic concepts, but all Washington's actions seem to indicate that he has decided to follow the utopian drive to change the face of the world.

There is no doubt that the administration has had sufficient warnings, not only concerning the stock market slump, but also the increasing difficulties of maintaining the dollar on the international market. The flow of gold from the United States to Europe is severe and cannot be arrested by palliatives. Europe, which seems to fear a devalued dollar more than we do, is making every effort to bolster it.

Last year Germany paid some $600 million of her debts well in advance of the due date. France has refunded to Washington over $300 million on loans which were due in 1978. Italy has only recently prepaid $170 million on her indebtedness to the United States, and Switzerland has loaned the U.S. Treasury some $65 million to bolster the dollar on the Swiss market.

All this is the result of the firm conviction of the financial experts that Western Europe would suffer seriously if some major economic misfortune should befall America. But these actions were mere shots in the arm for temporary results. They cannot have a lasting effect. The cure lies in the hands of the men in Washington.

"A patient who has a heart ailment and does nothing to reduce his extra weight will not improve, even if he is given the latest and most effective pills," said one of the Swiss financial experts. "This applies to the American high blood pressure. Instead of heeding the warning signals, your budget, we believe, will show a substantial deficit instead of the small surplus promised by your President last year.

"Utopians in Washington, instead of trimming the sails of national finance, are advocating higher domestic and foreign expenditures which they contend will eventually lead to a global affluent society.

The American economic growth in the last years does not justify, say European economic experts, a visible national debt of close to $300 billion—in fact it is larger—and a budget of some $90 billion. There is a limit to direct and indirect taxation even in wealthy America. The rising cost of labor, combined with the successful demand of labor to reduce working hours to 36 or even 20 a week, will place the United States in an impossible situation compared to Europe and Japan where wages are rising but the working hours remain stable.

This is the picture as seen by Swiss experts who do not conceal their concern that sooner than anticipated the dollar itself will be in serious trouble.

Mr. PASSMAN. You are one of the greatest men of America. I have used your products and still do. I imagine tussling with a budget of Michigan was a great experience, too.

The following editorial, which I offer for the record, was discussed with me in my hometown last Saturday night by some of our most substantial business people.

(The article follows:)

[From the Shreveport Times, June 16, 1962]

THE SICK STEEL INDUSTRY

A few days ago the U.S. Navy announced that it had purchased 3,500 tons of high grade steel armor plate for guided missile vessels from West German mills.

On the Pacific Coast, there is a big American private industry market for Japanese steel, made in mills built with American foreign-aid money and shipped to this country for sale cheaper than the American product. Since the post-War II period Japan has hiked its steel production from unimportant totals to 31 million tons last year and is scheduling 42 million tons for 1965. U.S. sales of steel—domestic and export—were 66 million tons in 1961.

The United States, with the world's greatest steel production capacity, for some time has been importing more steel than it exports—regardless of such exceptional conditions as strikes or strike threats. This year, imports in the first 3 months almost doubled imports a year ago.

This is the already sick industry which Mr. Kennedy ground down in mid-April in the $6 per ton price increase dispute. Its production—meaning its sales business—had been lagging previously, but has lagged even more since the Presidential outburst of anger. Last year, the industry did an approximately $10 billion business—a tremendous factor in national economy. But foreign nations now are closing in for what they hope will be "the kill."

Japan is getting American business by underselling the American industry regardless of profit or loss—$25 and up per ton in some cases. The West German mills sold the Navy its missile vessel steel at 30 percent below the lowest American bid. European steel production is approaching this Nation's. We have a Federal "Buy American" act which has become useless; it provides that Government purchases can be given to domestic firms at 6 percent above foreign bids for big industry and 12 percent for small business or plants or distressed areas. Both the 6- and 12-percent provisions have gone out the window, so far as steel is concerned, through reckless price cutting abroad—with the cutrate foreign steel available partly as a result of our own foreign-aid money.

If there ever was a segment of American economy—and steel is one of the biggest and most important segments—that needed a kind word or two from Washington, it is steel. There has been no kind word, but many unkind ones right through the weeks since mid-April. There is no compassion from the White House—no presidential retraction of the S.O.B. reference so far as steel is concerned.

In the meantime, Chairman Roger Blough of United States Steel—who followed a docile and gentle course throughout the White House outbursts in April. despite the fact that he still is in the President's S.O.B. category—has gathered a group of the Nation's biggest industrialists, at the President's request, to try to find a way to get Mr. Kennedy out of the gold outflow crisis, which is becoming one of the biggest dangers to the Nation's entire economic system.

And the White House endlessly "leaks" to air and press reporters charges that "business" won't cooperate with the administration. It's all odd, cynical, sardonic—and it could be very, very dangerous.

BILATERAL RATHER THAN INTERNATIONAL AID

Mr. PASSMAN. Governor, do you know of any nations in Africa which would rather receive aid through an international organization rather than on a bilateral basis?

Mr. WILLIAMS. There is one country where we give aid through the United Nations almost exclusively and that is the Congo. But I would say that most of the nations that have given me any indication, say they prefer bilateral aid, as long as no specific political strings are tied to it.

Mr. PASSMAN. We have a very substantial amount in the overall bill for "International organizations." We have had witnesses who have testified in the hearings that the African nations would prefer

to have their aid come through the United Nations, rather than from the United States. Therefore, I am wondering if we can reconcile the present-day thinking with that expressed by witnesses from the State Department last year, or the year before, that they preferred aid to come from international organizations?

Mr. WILLIAMS. As I say, we do put through the United Nations our aid to the Congo. There may be some other nations also who prefer it that way but I could not say so of my own knowledge.

We do assist a number of nations in special ways—education, health and so on—through the United Nations. However, I have had no personal contact with any who have indicated they would prefer to change the present way of doing it.

Mr. PASSMAN. The following appears at page 1235 of the 1961 hearings, and I am quoting Mr. Francis Wilcox, Assistant Secretary of State for International Organization Affairs:

> The programs appeal to the newer nations because they are international in character. Many of these countries are sensitive to accepting aid on a bilateral basis from a single great power. In addition, international sources are sometimes more acceptable in fields which may be sensitive domestically.

Now, I am wondering if there was, or is, any foundation for that statement and feeling.

Mr. WILLIAMS. Well, first of all I would like to say that the sentence that you read—

> Many of these countries are sensitive to accepting aid on a bilateral basis from a single great power—

that I would agree with wholeheartedly.

I think in my testimony I may have adverted to that point.

One reason we feel it important that the United States be included along with a number of different countries is because if the Africans were dependent exclusively on Britain or exclusively on France, then somone might say they are stooges of that country.

Mr. PASSMAN. You are not construing that to mean I am not talking about the United Nations are you, Governor?

Mr. WILLIAMS. That is correct. I am merely——

Mr. PASSMAN. There are 104 members of the United Nations?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. Let us consider whether or not the trend is to switch it over to the United Nations, or leave it as we have been handling most of the aid. There has even been some suggestion that our military aid be turned over to the United Nations. That is what we had in mind in asking the question.

Mr. WILLIAMS. I think, sir, that I would like to repeat the point I made, that these countries do not prefer to have their aid from a single country.

I do believe, however, that for a great part of their aid, as long as they are receiving aid from more than one country, they would just as soon deal with us on a bilateral basis. This does not mean that there is not also room for international organizations, United Nations aid.

Mr. PASSMAN. If the trend is toward making these contributions to the U.N. and letting them administer the program, we should let the record so indicate.

That was part of my interpretation of the testimony of Secretary Wilcox.

Mr. WILLIAMS. I am sorry, I did not interpret it that way. I would say there is room for U.N. aid, but I feel by and large these countries are willing and happy to get bilateral aid from the United States.

Mr. PASSMAN. Well, he did not feel that way. If we may go to page 1244 of the same year's hearings:

NATION'S SENSITIVE TO ACCEPTING BILATERAL AID

Mr. PASSMAN. * * * you say: "Many of these countries are sensitive to accepting aid on a bilateral basis from a single great power." Does the Secretary realize that bilaterally you are requesting $172 million? Will you indicate what nations are sensitive to accepting aid on a bilateral basis, and tell us which ones have been so sensitive that you could not help them?

Mr. WILCOX. Mr. Chairman, I think it is true most of the underdeveloped, or less developed countries have a certain sensitivity to being tied into any close relationship with either the United States or the Soviet Union. They would prefer to receive their technical assistance, other things being equal, from an international source which is, in a sense, neutral and objective in character.

That and other statements indicate there is a trend in that direction or a desire for it, and that is the purpose in asking you about it at this time, whether they actually felt it would be better for them if they received their aid through an international organization, so it could not be identified as from one nation.

Mr. WILLIAMS. I think, sir, the issue was slightly different than the way you put it. He said that they would object to receiving it from a single great power.

Mr. PASSMAN. Well, do they object to receiving aid from us?

Mr. WILLIAMS. They would, perhaps, if we were the only power. Actually, so far we never have been, so they do not object to receiving it from us.

Mr. PASSMAN. But, if it should get to the point where only the United States is giving aid, they would object?

Mr. WILLIAMS. No, I said in no case has this particular proposition been presented to us because these countries have been getting aid from other countries.

POLICY ON AID TO NON-ALINED COUNTRIES

Mr. PASSMAN. Mr. Secretary, what is the State Department policy on the extension of aid to the African nations that are not pro-Western in their actions; for example, Ghana and Guinea?

Mr. WILLIAMS. The policy of the State Department is to provide aid on a project basis to those countries whose ultimate stability, economic and political, will be promoted by that aid. We believe that in the long run the security of the United States is dependent upon the stability in other parts of the world.

Now, with respect to Ghana and Guinea, we feel that these countries certainly haven't committed themselves to East or West, that our contributions to their development can help increase their internal stability and, that in the long run, this will be to the benefit of the United States.

Mr. PASSMAN. If we may go to page 109 of the justifications, the brown book, Ghana, we read: (Classified, off the record).

It is in a fuzzy field there. We do not know whether the trend is established, whether this is a minor trend, but at least we have to read

these hearings, and if that be true—and this is the Department's justification—it is certainly hard to recommend money and go out and vote for it.

Mr. FORD. Would the chairman yield there?

Mr. PASSMAN. Yes.

ATTITUDE OF GOVERNMENTS OF GHANA AND GUINEA

Mr. FORD. Mr. Secretary, in the interest of saving time you omitted page 13 from your prepared statement but I believe you told us off the record the omitted material nevertheless does set forth your views.

Mr. WILLIAMS. That is right.

Mr. FORD. On that page you say:

> What I would like to stress here is that they must also, in our view, have governments dedicated to the maintenance of human freedom and motivated by a determination to improve the welfare of their peoples.

In Ghana and in Guinea, do they have governments dedicated to the maintenance of human freedom?

Mr. WILLIAMS. I think the system in Ghana, based on Anglo-Saxon traditions of justice and a sense of fairplay, is pretty firmly ingrained in the people.

Now I must say that the present government from time to time exhibits trends which certainly do not follow the basic education that these people have had but I do feel in the long run Ghana is going to come up as a progressive country interested in the welfare of its people.

CONCEPT OF SOCIALISM IN AFRICA

Now if I may refer to the important statement the chairman read, there are certain words which should not be taken completely out of context, and one is the word "socialism." There is a difference between African socialism and the kind of socialism that Khrushchev talks about. The practice in Ghana, for example, is to encourage private enterprise alongside of their state corporate system. The freedom of the individual as far as private enterprise is concerned is certainly not extinguished.

Now I do not mean to say that I believe they have an ideal system, but I do feel that over the long run the people of Ghana will work something out.

It has been called to my attention that the particular excerpt from my statement which you read had specific reference to a first category of countries, which includes Nigeria, Tanganyika, and Tunisia.

But I still stand on my answer vis-a-vis Ghana.

Mr. PASSMAN. In what sense did I take this out of context?

Mr. WILLIAMS. I did not say you took it out of context. I said that in using the word "Socialist" the context should be explained because the African idea of socialism is different from the one that we generally speak of.

Mr. FORD. I think we would have to admit that socialism in Africa has a different meaning than socialism behind the Iron Curtain. As I understand the rights of an individual in an African Socialist state such as Ghana or Guinea, they are no more protected than the rights of an individual vis-a-vis the government and the rights in the Soviet

Union or any of the Soviet satellites. It is my understanding that the powers that be in those countries, Ghana and Guinea, are just as ruthless in dealing with the other side or opposition as Mr. Khrushchev is in his country.

Mr. ANDREWS. Will the gentleman yield?

Mr. FORD. Let me get an answer and then I will be glad to.

Mr. WILLIAMS. I certainly would say I would not put them in the same category with Khrushchev, nor would I say the citizens would have the same rights and privileges as they would in the more developed countries such as ours. I merely said that I think they do have this British background in the case of Ghana, and that I think that, in the long run, they are going to work in that direction.

I would hope to see the movement expedited.

POLITICAL SITUATION IN GHANA

Mr. ANDREWS. I would like to say something about the situation in Ghana.

Mr. FORD. Surely.

Mr. ANDREWS. I understand that the current trends in Ghana's political orientation makes development forecasting difficult. There are a number of adverse factors such as increasing Government control of the economy, loss of civil liberties, lack of effective opposition within or without the Government, Government expenditures for poorly planned projects, and closer ties and identification with the Sino-Soviet bloc.

Mr. FORD. Off the record.

(Discussion off the record.)

Mr. WILLIAMS. Were you asking me a question?

Mr. ANDREWS. I was just concerned with the fact that there apparently is increased Government control of the economy, loss of civil liberties, lack of effective opposition within or without the Government in Ghana.

Mr. CONTE. Will the chairman yield?

Mr. PASSMAN. Yes.

Mr. CONTE. Mr. Secretary, beyond what the Congressman just said to you, the economic conditions in Ghana are not well; further, Nkrumah has been a troublemaker in that part of Africa in trying to form some kind of Pan African Union in which he wants to be a leader and caused a great deal of difficulty with some of his surrounding neighbors?

Mr. WILLIAMS. In reply to your question, may I separate the idea of pan-Africanism and the possibility of making trouble with one's neighbors because there are beneficial aspects to pan-Africanism, or the association of states in order to avoid Balkanization.

I take it from your nodding that you would agree?

Mr. CONTE. I definitely agree with you except that he has ulterior motives of his own.

(Reply off the record.)

Mr. CONTE. I should have worded my question a little differently.

Mr. WILLIAMS. Yes, it certainly has been apparent from some of the other countries that they have been fearful of Mr. Nkrumah's ambitions. While there is a general respect for his early leadership and

his assistance to African countries in gaining independence, there is a certain wariness with respect to his leadership at the moment.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

CONSORTIUM AGREEMENTS

Mr. PASSMAN. Governor, would you say that the consortium arrangement so often referred to this year and a few times last year is something new in the foreign aid approach?

Mr. WILLIAMS. The consortium with other countries?

Mr. PASSMAN. Yes.

Mr. WILLIAMS. My knowledge personally does not go back very far but I do not think this is something new.

Mr. PASSMAN. It is something relatively new, and I think it is, in effect, to possibly make the program more palatable to the American public.

I do know that Germany and those countries are making hard loans, with part of it in short terms, and also profitable rates of interest. We are in the range of 50 years, no interest, 10-year grace period, and it looks to me as if we are overplaying the part with relation to the other nations. For instance, I think the British supported Cyprus for generations, did they not?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. I think now we are already getting into a substantial aid program in Cyprus. Sometimes the British and the French may have had trade agreements, helping the original colonies or possessions, but I think we are misleading the American people if we are trying to indicate that the other countries are being as charitable as we are.

Do you want to comment?

Mr. WILLIAMS. Yes, I would like to make two points: First of all, one intended purpose of the consortium arrangement is to encourage other countries to assist underdeveloped countries. We feel there has been some success in encouraging that.

AID GIVEN BY OTHER COUNTRIES TO LESS DEVELOPED COUNTRIES

I have before me a compendium made up of grants, loans of more than 5 years, reparations, refinancing, and other aid for the year 1960, which indicates the monies which Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Portugal, the United Kingdom, and small donors have made to less developed countries.

I would like to say specifically of my own knowledge and experience in Africa that the French give budget support which we do not give at all—aid which is an outright grant to support the country and which is not related to any specific project.

In the past, the British did, too. I am not familiar with their present practice. While it is true these countries do have hard loans, as do we, this is not their——

Mr. PASSMAN. Where do we have any hard loans out of this aid program? You have not got enough paybacks to amount to anything. And what is repaid is plowed back into the program, and none of it goes back into the Treasury.

Mr. HUTCHINSON. It all goes back into the program.

Mr. PASSMAN. That is what I thought.

If you look at this sheet, you can see the small donors, and whether it was to their colonies, possessions, or they were completing some prior commitment. Governor, you know that prior to the time you came into the executive branch, Germany said they were making their aid in sound business loans, and they did not care where the recipients spent it because the money would be paid back. That was read into the record, that they had no strings attached to it whatsoever. It is rather generally understood that we did a lot of "arm-twisting" to get some of these nations in, and now some of them are backing out—for instance, with regard to India.

It was testified to for the record, that some of these nations knew "their arms had been twisted" and now they are not getting into it. In India, we have been released from commitments we made out of this development grant; is that correct, as you understand it?

Mr. WILLIAMS. Mr. Chairman, if I might, I would like to submit a similar table as fast as we can put it together for the year 1961. You were saying that some of this might go to former colonies.

By 1961 most of these countries were free as far as the French were concerned, all of them except Algeria. Any figures at that time would indicate that the aid was not to a colony.

Mr. PASSMAN. In recent years, new nations have been created, faster than an incubator could hatch out little turkeys. I think there have about 28 since last year.

Mr. WILLIAMS. Will you be agreeable to submission of such a table for the record?

Mr. PASSMAN. Submit it to the committee.

(The information submitted follows:)

Official grants, long-term loans, and other resource flows to less developed countries and international organizations from other OECD countries, Japan and the United States, calendar year 1960

[Disbursements in millions of dollars]

	Grants	Loans of more than 5 years	Total grants and loans over 5 years	Reparations, refinancings and other	Total
Belgium	105	----------	105	----------	105
Canada	75	----------	75	----------	75
France	771	110	881	11	892
Germany	67	128	195	177	372
Italy	21	5	26	103	129
Japan	29	61	90	79	169
Netherlands	48	5	53	----------	53
Portugal	2	32	34	----------	34
United Kingdom	257	175	432	9	441
Smaller donors [1]	23	----------	23	17	40
Total, other OECD and Japan	1,398	516	1,914	396	2,310
United States	2,152	836	2,988	3	2,991

[1] Austria, Denmark, Ireland, Luxembourg, Norway, Sweden and Switzerland.

Mr. WILLIAMS. Yes, sir.

SOVIET ASSISTANCE

Mr. PASSMAN. We are glad to have any pertinent information, and we have been asking for some years for facts. Bring us some contracts, when they were negotiated, what kind of grants or loans, whether it was a barter deal or not. With a lot of this foreign aid, they call it grants, but then we find out it is a barter deal—such as that of Russia with Burma. Russia got from Burma rice that had a value far in excess of the amount of aid Russia had given them. They also got the publicity.

Mr. HUTCHINSON. You are so right about Soviet assistance. It has that element very heavily.

Mr. PASSMAN. We do not yet know that Russia has actually ever given away as much as a rupee.

Mr. ANDREWS. Read the third paragraph on page 110.

Mr. PASSMAN. In addition to that, let us read two paragraphs.

(Off the record.)

BASE RIGHTS IN MOROCCO

Mr. PASSMAN. Governor, what is the status of negotiations, if any, with Morocco on the extension of our base rights in that country?

Mr. WILLIAMS. With respect to the base rights of the United States in Morocco, President Eisenhower had an agreement with the King we would leave at the end of 1963. The present King has reaffirmed this agreement.

(Off the record.)

Mr. PASSMAN. Is it not true that we moved all of our personnel off of one of the bases in Africa? We have already released it, and the base was occupied by Russian personnel and Russian Migs?

Mr. WILLIAMS. I would have to check, sir.

Mr. PASSMAN. Let me say for the record it is true. Let me also say for the record that those people out there told us in no uncertain terms, "We are not going to extend the base rights."

Let me say further for the record that the King is not interested in extending these base rights.

Now, let us just see how bad you can make me look with those to-the-point statements.

I just came back recently from that part of the world.

Mr. WILLIAMS. Mr. Chairman, I of course have no desire to——

Mr. PASSMAN. I want you to, if you can.

Mr. WILLIAMS. I have no desire to make you look bad.

Mr. PASSMAN. I want some reasons to vote for this bill. I am not going to be able to vote for my own bill this year with the justifications you are presenting.

Take all the time you want, all of your research people, and see if you can refute those statements I made. If what I said is true, then this tremendous aid program we have in Morocco——

Mr. WILLIAMS. I think that you will find that the King of Morocco is very friendly to the United States. He does believe, as most of the the African leaders believe, in a policy of nonalinement. I think, despite that, he is friendly to the United States.

Mr. PASSMAN. Is this the same King we negotiated with on the original expenditure for airbases?

Mr. WILLIAMS. No, that was his father, sir.

Mr. PASSMAN. Just that statement is not going to erase what I said, and if necessary I will bring some of these people in under subpena. They said the King has no intention whatsoever of negotiating a new contract on those bases with the United States.

Mr. WILLIAMS. I had not come to that point.

Mr. PASSMAN. Proceed.

Mr. WILLIAMS. On that point, I think it is quite clear, as I said before, that the King stands by his father's agreed position that we should hold the bases for that length of time.

(Discussion off the record.)

Mr. PASSMAN. We do have a substantial military aid program for Morocco for fiscal 1963, do we not?

Mr. WILLIAMS. I think the total is $37 million for Africa as a whole; $——— for Morocco.

Mr. PASSMAN. That would be considered substantial, would it not?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. Thank you.

Mr. WILLIAMS. I agree it is.

I would like to point out one thing, and that is the matter of having bases any place in these newly independent countries is a very difficult thing. It makes it difficult for their relations with other countries.

I think the fact that we have been able to retain the bases this length of time during a very critical period of world history has been of real benefit to us.

(Additional information submitted follows:)

In a joint communique on December 22, 1959, the King of Morocco and the President of the United States, who had been conferring at Casablanca, agreed that U.S. forces would be withdrawn from Morocco by the end of 1963. It was further agreed at that time that one of the four SAC bases, specifically Ben Slimane (Boulhaut), would be turned over to Morocco in March 1960. This base had never been made operational by the United States. Approximately 1 year later, Morocco accepted jet aircraft from the Soviet Union, together with the temporary assignment of Soviet technicians. These technicians were based at Ben Slimane.

Mr. PASSMAN. Governor, on page 4——

Mr. CONTE. Mr. Chairman?

Mr. PASSMAN. Yes.

Mr. CONTE. By the same token, Mr. Chairman, it has been a great stimulant to the economy of Morocco to have our bases there with all the personnel we have there?

Mr. WILLIAMS. Yes, sir. I think it has been helpful to them and we have tried to help them develop their economy because we think that if they can become economically viable, it is to their interest and ours. Your statement is absolutely correct.

Mr. CONTE. If we do pull out or if they throw us out, either way you want to put it, are we going to substitute a grant aid program to them for the total amount we are giving them at the present time?

Mr. WILLIAMS. I think that our aid program would be based on projects which they have developed. You could not say whether it would be as great, less, or more. It would be judged just like every other country.

Mr. CONTE. I do not think we should have a quid pro quo program but I also think they have a feeling we are going to go in there with a sizable aid program. This leaves no incentive to the Moroccans to grant us the use of their airfields.

Mr. PASSMAN. You are talking about Morocco now?

Mr. CONTE. Yes.

Mr. WILLIAMS. I think it might be good to have Mr. Hutchinson speak on that because he is dealing directly with the program. I think we are in substantial agreement, he and I.

Mr. CONTE. I traveled in that part of the world last fall and I thought the economy of Morocco was quite shaky and certainly needed all the help it could get. I can also understand the problem of this complete independence they want. They do not want to be alined with any power but they are dependent on the free world for assistance.

The airfields in Morocco are the most strategic airbases we have in that part of the world and it is essential we retain them and do everything possible to retain our rights there.

Mr. PASSMAN. You are speaking about Morocco?

Mr. CONTE. Yes, sir.

Mr. PASSMAN. We have already agreed to get out by the end of 1963. Furthermore they admit they will be losing about $15 million income per year by pushing us out.

Mr. CONTE. That is not so.

Mr. PASSMAN. They said it was so. Let us go to page 558 of the current hearings.

Mr. CONTE. This year's hearings?

Mr. PASSMAN. Yes. This is the page proof:

Mr. PASSMAN. In connection with your reply to the Governor's question, how much are they losing by kicking us out of the country with those bases? What will the ultimate loss be to them by asking us to give up ——— expenditure in the country? We have personnel and maintenance in there. What will they lose?

General FUQUA. It will be on the order of $15 million a year, sir.

Mr. CONTE. That they will lose?

Mr. PASSMAN. Yes.

Mr. CONTE. That is what I am saying.

Mr. PASSMAN. That also is what I am saying.

Mr. CONTE. I say we are stimulating the economy of Morocco.

Mr. PASSMAN. You are positively correct there.

Mr. CONTE. Could he answer the question?

NATURE OF PROPOSED AID TO MOROCCO

Mr. HUTCHINSON. I would say that the nature of the aid that we would be providing to Morocco under those circumstances would change pretty sharply and would no longer, presumably, be in the supporting assistance category, merely in the form of cash or commodity imports. It would be more of the developmental-type assistance.

(Off the record.)

The amount of that program would depend upon the analysis of the situation at the time. It is much too early now to pass judgment on whether it would be more or less.

Mr. ANDREWS. What use do they have for the bases, if and when we get out?

Mr. PASSMAN. We have already given up one base.

Mr. ANDREWS. I understand. We have already gotten off of one.

Mr. WILLIAMS. Some of this is classified information, sir, but I think that I can say on the record we have had a team out there to analyze possible uses for these bases which would be helpful to the Moroccans.

Now, can we go off the record?

Mr. PASSMAN. Surely.

(Discussion off the record.)

APPRECIATION OF EMERGING NATIONS FOR U.S. AID

Mr. PASSMAN. Then, to come along and have a primitive people write their own order about how they are to receive this aid, and to feel a stigma to confess they are taking aid from the United States, I do not think it is fair for them to be given too much encouragement in their position. The great, proud nations of Italy, France, Great Britain, and many others were very glad to accept our Marshall plan aid and much aid in subsequent years. I do not see why these new countries, just coming into being, should have a reason to indicate there is a stigma in their accepting our aid.

I read in the press a day or two ago that India may now turn to Russia and start buying their fighter planes and other equipment. To me, this is insult added to insult, but it is part of our foreign policy.

Mr. WILLIAMS. May I say something?

Mr. PASSMAN. Surely.

Mr. WILLIAMS. I really do not believe the countries of Africa feel that this is a stigma. They are anxious that we do not have political strings attached and I do not think we have. I would just like to tell you a little incident which I think illustrates there is a basic appreciation.

I attended the dedication of a school that AID provided. I think you would approve of the type of school. It is a very simple, functional construction we really are geting each dollar's worth out of. More than that, when some of the local people, a sort of a parent-teachers association, heard I was going to be there, they wrote me a special letter of welcome and the whole community turned out on the occasion. I had the opportunity of talking to them, and after I got through talking they presented me with a spear and a lion's mane fly whisk and I made some remarks about our desire to be helpful.

They really cheered as I talked to them and afterward I could see they really appreciated it. I think that while there may be talk of nonappreciation, other events can be brought to light to indicate that there is appreciation, too.

Mr. PASSMAN. Governor, I hope so. Certainly I think people appreciate it one way or another.

We do not know in just what way they appreciate it, though. A lot of people think of us as being so very wealthy, with inexhaustible resources, and if we help them—so what?

In trying to solve people's political and economic ills with American resources, this is a relatively new concept on the horizon, is it not? I think it came into being 15 years ago, but it was something never heard of before. We do not know whether it is going to work or not. We may wind up the poorest of all these people and find out it did not work.

There is some indication that when people feel they have obtained just about as much as they can get, then they start being demanding, like this Mr. Nehru in India. I do not believe he is very appreciative of the aid we have given to India. I am very much in sympathy, however, with the Indian people as such.

NEED FOR ASSURANCE OF U.S. PARTICIPATION

On page 4 of your statement, Governor, why do you indicate that it is necessary for these nations to have assurance of our participation before they will take the difficult steps in undertaking a sound development program in their own country? They are the recipients, so why would it not be to their advantage to set their house in order?

That is also a new concept. You do not even humor children to that extent.

Mr. WILLIAMS. I think, sir, that this was the background and the basis of that part of the AID law which provided for long-term commitments.

Mr. PASSMAN. Before you had this new aid law, on what basis did we give out these billions of dollars? We operated for 15 years without that type of agreement, and always on a long-range basis.

Do you know of any time in the history of America that we have violated our word to a foreign country when we had made a commitment?

Mr. WILLIAMS. No, sir; I am proud to say I do not.

Mr. PASSMAN. Would you not think those people, if they are smart enough to head up their countries, would not also be smart enough to know that our word is good?

Mr. WILLIAMS. I think they feel that. But I think that we in the executive branch do not want to exceed our relationship with the legislative branch. We do not want to give our word to something we cannot support on the basis of law.

Mr. PASSMAN. I think you have made the statement perfectly clear, that you know of no instance wherein we have ever violated our word. When we made commitments, we have always honored those commitments. We have dissipated, or expended, through all sources of aid during the past 15 years about $115 billion, and about $111 billion of it prior to this type of arrangement. We changed the rules and that was all. That has been done, but I do not think that would justify these people refusing to get their own houses in order, to prepare to receive aid prior to the time we have actually appropriated the money and made it available.

This is the part that strikes me as being very strange, and which prompts me to discount a great deal of the information given to this committee. I think it is important.

Mr. WILLIAMS. I think it is an important statement. In our last session here I think we went into it at some length. Unless you want me to, I will not go into the arguments again.

Mr. PASSMAN. The more we talk, the more fuzzy it gets.

The very idea of this great Nation of ours, with a record of never having violated its word on a commitment—and we have been in this program for 15 years, and through all sorts of spigots we have given $115 billion to 97 nations—and now we come along and let some of these new nations tell us that they do not feel like getting their house in order to receive this aid, and to plan projects, until the money is actually pinned down.

That is just about the way it adds up.

Mr. WILLIAMS. You have your right and I am glad you permit me my right to refer to my previous testimony because I cannot agree with you.

Mr. TABER. May I ask a couple of questions?

Mr. PASSMAN. Yes, sir.

CALORIE INTAKE IN AFRICAN COUNTRIES

Mr. TABER. Governor, in your statement you indicate on one of the pages that agricultural production in Asia was approximately 10 percent of that of the United States. In Africa the figure was 4 percent and then I find in Gabon, a statistic on calorie intake. The figure there is 2,300 which is a very good figure for any place in the United States, and that is the only thing that would lead us to this percentage of production of agriculture in the whole picture.

I am wondering if they are the only ones we can show as being as well taken care of as appears on page 107 with 2,300 calories, and then I wonder about the story of the real food hardship, and whether it is justified. It is hard for me to believe so, with that background.

Mr. WILLIAMS. Congressman Taber, you are quite correct in your figures. You have reference to the statement I made quoting the Managing Director of the United Nations Special Fund, who estimated "productivity of Asian agriculture is approximately 10 percent of that of North American agriculture and Africa 4 percent."

The caloric intake in Africa——

Mr. TABER. It does not seem to appear anywhere except in this one spot.

Mr. MOSSLER. I may be able to help on that.

On the page to which you are referring, the figure of 2,300 calories is the average daily food intake for the underdeveloped areas as a whole. It is true that for many of the underdeveloped areas of Africa we do not have statistics which reliably reveal to us what the caloric intake actually is.

Mr. TABER. If that is true, they are not in very bad shape.

Mr. WILLIAMS. I think part of the problem is that it is not the amount but the type. They do not have the proteins and many things of that kind. There are very bad problems of malnutrition. They have a disease they call Kwashiorkor which disfigures the people.

If I may turn to another aspect of your question, in the United States about 17 percent of our people are engaged in agriculture, while about 90 percent is the figure for Africa. Whatever the caloric production they have, they get it in a very inexpert way.

Mr. TABER. We are getting to the point where our agricultural population is way below the figure you gave?

Mr. WILLIAMS. Yes. I know in my own State it is 10 percent or less.

Mr. TABER. Ten percent would be a pretty good figure all over?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. Governor, off the record.

(Discussion off the record.)

MILITARY PROGRAMS IN UNDERDEVELOPED COUNTRIES

Mr. PASSMAN. Inasmuch as we are in 65 nations of the world with some type of military program, this quote would apply to all underdeveloped countries:

> It is also known that all U.S. military missions and advisory assistance groups in underdeveloped areas have instructions to try to get the host country to request such aid and some favor it.

Have you requested that these underdeveloped countries ask for military aid?

Mr. WILLIAMS. The answer is "No," sir.

Our policy is to try and keep the arms level as low as possible in Africa.

Mr. PASSMAN. We often wonder how 65 nations ever got in on a military aid program from the United States.

PROPOSED TECHNICAL ASSISTANCE PROGRAM IN AFRICA

Mr. Secretary, your statement, on page 5, seems to indicate that the greatest need of Africa is for more trained teachers, administrators, and technicians. Is that correct, sir?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. Out of your proposed program for fiscal 1963, $350 million to $420 million, how much is programed to provide more teachers, administrators, and technicians?

Mr. WILLIAMS. Of the grant program, sir——

Mr. PASSMAN. Let us have the total. Give it the best way you can.

DEVELOPMENT GRANTS

Mr. WILLIAMS. The grant program first. Over 30 percent goes directly for education. Another 20 percent goes for agriculture, much of which is for education.

EDUCATION PROGRAM

Mr. PASSMAN. Out of this 30 percent, does it provide for school classroom teachers.

Mr. WILLIAMS. Yes. It is mostly for teachers; some buildings.

Mr. PASSMAN. But mostly for schoolteachers?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. Is it primarily in the elementary category?

Mr. WILLIAMS. No, sir, primarily in the secondary. They have developed some of their own primary, and most of our assistance is in secondary, but there is also some university.

Mr. PASSMAN. What percentage would be in the primary and what in the secondary school system?

Mr. WILLIAMS. I have a figure here for 1963, Grants for Education. The total is $46.3 million. The university level is 18 percent; vocational training level is 8 percent; secondary level is 7 percent; primary level is 3 percent; teacher training is 2 percent; English language is 1 percent; educational research and planning, is 1 percent.

Mr. PASSMAN. The primary level means the primary schools, and they are classroom teachers?

Mr. WILLIAMS. Yes.

Mr. HUTCHINSON. The primary school program is not for providing classroom teachers. These projects are for training teachers.

Mr. PASSMAN. A moment ago we got the training. I speak only of the $3 million out of the $46 million which the Governor has given us. He has given us five categories.

Mr. HUTCHINSON. I am sorry.

Mr. PASSMAN. I am correct as to the figure of $3 million?

Mr. WILLIAMS. That is right.

Mr. PASSMAN. Approximately how many teachers would that sum employ?

Mr. MOSSLER. I don't know how many but I am sure it was not all used for teachers, Mr. Chairman.

Mr. PASSMAN. You have given us $46 million. I question only with regard to the $3 million and the elementary classroom teachers.

Mr. MOSSLER. He gave that much for aid to primary education as a total. It includes some funds for teachers as well as funds for some construction.

Mr. PASSMAN. How are we going to break it down to know how many teachers you have there?

Mr. MOSSLER. I haven't that information for you here right now.

Mr. PASSMAN. What is the pay scale there?

Mr. MOSSLER. I think the pay scale for the teachers we provide would be our U.S. pay scale as opposed to the pay scale over there, Mr. Chairman.

TEACHERS IN THE PEACE CORPS

Mr. PASSMAN. There is another sacred word around here. We are supposed to stand at attention when you speak of the Peace Corps. What do you do with that organization, which may save the world, when you have a classroom teacher in the Peace Corps and you have one in the adjacent room, teaching under this program? Do they get along all right?

Mr. HUTCHINSON. We don't get ourselves in a situation where we have Peace Corps and AID-furnished teachers in the same schools so far as we can help it.

Mr. PASSMAN. You keep them separated if you can. When they start teaching, they do the same type of teaching, do they not?

Mr. HUTCHINSON. The secondary school teachers in east Africa particularly do the same type of teaching.

Mr. PASSMAN. As the Peace Corps teachers?

Mr. HUTCHINSON. As the Peace Corps teachers, yes.

Mr. PASSMAN. Do they teach in the same buildings?

Mr. HUTCHINSON. I wouldn't want to testify that there are no buildings in which we have the same teachers.

Mr. PASSMAN. I asked whether you try to keep them separated.

Mr. HUTCHINSON. We try to keep them separated.

Mr. PASSMAN. For what reason?

Mr. HUTCHINSON. Because we feel it would create some problems if you had two agencies carrying on the same kind of programs side by side.

Mr. PASSMAN. You would not want to elaborate on the types of problems that creates, would you?

Mr. HUTCHINSON. I don't think any have happened as yet.

Mr. PASSMAN. You are getting prepared. When it happens you can meet it without too much difficulty?

Mr. HUTCHINSON. It seems administratively, as you can imagine, that there might be difficulties if you have teachers from two different agencies——

Mr. PASSMAN. It is anticipated there could be some difficulty if and when such a situation should arise?

Mr. HUTCHINSON. Yes, sir. We feel we are taking reasonable measures to avoid this by approving the Peace Corps programs before they are put into effect and by discussing the teachers programs which we carry on with the Peace Corps before we adopt ours.

Mr. FORD. How many teachers are we sending to Africa under this program? Do you have that?

Mr. HUTCHINSON. We would have to get the figure for you to get the total.

Mr. PASSMAN. Off the record.

(Discussion held off the record.)

PAY SCALE FOR TEACHERS

Mr. FORD. May we also have the pay scale, including all fringe benefits?

Mr. PASSMAN. I believe you agreed to furnish that information, too.

Mr. FORD. I asked that question because in the Defense Department we have a vast dependents' education program which has a serious problem of financing. It involves teachers' pay scales and related matters.

I would like to have the figures which you pay for your teachers, including all fringe benefits, so we can make some comparison between what the pay scales are for those programs and the pay scales here.

Mr. WILLIAMS. To give you some idea out of my memory, I think the first program under the Columbia University program sent about 150 teachers to east Africa. I think there are about 100 more going out.

Mr. HUTCHINSON. That is correct. We also have teachers for Liberia, and——

RECRUITMENT AND TRAINING OF TEACHERS

Mr. FORD. Would you also indicate in a statement how you recruit them and what special training, if any, you give?

Mr. WILLIAMS. Yes.

Mr. PASSMAN. Are they trained to speak the language of the country where they are to be assigned before going out?

Mr. HUTCHINSON. So far we have them only in the English-language-speaking countries, Mr. Chairman.

Mr. WILLIAMS. Are you asking for this for the AID program or also for the Peace Corps?

Mr. FORD. Only AID at this point.

Mr. PASSMAN. If we may, we would like to find out if you have teachers from agencies other than the military, the AID program——

Mr. ANDREWS. And do you have native teachers in the same school with American teachers?

Mr. HUTCHINSON. Yes, sir. There are native teachers in the same schools.

Mr. ANDREWS. Are they paid the same salary as an American teacher?

Mr. HUTCHINSON. They are paid their local salary.

(The following was subsequently submitted for the record:)

TEACHERS FOR AFRICA

It has been the policy of AID, as that of its predecessor agencies, to refrain from the supply of classroom teachers at all levels of education in spite of often repeated requests of national governments. AID policy is to concentrate the use of its resources on (a) the development of national institutions such as teacher training colleges, rural normal schools, and demonstration schools that will provide trained national teachers for all levels of education, and (b) advisory services to ministries of education.

However, due to the special needs of Africa for secondary school teachers and for trained teachers in the rural areas, there have been some departures from this basic policy. In Liberia, under a contract with the International Voluntary Services, AID has financed 26 rural primary schoolteachers who have served in isolated areas as replacements for Liberian teachers who were in advanced training in rural teacher training institutes. The IVS voluntary teachers receive a base salary of $80 per month, a subsistance allowance of $125 per month and a yearly clothing allowance of $150 plus transportation costs. They serve for a period of 2 years and assist in village self-help projects such as low-cost teachers' housing, school buildings, village roads, etc., thus bringing American aid directly to the village level. This activity is being terminated as an AID project and is being replaced by a Peace Corps project of teacher supply.

In east Africa, under contract with Teachers College of Columbia University, AID has joined with the British Government and the national ministries of education in Kenya, Uganda, Tanganyika, and Zanzibar in a project with a primary objective of improving the teacher training programs of east Africa. This has included the supply of 150 American teachers to fill an emergency shortage created by the withdrawal of metropole secondary school teachers. This stopgap supply will permit the training of native career teachers. American teachers receive a base salary of $2,100 to $3,200 from the African governments. In addition, they receive terminal pay of $525 and housing at a nominal charge of $15 per month plus international transportation, and serve for a period of 2 years. AID contributes to their subsistence. Although AID was requested to supply an additional 300 such teachers in fiscal year 1963, only 120 additional teachers have been programed.

In the past, a varying number of teachers for Libyan secondary and vocational schools were financed under mutual security program funds. The final obligation for this project was made in fiscal year 1960.

In addition, some American university contract advisers on AID projects do carry some teaching responsibilities in addition to their principal duties of devising training programs, developing curriculums and materials, assisting in planning and administration, etc.

AID REQUIREMENTS IN AFRICA

Mr. PASSMAN. On page 10, your statement indicates $1 billion in aid is given to Africa annually, and that this amount falls far short of needs. What, in your opinion, is the annual aid requirement for

Africa if this program is to be the type of success for which we hope?

Mr. WILLIAMS. That is a very difficult question to answer, sir. I indicated here roughly that the needs of Africa are immense because about a third of their children are in primary school. That means two-thirds of them are missing. In higher branches of education they are not making it. In agriculture they are highly inefficient.

Obviously there is not enough money in all the world to get these people up to the same level that we are in any reasonable length of time, so I do not think you can give a figure of aid which is optimum because it will have to be measured more by what can be provided rather than by what the needs are.

COST OF AID PROGRAM IN AFRICA

Mr. PASSMAN. Of course, that places Congress in a rather difficult position. You know very well that some of the statements I make indicate that I think this program, if not brought under control, will break us, that it will wreck our economy, and that it will bring us to our knees, while we are, at the same time, losing the respect of the other nations of the world.

I think the time is near when the drain on our gold will increase even above what it is today. And, when you deplete your gold reserves, if we get down to where we do not have sufficient gold to back up our own currency and pay off our obligations—that is, legal demands on the gold—we will be in extremely serious trouble. I think we are getting dangerously close to that point.

So often we ask, "What would be the level where this would be successful, so we can be reasonably assured our objectives will be accomplished?"

How long will it last? What will it cost? We have heard 10 years, 20 years. Secretary Dillon once said 50 years.

We are getting now to the point that there is no way to pin it down.

You know, and I know, that our resources will not continue to support indefinitely such programs as this and some of the others which we are undertaking.

You do not know just about what the requirements will be?

Mr. WILLIAMS. I think I can say, sir, that the amount requested, we think, will make a reasonable movement forward in meeting the development needs of Africa and that it will not cause any of the dire consequences which you envision.

I know the President is seriously concerned, as you are, about our balance of payments.

Mr. PASSMAN. Is he?

Mr. WILLIAMS. About our gold reserves. Yes, sir; he is.

Mr. PASSMAN. I am glad to hear it, and I mean it. He talks it, but I do not see any indication to that effect, by looking at his budget requests and some of the bills we are being asked to approve.

Mr. WILLIAMS. I think he realizes this, sir. I think each of us have "felt the lash on our back" to be careful about this.

Mr. PASSMAN. This means this is about the maximum that you will ask for in any 1 year for Africa?

Mr. WILLIAMS. Our request is for about $350 million. I would not say, sir, that in the future—if the needs continue as they are, and if we are able to produce the money—that we would not be justified in requesting a larger figure.

Mr. PASSMAN. This is the figure now.

Mr. WILLIAMS. This year, yes.

Mr. PASSMAN. We have generations to follow. We don't have a nickel. We are borrowing every dime of this money.

When you say it falls far short, then we are just trying to see how short it is.

I do not like to quarrel with the composition of your statement, but if it falls far short, if they recognize that, suppose the demands were to double, and we could not meet them? Then what kind of position would we be in?

Mr. WILLIAMS. I think politics is the art of the possible. As we look over the needs, we would just have to fulfill that portion which we can. I think this will help improve the situation.

Mr. PASSMAN. When you use the words "far short," to me that is an implication that we are just scratching the surface. I hope I have not read the wrong meaning into this.

Mr. WILLIAMS. I think we are digging a little deeper than that. I do say there are further challenges ahead, sir.

Mr. PASSMAN. I believe this program has increased some 33 percent in 2 years, has it not, for your region?

Mr. WILLIAMS. It has increased. I don't know the exact percentage.

Mr. PASSMAN. I think that is about the figure. That does not mean that perhaps this will be a pattern we will pursue in the future?

Mr. WILLIAMS. I wouldn't be surprised if there would be an increase but I do not think that that percentage would necessarily hold.

In the last few years we have had a tremendous increase in the number of independent countries, and I think this has had its impact.

INCREASING COSTS OF FOREIGN-AID PROGRAM

Mr. PASSMAN. This Foreign-aid program went up at one time to where it was fantastic. At one time the program had $15 billion unexpended, and we began to work it down.

We finally got expenditures down to $2,800 million, and we were working toward $2½ billion—a figure which Congress and the Executive felt that perhaps we could live with.

But this year's request is almost $5 billion.

It leaves the committee confused. You have tussled with budget problems. The Congress has to raise the mony as well as appropriate it.

To see this thing jump in 5 years from $2.8 billion up to $4½ and $5 billion, it frightens me, Governor. I say that sincerely.

COUNTRIES IN WHICH PEACE CORPS TEACHER PROGRAMS ARE PLANNED

Mr. CONTE. With regard to the teachers mentioned just before the quorum call, there may be a conflict between the Peace Corps and the teacher program under the regular aid program. Is it my understanding that you have the Peace Corps in Ghana, Tanganyika, Nigeria, and Sierra Leone?

Mr. WILLIAMS. I think we also have the Peace Corps in Liberia. Presently they are, in addition, in Ghana, Nigeria, Sierra Leone, and Tanganyika.

Programs are planned for Ethiopia, Ivory Coast, Liberia, Togo, Tunisia, and Somali, and under consideration in Gabon and Niger.

Mr. CONTE. Will the Peace Corps eventually supplement the regular teaching program we have at the present time in Africa?

Mr. WILLIAMS. Supplement?

Mr. CONTE. Will it take it over completely?

Mr. WILLIAMS. I think so.

Mr. HUTCHINSON. I think some of the programs we are now carrying on and have been carrying on in the past will be taken over by the Peace Corps. There already has been some consideration given to that change in the future, specifically to provide teachers in the east African secondary schools. We have also had up for consideration the possibility of the Peace Corps taking over contracts we have in the program in Liberia. In those situations in which we are actually providing the classroom teacher, I think there is a very definite prospect of the Peace Corps taking over, to a very considerable extent, this function.

AID PROGRAM TO PROVIDE TEACHER TRAINING

However, we are also doing another thing in connection with teachers which, as I understand the Peace Corps program at the present time, they are not as likely to get into, and that is teachers for the training of teachers. As to this kind of function, it is my understanding they do not intend to do it. They have told me they consider it their function to provide workers and doers, the people who are right in the classrooms, whereas we are much more interested in training the teachers who can take over and replace our people over the long run.

Mr. CONTE. I saw a great program in Liberia of teacher training at Zor Zor.

Mr. HUTCHINSON. I saw the same project.

RETENTION OF THE INTERNATIONAL VOLUNTARY SERVICE PROGRAM

Mr. CONTE. The next question is the replacement of the IVS team by the Peace Corps. I thought the IVS was about the best thing money could buy. I saw them at Laos, in the jungles of Laos, and I have seen them in Liberia and other countries. I thought that the IVS teams were about the best people we had in the foreign-aid program. As a very strong supporter of the Peace Corps I am a little bit troubled we are doing away with the IVS team.

Mr. HUTCHINSON. I did not mean to imply we would do away with the IVS teams. This was one of the things under consideration. Our proposal was that the Peace Corps take over the IVS contract but that it continue to be an IVS contract rather than our doing away with it.

As a matter of fact, the resolution in this particular case in Liberia was that we continue with the IVS contract as an AID contract in Liberia.

Mr. CONTE. Would you retain the personnel?

Mr. HUTCHINSON. Yes, the IVS personnel.

We share your feeling about the IVS. We have been very pleased with this program so far.

Mr. CONTE. I have seen some great people out there in the field.

While we are on the subject of education, one of the programs I saw in Africa was the Oklahoma State University team in Ethiopia. They are doing a magnificent job of training Ethiopians and other countries near Ethiopia in the field of agriculture and also teaching.

USE OF REGIONAL SCHOOLS FOR SPECIALIZED UNIVERSITY TRAINING

I was somewhat upset we were starting a lot of schools out there in Africa for a particular country. We would start a school in Kenya, for example, and we would start another agricultural school in Tanganyika. I thought that this school up in Ethiopia was tremendous. It was a regional school, something like the University of Beirut, and bringing in students from Sudan, Somali, and all over that part of the continent of Africa.

It would seem to me our money would be better spent if we stuck to regional schools rather than having separate schools for a country which has a whim for a new school.

Mr. WILLIAMS. I think you speak the philosophy we pursue.

If I may talk about Kenya and Tanganyika, there is a development underway to have a university for all three, Uganda, Tanganyika, and Kenya. Of course, they have to have general schools in each country, but the specialized schools are being allocated to different countries.

In Tanganyika, for example, there is a law school being started to serve all of them. There is an agricultural school in Uganda. The thing you are talking about is being pursued.

This is not always the easiest thing in the world, because naturally each one of these countries in Africa wants to have a university and meet its own national aspirations. We have to recognize this in part, so far as general education is concerned. But I am pretty sure that, so far as the specialties are concerned, we will try to pursue the path so ably blazed in our own South, where there they are forming an organization of all the southern schools to avoid duplicating their efforts in such things as medical schools, veterinary schools, and so on.

AGRICULTURE SCHOOL IN NORTHERN RHODESIA

Mr. CONTE. I hope you are firm on this because in that part of the world that you just mentioned, Kenya and Tanganyika, I believe I visited an agriculture school in Southern Rhodesia. I believe they had something like 9 to 11 students there with about 5 professors, buildings, and everything else. I might want to correct the record but I am quite sure it was Southern Rhodesia. This upset me because I thought it was a waste of money. We should have a good regional school for that entire region.

Mr. WILLIAMS. I could not speak directly to that point.

Mr. HUTCHINSON. There is a small agricultural training center in Northern Rhodesia.

Mr. CONTE. It was a very, very small school. There could not have been over 15 students.

Mr. HUTCHINSON. This is more of a farm institute center rather than a full-fledged university.

ETHIOPIA

Mr. CONTE. You mentioned Ethiopia. I saw a fine university project there.

At the same time in reading your justification I was somewhat concerned about the development loan we had given Ethiopia for the purchase of two 720 jets. The 720–B jets cost approximately $14.6 million.

After looking over the situation in Ethiopia I felt that the Government there needed these two jets like I need a hole in the head.

This country also had a very poor economy. It needed a great deal of land reform, educational reform. It needed many other social reforms, and I thought the money could be well spent in these reforms rather than buying two 720–B jets.

Mr. WILLIAMS. Before Mr. Hutchinson replies to that, might I say, in general, that this particular airline has been a very successful combination of local government and private American help. TWA has had a contract with Ethiopian Airlines. This airline actually has been a paying proposition which, looking around the world, is not a bad record. I think they are trying to establish trans-African, and longer flights. So we hope this would continue to be a paying proposition.

Mr. CONTE. I hope you are right. I thought there was a glut on the market in Africa with regard to jet airlines. Ghana had its own airline and they were all standing dead at the airport. They were getting jet airlines in about every country out there, and it seemed to me it was a glut on the market and this money could be better spent in putting through some social reforms in Ethiopia which are sorely needed.

If TWA, and they have done a good job, and I understand they have one of the best accident-free records out there—if TWA is helping them to make money I don't see why TWA doesn't invest in it.

The Eximbank head was here and agreed with me. He said the loan was made before he came into office and had he been in charge he would not have made the loan.

DESIRE FOR NATIONAL AIRLINES IN AFRICAN COUNTRIES

Mr. PASSMAN. Is it not true that practically all of these new African nations, after they gain independence, about the first thing they want is an airline? Is that not quite a problem we are having with them?

Mr. WILLIAMS. Transportation is a problem——

Mr. PASSMAN. I am not talking about transportation, but the prestige of an airline.

Off the record.

(Discussion held off the record.)

Mr. PASSMAN. It is my understanding that with relation to most of these newly formed independent nations, about the first thing they want is a national airline. Is that a statement of fact?

Mr. WILLIAMS. Airlines are a prestige item, but in this respect I would like to point out that the Brazzaville powers are joining together to have a joint airline. They have subordinated their individual interests toward setting up a viable airline.

Mr. PASSMAN. We have a lot of trouble making airlines pay off in this country, and we are supposed to be the wealthiest Nation on the face of the earth. What chance do they have out there, new primitive nations just coming into being, making an airline of this type pay off?

Mr. WILLIAMS. Some of them have not been successful but we have just pointed out that Ethiopian Air Lines has been successful.

The Brazzaville countries have worked out a contract with French airlines and are offering service. I don't know what their profit-and-loss statement is.

Mr. PASSMAN. There is a way to subsidize them on a national basis where they could show a profit, is there not?

Mr. WILLIAMS. I imagine so.

Mr. PASSMAN. Would that be a statement of fact?

Mr. WILLIAMS. I think that is true. But since transportation is a way of opening up the country, if the French have been willing to undertake this kind of an effort, I am sure it has been helpful to Africa.

Mr. CONTE. After the hearings on Africa have been completed may I submit a report? I visited Africa for 6 weeks, wrote a report, and I would like to submit it right after this testimony.

Mr. PASSMAN. Indeed that may be done.

(NOTE.—The report referred to may be found in the appendix, beginning at p. 989.)

AID TO BRAZZAVILLE NATIONS

Can you tell us how much aid the United States is giving to these Brazzaville countries?

Mr. TABER. What are the Brazzaville nations?

Mr. WILLIAMS. Cameroun, Central African Republic, Chad, Congo (Brazzaville), Dahomey, Gabon, Ivory Coast, Malagasy Republic, Niger, Senegal, Upper Volta.

Mr. PASSMAN. Would it be easier to list those not getting aid, rather than those getting aid?

Mr. WILLIAMS. I left out Mauritania. That makes the 12.

Mr. TABER. If there is a nation not getting aid, is it an oversight?

Mr. PASSMAN. I imagine it is an oversight, Mr. Taber.

Let me make this statement, and then you can understand why it is difficult for the committee to reconcile the many statements made before the committee with other material presented to the committee for consideration in marking up the bill.

COST OF REFITTING NAVAL VESSEL FOR ETHIOPIA

A colleague from Texas read so many articles in the paper about Haile Selassie's yacht that he asked some questions of the State Department.

At a subsequent date the record indicated the wallpaper was not really an expensive item, but it was the other expense which ran the total bill up.

The State Department gave this information to the Texas Congressman.

The vessel was a 17-year-old World War II ship decommissioned as obsolete by the Navy in March of 1960. It was refitted for $175,000 and lent to Ethiopia as a coastal patrol.

The State Department representative got out a press release defending this situation. But, when they came before our committee they testified that the cost of refitting this old vessel was $3,100,000. Which figure is correct, the $3,100,000 testified to before this committee or the $175,000 the State Department told the Texas Congressman was the figure?

Mr. WILLIAMS. I think, sir, the total cost for refitting this U.S.S. *Orca*, including reconditioning and modification, supply of spare parts, and training its nearly 200-man crew in the United States, is expected to be about $3 million.

Mr. PASSMAN. Why did they say $3,100,000?

Mr. WILLIAMS. The final cost will be $3,100,000.

Mr. PASSMAN. And not $175,000?

Mr. WILLIAMS. The $175,000 was the original modification, sir.

Mr. TABER. Is there a continuous day-after-day cost for maintenance?

Mr. WILLIAMS. I do not believe so, sir. This was turned over to the Ethiopians and they will operate it.

Mr. PASSMAN. And employ a Scandinavian crew to operate it?

Mr. WILLIAMS. They are employing a Scandinavian crew to help give them the necessary training so they will be able to operate it.

Mr. FORD. What was the justification for the deal in the first place? Why did they need such a vessel?

Mr. PASSMAN. And, may I add, it was never justified to Congress.

Mr. WILLIAMS. Ethiopia has about 800 miles of coastline. They have smuggling problems. I think this was the original justification for having a navy there.

Mr. FORD. One vessel to cover 800 miles of coastline. Would it not have been far better to have a different type of vessel which would be far less expensive?

Mr. WILLIAMS. They do have smaller patrol craft. This is a sort of flagship and mothership arrangement.

Mr. PASSMAN. Have all of our similar ships, some of these old Coast Guard vessels in the United States, been brought completely up to date—with air-conditioning, for instance?

Mr. WILLIAMS. I could not answer that, sir. I think the climatic conditions in Africa certainly make this a necessary operation.

Mr. PASSMAN. Are there similar vessels in our service, whether it is the Coast Guard, the Navy, or any other and are we now bringing these ships strictly up to date for our personnel? Can somebody find that out for us?

Mr. WILLIAMS. We could endeavor to find out whether the naval vessels of the United States operating in that area——

Mr. PASSMAN. Let us say all Coast Guard and Navy vessels of this vintage and older.

Mr. WILLIAMS. If they are used——

Mr. PASSMAN. I do not care what they are used for, as long as you have personnel on them, patroling, say, along the Atlantic coast.

Mr. WILLIAMS. Conditions in the Atlantic coast, the Mediterranean, and the Red Sea might be quite different.

Mr. PASSMAN. Let us have the record show this ship is air conditioned, made into a super-duper job, and used as Halie Salassie's yacht. I know they are not air conditioning these old vessels.

Mr. RHODES. You do not deny it is a yacht for Haile Selassie, do you, Governor?

Mr. WILLIAMS. Yes, sir. This is a flagship. It will be a training ship, a mothership, for the patrol craft that will be used by the Ethiopian Navy. It is the flagship and it is equipped with a flag cabin as indicated, and Haile Selassie may use it. It is not a yacht.

Mr. PASSMAN. There is an expensive air-conditioning system put on this ship. Can you tell us whether or not other countries which have similar ships out there, if they have them, likewise air condition them for the convenience of the personnel, such as Coast Guard and patrol personnel?

Mr. WILLIAMS. I cannot at this time, but I shall endeavor to find out for you, sir.

Mr. RHODES. Referring to these men being trained, they will man five patrol craft?

Mr. WILLIAMS. I believe that is correct.

Mr. RHODES. Are the patrol craft air conditioned, also?

Mr. WILLIAMS. I don't know.

Mr. RHODES. I think that is a rather important question. If they are air conditioned then there would be some reason to train their crews on air-conditioned craft. If they are not to be air conditioned I do not believe it is proper to train them on this type of ship.

Mr. PASSMAN. Let us find out how far we are going toward air conditioning these facilities for the foreign dignitaries. I want our sailors to have a little of this, too.

We did not have air conditioning until a very few years ago. Be sure we understand that, too. This is one of those things which came into being in the past 25 years.

Mr. RHODES. I would like to have Mr. Williams answer my question.

Mr. WILLIAMS. You asked about the palace. It is not air conditioned, but it is at an altitude where air conditioning is not necessary.

Mr. RHODES. If it was built at a lower altitude we would have to air-condition it.

Mr. PASSMAN. We go just about all over the world with the Coast Guard and they do not have such luxuries.

We have our people in places where other military personnel never get. Sometimes they go out for 2 years before returning.

I want to correct the record. Prior testimony indicated a $175,000 item for remodeling the quarters for the Lion of the Tribe of Judah. There is over $1 million worth of air conditioning alone.

Mr. ROONEY. Mr. Secretary, I should like to be the last one in the world to offer mere surplusage here, but I am at a disadvantage in not having heard the entire colloquy. It occurs to me at this time to inquire upon whose orders this patrol boat was turned over to Haile Selassie and the Ethopian Navy?

Mr. WILLIAMS. I do not have the detail on that but I would be glad to get it.

Mr. ROONEY. Was it not turned over by President Eisenhower and Secretary Herter?

Mr. WILLIAMS. It was at that date; yes, sir.

Mr. ROONEY. According to the clipping we had here a while ago—may I have that clipping, please?

According to this clipping, the vessel was a 17-year-old World War II ship decommissioned as obsolete by the Navy in March 1960. It was refitted for $175,000 and lent to Ethiopia as a coastal patrol and training ship on orders of former President Eisenhower, former Secretary of State Christian A. Herter and the Joint Chiefs of Staff.

Would you please ascertain whether or not that is so and insert the facts at this point in the record?

Mr. WILLIAMS. I will be glad to, sir.

Mr. PASSMAN. Let us find out when it was turned over to him.

Mr. RHODES. I think we ought to have the date upon which the air conditioning was authorized as long as we are going into it.

Mr. PASSMAN. Yes, go into it. I think you will find it was turned over to him the first of this year, nearly a year after Mr. Eisenhower went out of office. I think that is what the record would show.

Mr. WILLIAMS. I think you are both right, sir.

Mr. ROONEY. I am just trying to help.

Mr. PASSMAN. I know that. I am trying to show who actually turned it over to him and by what authority they put this "super-duper" air conditioning on at the cost of about $1 million.

Mr. FORD. I think we ought to have the day it was decommissioned, the date the contract was signed for the reconditioning, the amount spent for the entire project, and the date that it was turned over.

(The information supplied follows:)

The U.S.S. *Orca* (AVP 49) was decommissioned in March 1960.

On July 28, 1960, the U.S. Ambassador to Ethiopia was authorized by the Department of State, after Department of Defense approval of the Ethiopian request, to lend the Government of Ethiopia a seaplane tender for use as a training ship. Because of the climatic conditions in the Red Sea, it was planned from the beginning that the ship would be air conditioned.

On January 13, 1961, the Department of Defense authorized the Department of the Navy to proceed with the conversion of a ship for this purpose and made available a total of $3.1 million to meet the estimated costs. On February 20, 1961, the Department of the Navy instructed the San Francisco Navy Yard to begin the conversion of the U.S.S. *Orca* in July 1961. The U.S.S. *Orca* was turned over to the Ethiopian Navy at San Francisco, Calif., on January 31, 1962.

The four patrol craft provided by the United States to the Ethiopian Navy are also air conditioned. Some U.S. Navy and Coast Guard ships (i.e., the *Owesco* and *Campbell* class patrol gunboats) of the same age class as the *Orca* are air conditioned, others are not. The U.S. Navy maintains, in addition to an air-conditioned seaplane tender (AVP) used as a flagship, two destroyers in the Red Sea/Persian Gulf area which are assigned there on a 6-month rotating basis from the 6th Fleet. Some of these destroyers are fully, others partially air conditioned.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. On the record.

We discussed this Haile Selassie yacht under the military assistance program. You are not here, of course, justifying military assistance funds. However, as one member of the committee, this shall not be interpreted by me as a military assistance fund, but rather as a luxury floating palace for Haile Selassie. As these potentates have such rich appetites for luxuries that are usually furnished by the over-burdened American taxpayer, it is only appropriate that we discuss with you, Governor, whether or not you are familiar with it. Some of the others out in that section may likewise request luxuries of this sort, and if we do not indicate for the record that we are watching

these things you might start providing them similar luxuries, out of the AID program for which you are responsible, so it certainly ties in. I imagine the provisions that go aboard this floating palace come out of your part of it. But we want the information, and you may make up your mind whether we should have it.

Mr. WILLIAMS. As the record shows, we will get it for you, sir.

Mr. PASSMAN. Thank you very much.

Now I yield to Mr. Rooney.

Mr. ROONEY. I have no further questions at this point, Mr. Chairman.

Mr. PASSMAN. Mr. Natcher?

ATTITUDES OF NEW NATIONS IN THE U.N.

Mr. NATCHER. Mr. Secretary, several days ago when the Secretary of State appeared before our committee I discussed with him generally some of the questions involving the underdeveloped countries in the United Nations organization.

Do you feel that since at the present time the undeveloped countries of the United Nations organization in the General Assembly are in control, that this is a condition that is bad or it is a condition that is all right at this time, Mr. Secretary?

Mr. WILLIAMS. The United Nations does, as you indicate, have about a quarter of its members from Africa and there are other underdeveloped countries so the total is a very large number. For these individual countries this is a matter of great importance, and the question arises as you have indicated whether this is in our own best interest.

I think, since what we are really seeking to find is stability and peace throughout the world, that this is helpful in that direction. I am sure the Secretary indicated to you that he is not satisfied that the United Nations is a perfect instrument by any means, and that there are things that he would like to see improved. But I think that having it the way it is is better than having it some other way or not at all, and that it has made a real contribution to world peace.

Mr. NATCHER. Do you feel that by virtue of the undeveloped countries being in the majority, on the General Assembly, that this might mean that demands would be made upon us that might not be made otherwise? From the standpoint of assistance and from the standpoint of economic help in the future?

Mr. WILLIAMS. No, sir; I think we will continue to render assistance to undeveloped countries, in the future as in the past, in the light of our own national interest.

Now, we feel it has been in our own national interest to help these countries develop economically and politically so that they will become viable and stable countries and contribute to world peace.

I do not think that we will change our policy for fear of coercion.

Mr. NATCHER. I am glad to hear you say that, Mr. Secretary. I am a firm believer in the United Nations but I am a little concerned about the number of undeveloped countries that are presently members from the standpoint of this particular program. This is a point that concerns me and I am glad to receive your reaction.

Thank you, Mr. Secretary.

VESSEL FOR ETHIOPIA

Mr. PASSMAN. Before yielding to Mr. Taber I think this would shed some light on the subject of Ethiopia and the yacht. This is from a secret document, and portions of it will have to be deleted from the record. It is a report of the examination by the Military Assistance Advisory Group, Ethiopia, July 1961. It is maintained in one part of our Government that this is something justified as a necessity to patrol that coastline, and in another part it is said to be political, and it is up to the State Department to make the decision. So the fact that the State Department is on it, certainly would involve you people. When I say "involve," I mean you should have an interest.

It says: (off the record) for delivery to the Imperial Ethiopian Navy (IEN) (off the record).

Then, another part of the report, from your own military assistance group, would indicate that we had a very bad experience on the assigning of a vessel to the same country, and they had to turn it back because they did not have money enough to operate it. There is a good possibility they will turn this one back.

This will be available for you to look at, what I just read. It is a State Department decision, and not a military decision. You are turning around and making the same mistake you made before.

I yield to Mr. Taber.

Mr. TABER. I wonder whether there was any consideration other than just what has been indicated, on that ship and the deal connected with it.

Mr. WILLIAMS. Sir, I am not familiar with this document which has just been presented to us, but it is my understanding that this ship had been made available in connection with our overall program to help the U.S. policy with regard to Ethiopia. It is important to us and was justified on the basis of its uses——

Mr. PASSMAN. If you are talking about policy, that is something else. If you attempt to justify need, then that is something else. This was a political decision and you are giving them a similar vessel to that which you had to take back because they could not afford the expense of operating it. It is a little smaller vessel, I believe. (Off the record.)

That is not the committee's report, that is not Mr. Campbell's report. That is the military people's report, and they have passed the buck, as I interpret it, right over to the State Department.

Mr. WILLIAMS. It is my understanding the vessel returned was returned because of the high cost of operation and maintenance.

Mr. PASSMAN. That is correct, sir, and they do not think this is going to be any less. In all probability, this would be one that is going to be returned, too.

Mr. CONTE. Which one was returned?

Mr. PASSMAN. The tender, which was the smaller vessel.

Mr. TABER. I do not believe I have any more questions.

Mr. PASSMAN. Mr. Ford?

COUNTRIES RECEIVING AID IN FISCAL YEAR 1963

Mr. FORD. Governor, how many countries will receive one type or another of aid and assistance under the programs submitted for fiscal year 1963 for Africa?

Mr. WILLIAMS. May I answer this way: There are 29 countries that are now receiving aid and it is planned that 4 more will receive aid. We are considering the High Commission Territories but it isn't indicated whether they will receive any or not.

Mr. FORD. At page 56 of the justification book I believe there are 31 countries listed with a 32nd line item designated "regional program."

Of the 31 that are in the line item form, I only see 29 that are proposed for programs in fiscal year 1963.

Now, what are the other 4 programs and would they be programs falling under the "regional program" designation?

Mr. WILLIAMS. The four countries that are not included in the 29 are (off the record:).

Mr. FORD. How much would the program for each of these countries be as you visualize it for fiscal year 1963?

Mr. HUTCHINSON. This request does not visualize any specific program in these countries in fiscal year 1963. These are countries in which conceivably a program might develop later in the year. If it did, presumably such programs would have to be met from the contingency fund. There are no program submissions in this presentation for those four countries.

Mr. TABER. Are they getting anything now?

(Off the record.)

KENYA COASTAL STRIP

Mr. CONTE. What is the status of Zanzibar? Aren't they receiving some assistance from Great Britain right now?

Mr. WILLIAMS. Yes, they are. (Off the record.)

Mr. CONTE. There is a great conflict out there, is there not, between Kenya and Zanzibar?

Mr. WILLIAMS. There is a problem, or there might be a problem, between Zanzibar and Kenya with regard to a coastal strip. The Sultan of Zanzibar claims a strip a few miles wide for a distance along the coast, but it is presumed that when Kenya becomes independent, or afterwards, there will be some settlement made with the Sultan of Zanzibar.

Mr. CONTE. That is what has puzzled me. Is not the United Kingdom paying him a great sum of money for the use of that strip at the present time?

Mr. WILLIAMS. There has traditionally been a payment for that.

(Additional information follows:)

The Kenya coastal strip is a stretch of the Kenya coast 10 nautical miles wide and approximately 200 miles long, which was recognized in 1886 by Great Britain and Germany as the mainland dominion of the Sultan of Zanzibar. A concession over the strip was granted the British East Africa Association in 1887 for an annual rent of £10,000. This concession was formally transferred to the British Government in 1895. The coastal strip is administered as part of Kenya, and the annual rental is paid by the Kenya Government. In December 1961 a commissioner was appointed by the United Kingdom and Zanzibar Governments to make recommendations on the future of the strip. The Com-

missioner recommended that, prior to Kenya's independence, the strip be permanently integrated administratively with Kenya and that a full and final settlement of £650,000 be made to the Sultan. No action has yet been taken on this recommendation.

Mr. PASSMAN. Do we just have to get involved in every island, every village, every country on the entire face of the earth with an aid program? Is that our policy? Just to see how quickly we can get involved with some new nation or territory coming into being?

I asked the gentleman to yield to ask this specific question, knowing that just as quickly as the British got out of Cyprus, we were in with an aid program.

AID PROGRAM FOR ALGERIA

Do you think there is a possibility that we may get into Algeria with an aid program this year, if they get their independence?

Mr. HUTCHINSON. In fiscal year 1963 I think it is a possibility, sir.

Mr. PASSMAN. Please leave that in the record, and I thank you for yielding.

PRINCIPLES OF THE FOREIGN ASSISTANCE PROGRAM

Mr. WILLIAMS. The only comment I was going to make is that the principle of the AID program is that it is assistance to create a stable world, which ultimately is helpful to the security of our people.

Mr. PASSMAN. How about Laos and Vietnam and Cambodia and Indonesia and India and all those people who are just on the verge—a great many of them—of turning on us? Our resources are not unlimited.

Thank you, Mr. Ford.

Mr. WILLIAMS. I recognize that, sir.

VARIATION IN AMOUNTS PLANNED FOR DEVELOPMENT LOANS

Mr. FORD. For clarification, Governor, on page 65 of the justification book under the fiscal year 1963 program the total figure in that first column, the heading shows $350,250,000—$420,250,000.

What do you mean by that variation of those two figures?

Mr. WILLIAMS. The variation indicates that aid would be granted only as projects are approved, and that projects will be approved or disapproved during the course of the year. As a consequence, it cannot be predicted exactly what it would be now.

Mr. MOSSLER. This range pertains to the development loan category.

Mr. FORD. In other words, the minimum you want is $350 million plus, and in the maximum $420 million?

Mr. MOSSLER. I think the answer is that this reflects a range of requirements under development loans.

If you add up this range for each of the four regions, the record will show that the agency is asking for the minimum of the two figures. It is a lending range, Mr. Ford, that is shown here.

Mr. FORD. In other words, if we went to the next area they would have the same range in their presentation? If we went to the next range or region and checked it, it would have a similar range? The sum total before us for approval would be the totals for the minimums?

Mr. MOSSLER. Yes, sir.

LONG-RANGE COMMITMENTS IN AFRICA

Mr. FORD. We had quite a battle last year about how much authority the Congress should turn over to the executive branch for long-range authority or commitments.

I would like to know in what nations in Africa such long-range commitments have been made and what do they involve? What are the terms of our commitment?

Mr. WILLIAMS. The only one at the moment is Tanganyika.

Mr. FORD. The only country where we have a program where it could be construed to be a commitment of more than 1 year?

Mr. WILLIAMS. Well, this is under last year's act.

Mr. FORD. Now, what do you mean by a commitment under last year's act? How do you define it?

Mr. WILLIAMS. Under section 202(b) a commitment is authorized which requires notification of the Congress. It is a commitment which satisfies the provisions of the act.

SECTION 202(b)

Mr. FORD. What are the provisions of the act?

Mr. WILLIAMS. It reads:

> Whenever the President determines it is important to the advancement of the U.S. interests and necessary in order to further the purposes of this title, and in recognition of the need for reasonable advance assurances in the interest of orderly and effective execution of long-term plans and programs of development, assistance, he is authorized to enter into agreements committing, under terms and conditions of this title, funds authorized to be appropriated under this title, subject only to the annual appropriations of such fund.

Pursuant to that, the AID administration makes a careful analysis of the program of the country, its future potentials, and then this further determination is made by the President.

TANGANYIKA

Mr. FORD. And the only country out of the 29 that are involved in the AID program for 1963 fiscal year in Africa where such a program is in operation is in Tanganyika?

Mr. HUTCHINSON. As stated, this is correct. Tanganyika is the only country to which a commitment has been made exercising the authority of section 202(b). A commitment has been made in support of the Nigeria development plan for which the section 202(b) authority has not been used as yet.

Mr. FORD. Just so that I understand what you did in Tanganyika, what is contemplated under this long-term program and how much money is involved and why did you have to use the exception for this country and not any other?

Mr. HUTCHINSON. We have made the section 202(b) commitment for $10 million to Tanganyika. We have made a commitment of $225 million in support of the Nigeria development plan and this may be converted or put under the authority of section 202(b). We have under very active and imminent consideration, a commitment to Tunisia in support of a development fund in the amount of $180 million. These are the only programs we have under consideration.

Mr. CONTE. Will the gentleman yield?

Mr. FORD. Yes.

Mr. CONTE. Do you not have a 5-year program under consideration for Nigeria?

Mr. HUTCHINSON. We have made a commitment of $225 million, as I testified. It is a 6-year development plan.

Mr. FORD. What I would like to have for the record, if I may, is the terms dollarwise of this commitment to Tanganyika; how much per year, for how long a period of time, and the similar terms for Nigeria and Tunisia.

In other words, I want to know what the total commitment is, dollarwise, and how much is envisaged for each year and which will be applied against that total.

Mr. HUTCHINSON. May I speak to that for a moment?

Mr. FORD. Surely.

Mr. HUTCHINSON. We do not envisage any particular amount for any fiscal year. These commitments are all contingent on the necessary projects advancing to the stage where they are appropriate for actual financing. So, we could not make a commitment to make any particular amount of money available in any particular year. It is a commitment in support of a plan conditioned upon the projects developing to the point where we can finance them. We do not have any figures for the amounts to be made available in any particular year.

Mr. FORD. In addition to the dollar figures I have requested, would you also identify the projects encompassed within the programs for each of the three countries so we get a feel of what you are doing and what you intend to complete or finish?

Mr. HUTCHINSON. We could give you a description of the plan and the projects which have been listed in the plan. These are the ones which it is more likely our funds will be made available to finance. Again, we do not have the specific project which we can tell you will be financed with this particular commitment.

Mr. FORD. Do you sign a contract with the country in furtherance of this agreement?

Mr. HUTCHINSON. We write them a letter telling them the nature of the agreement. Usually we get a letter back in reply. We do not sign contracts.

Mr. FORD. When you announce to them, or indicate that we have made a commitment are there magic words, "Subject to appropriation by the Congress" included in large type?

Mr. HUTCHINSON. I think they are included in the same size type.

APPROPRIATION OF FUNDS FOR COUNTRY PLANS RATHER THAN PROJECTS

Mr. PASSMAN. Is it your understanding, Governor Williams, that we are now appropriating funds to a plan, rather than to a series of projects? India may have a 5-year plan and Tanganyika may have a 10-year plan. Are you making a commitment to a plan, rather than to a series of specific projects?

Mr. WILLIAMS. As I understand it, the appropriations you make are made to the Department. We make commitments but there is no money paid until the project has been approved.

Mr. PASSMAN. That is a good statement, but you did not answer my question.

Is it your understanding that this committee and the Congress will appropriate funds to a plan, and not to a series of approved projects within a country?

Mr. HUTCHINSON. I will be glad to answer.

Mr. PASSMAN. I will ask Secretary Williams again, and if he wants the information, he will ask you for it.

Mr. HUTCHINSON. OK. I will be glad to testify.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. WILLIAMS. Mr. Chairman, I think I answered but I am not sure that it is the answer you wanted.

Mr. PASSMAN. Is it to a plan or to a series of projects?

Mr. WILLIAMS. Well, there are some questions I am not confident can be answered yes or no. I would say that you are appropriating money to the State Department or to the AID program and that we are making a presentation indicating we would make commitments on the basis of plans.

Mr. PASSMAN. After you receive the money?

Mr. WILLIAMS. No, before. But we would not pay out any money until there was a project.

Mr. PASSMAN. Are you asking that Congress appropriate money to a plan—or to a series of projects within a plan?

Mr. HUTCHINSON. Sir, the making of a commitment to a country in support of its plan does not change the procedure by which we request the appropriation in any way. We request an appropriation for either development loans or development grants, depending on our best estimate of the projects that will come forward within the time period for which we are asking the appropriation.

Mr. PASSMAN. Unfortunately, you are not answering my question. I am going to ask you specifically, and please give me an answer. I believe the Secretary of State had the answer the same as Mr. Hamilton had the answer.

Are you asking for money to develop a series of projects that you have, prior to the request for the money, firmed up, and you know their value and their cost?

Mr. HUTCHINSON. We are asking you for an appropriation of money for a series of projects we have firmed up in part.

This is true to a very considerable extent in the development grant program, as you are aware, and has been historically true of the program. The development loan request is for an appropriation in support of the best estimate of the projects which will reach the stage which you have mentioned, where they are firmed up and where we can obligate the funds.

PROJECT COST JUSTIFICATIONS BY COUNTRY

Mr. PASSMAN. At a subsequent date, you are going to be able to justify every dollar of this money in your region, by project, or a series of projects, for every country for which you are asking the money?

Mr. HUTCHINSON. A project or a program. We do——

Mr. PASSMAN. I am talking about projects. I have not mentioned programs yet.

I dealt entirely with either a plan or a series of projects.

Mr. HUTCHINSON. We will be using the money for a series of projects or we will be using the money for programs of commodity imports which may support a country's plan, or may be for supporting assistance programs, such as in the case of——

Mr. PASSMAN. Then you are not going to ask for any funds for any projects you cannot firm up and give us the cost of the project, or series of projects, for fiscal year 1963?

Mr. HUTCHINSON. We are not going to obligate funds for any projects——

Mr. PASSMAN. I did not say anything about obligating funds. My question is: Are you going to justify before this committee the dollars that you are requesting and say, "Here is a list of projects for country A and the estimated cost of these projects is such," and then we move on to the next country?

Mr. HUTCHINSON. We have before you, sir, in the presentation books, a list of projects for which we are requesting appropriations for development grants which we presently anticipate will be used in fiscal year 1963.

Mr. PASSMAN. I am talking about development credits. I am not going to get into this fuzzy field of finances.

Mr. HUTCHINSON. You were asking me a general question?

Mr. PASSMAN. I am going to pin it down.

Mr. HUTCHINSON. On development loans?

Mr. PASSMAN. I am talking about development credits. You use "loans," but I will use "credits."

Mr. HUTCHINSON. In the category of financing I described, in the bill——

Mr. PASSMAN. How you describe them is one thing but the real fact is another thing. Let us get down to development credits, or loans, if you wish.

Are you going to justify all of the money you are asking for developments grants or loans by project?

Mr. HUTCHINSON. I am prepared to justify these funds on the basis of the list of projects, which I can show you, indicating our anticipations and expectations. I am not going to tell you——

Mr. PASSMAN. For development grants?

Mr. HUTCHINSON. For development loans.

Mr. PASSMAN. For development loans.

Mr. HUTCHINSON. Or credits. I am not going to tell you, sir, that those projects have progressed to the stage where we are able to make all of the section 611 certifications as to their economic and technical feasibility before we ask for the appropriation. This has never been the practice in this program.

Mr. PASSMAN. It has been the practice, and I would challenge that statement with the record later.

How are you going to reconcile your answer?

Mr. HUTCHINSON. Sir, I do not know how you want the record to stand, but I will assure you that we are justifying the development lending program this year in the identical manner it has been justified every year in which it has come before the committee.

Mr. PASSMAN. If your testimony is in conflict with that of the Secretary of State and Mr. Hamilton, that they are asking for money for a plan, and not programs and projects, then how will the committee work that out?

Mr. HUTCHINSON. I am sure this is a question of definition, a question of interpretation, or a question of the use of language.

Mr. PASSMAN. You do not know the cost of a single project, and you say this is what you are estimating? You cannot tell this committee what these projects are going to cost?

Mr. HUTCHINSON. I have not testified that we could.

Mr. PASSMAN. That is the only thing I have been trying to find out. You are asking money for a plan, and not money for a firmed-up project?

Mr. HUTCHINSON. I have testified we are requesting money for our best estimates of those projects that are going to reach the stage where we can obligate them in the time period for which we are asking for money.

This has been the practice from the beginning on the development lending request.

Mr. PASSMAN. As far as development lending is concerned, this is as new as a baby still wet behind his ears.

I am talking about the overall program. It is a different justification than you have used in prior years. This is something you only brought into being a year ago.

Mr. TABER. Will you yield?

Mr. FORD. Yes.

PRINCIPLES OF ASSISTANCE IN AFRICAN COUNTRIES

Mr. TABER. I refer to page 4 of your statement, Mr. Secretary. I want to read a little bit of it:

> These principles are eminently well suited to Africa, and I would like to take a few minutes to show how each of them applies. In doing so, I will take the liberty of changing the order somewhat, to reflect the emphasis that we feel best fits the needs of Africa.
>
> First, our help is designed to contribute to African leadership, to support Africa's own efforts and to make primary use of the human and material resources of Africa itself. We cannot and should not expect to transplant alien institutions to African soil. The nations of Africa are rightly insistent on building societies of their own, on developing their own personality.

There is not a single one of those principles, unless it is in Tanganyika, that you have developed in accordance with that statement.

Mr. WILLIAMS. What institutions did we develop in Tanganyika?

Mr. TABER. That is the only exception where you have gone ahead.

Mr. WILLIAMS. Operated under the new program?

Mr. TABER. Yes; and where you have told us what you said you were going to tell us in that instance.

Mr. WILLIAMS. This program—for $10 million—is the one that emphasizes transportation and education. In the field of education, we feel that the Africans' own institutions should be recognized. With that in mind, we should try to develop a program that would help them meet their needs. In other words, it may very well be that the teaching of Latin and Greek, which we used to have in our schools, would be of no assistance to them down there, and that we would try to develop a curriculum which would be appropriate to their country.

I suppose the road programs, by and large, have a universality, but we would try and work it out where it would meet their problems, not a preconceived idea of our own.

Mr. TABER. The thing I cannot get is that you have not gone ahead and developed anything except perhaps in Tanganyika?

Mr. WILLIAMS. Yes, sir.

Mr. TABER. That is the only one?

Mr. WILLIAMS. No; that is the only one we have developed under this long-range program worked out by last year's legislation.

Mr. TABER. Frankly, I do not see what you came up here for if you have just that one thing to do.

Mr. WILLIAMS. No; we have programs, as pointed out, in many of these other countries but they have been under different provisions of the law, sir.

Mr. TABER. I guess that is all.

LOCAL REFORM MEASURES PRIOR TO ASSISTANCE TO AFRICA

Mr. FORD. One of the past criticisms of our programs over the years in South America has been the fact that there were no suitable social, economic, and other reforms.

At the Bogotá Conference we embarked upon a new project which was to aim at an aid program that eventually generated into the Alliance for Progress.

We are supposed to be making commitments through that program aimed at tax reform, land reform, and so forth.

How are we handling this program under your jurisdiction in Africa?

Mr. WILLIAMS. Well, sir, I think that the part of the program to which you have reference in South America is the long-term commitment. I think that with respect to those countries where we are seeking long-term commitments, we do examine their taxes. We examine their fiscal operations to see that they are avoiding inflation or extravagances.

As to some of the other areas, economic areas that apply in South America, they do not particularly apply here. In other words, there is not the wide variation in wealth in Africa that you find in South America. The democratization of the economy is not quite the problem in Africa it might be elsewhere.

LONG-TERM COMMITMENT FOR GHANA POWER PROJECT

Mr. FORD. You said in those areas where we are making long-term investments or commitments, we are requiring some fiscal responsibility, some tax and economic reforms. Is that true in the case of our long-range commitment for the hydroelectric power project in Ghana?

Mr. HUTCHINSON. That is not a long-term project.

Mr. WILLIAMS. That is, not under this act.

Mr. HUTCHINSON. That is just a straightforward loan.

Mr. FORD. It is not under the AID program at all?

Mr. HUTCHINSON. We have made a loan under the AID program, but we have not financed the whole project under that.

Mr. FORD. I appreciate that AID has not financed the whole program, I am familiar with that fact.

Mr. HUTCHINSON. It is not a long-term commitment in the sense we are talking about. This is a specific contract for a loan in support of a project. It is not a commitment in support of a plan.

Mr. FORD. It is a long-term investment in that we are spending a sizable amount of money for the project which will exist for a long time.

Mr. HUTCHINSON. That is correct.

Mr. FORD. Which will conceivably bring about benefits of major proportions over an extended period of time. It is a matter of definition what you mean by long-term investment, but certainly I can construe that particular item as one that would fall within my definition, at least, of a long-term commitment for a sizable investment.

What were the terms, if any, that we got at the time this commitment was made?

Mr. HUTCHINSON. I am not sure what you mean.

REFORM MEASURES INSTITUTED IN GHANA

Mr. FORD. What commitments did we get from Ghana at the time this plan or program or project was approved that would indicate they were going to be responsible fiscally, that they were going to have a good tax base, and provide a democratic form of government?

Mr. HUTCHINSON. Sir, insofar as the tax base, fiscal policies, and that sort of thing are concerned, Ghana is among the best countries in Africa. They do a very good job in this respect. They have recently, under some fairly serious circumstances, imposed import controls and conserved their foreign exchange. They have put into effect a program of consumer savings which is in the nature of self-help.

So far as the other commitments are concerned, I was not here at the time this contract was negotiated, but I do happen to know that Mr. Randall was sent out as the personal representative of the President to discuss the expectations of the United States in this regard.

TERMS OF CONTRACT WITH GHANA

Mr. FORD. Let us get into the record what the terms were and how much it was in the way of financing which came from AID and how much from the Export-Import Bank or the World Bank.

Mr. HUTCHINSON. I can put it in the record right now if you like.

Mr. WILLIAMS. There is a contract on this that is 6 inches thick. It is legally tied up so that the World Bank and the legal authorities are confident that there is going to be no problem of payment. Of course, if there is failure of payment, or if there is a breach of contract, we have various remedies under the contract.

As far as the economic facets here are concerned, there are all kinds of commitments in connection with the project. We will certainly make that material available to you.

Mr. FORD. Make that available to the committee and then summarize these fiscal aspects of it for the record.

Mr. HUTCHINSON. Yes, sir.

(The material supplied follows:)

TERMS OF THE VOLTA RIVER HYDROELECTRIC PROJECT

DESCRIPTION AND COST OF PROJECT

The Volta project involves the construction of a dam, power station, and transmission grid, to be owned and operated by the Volta River Authority, an independent corporation of the Government of Ghana patterned after the Tennessee Valley Authority, and an aluminum smelter, to be built and operated by Valco, a consortium of two American aluminum companies, Kaiser and Reynolds. The smelter, which will be built at the port of Tema, will be the principal user of the power generated by the project, and will provide the nucleus for future industrial development in Ghana. In addition to providing power, the project will create a giant lake which will facilitate inland transportation, increase foodstuffs, and offer substantial possibilities for irrigation. Its benefits could readily be extended to other African countries.

The cost of the dam, powerplant, and transmission grid is estimated at $196 million. The projected cost of the smelter is $122 million, with the possibility of an additional $42 million to cover any overrun in the estimates due to escalation in prices. Thus the overall cost of the project ranges to an estimated maximum of $360 million.

FINANCING OF PROJECT, INCLUDING U.S. AID

The financing of the project involves a relatively small amount of direct U.S. aid money to Ghana and will be phased over an extended period of time. Both the United Kingdom Government and the International Bank for Reconstruction and Development are making substantial loans, and Ghana itself is contributing one-half of the cost of the hydroelectric project. The external loans will be advanced to the Volta River Authority on a 50–50 matching basis with the Ghanaian Government.

The U.S. loan of $37 million to Ghana represents 19 percent of the estimated total cost of the dam, powerplant, and transmission grid, and will be disbursed at the relatively modest rate of approximately $7 million per year over a 5-year period. Failure of the Ghanaian Government to meets its commitments under the agreements could result in termination of the U.S. contribution. The remainder of the U.S. loans are to a consortium of American companies to build the aluminum smelter and are not to the Government of Ghana.

Following is a detailed breakdown of the financing:

(a) Dam, powerplant, transmission grid

Source	Amount	Term	Interest rate
U.S. Government:	*Millions*	*Years*	*Percent*
AID	$27	30	3½
Eximbank	10	25	5¾
World Bank	47	25	5¾
United Kingdom	14	25	5¾
Government of Ghana	[1] 98		

[1] Ghana's contribution will be made from its own resources and revenues; $20,000,000 has already been disbursed.

(b) Smelter

[In millions]

	Initial	Overrun	Potential total
Equity	$32	$22	$54
Eximbank loan	90	20	110
Total	122	42	164

Interest payments on the AID loan for this project ($27 million, at 3½ percent interest, repayable in dollars) will be due semiannually, beginning 6 months after the first disbursement of the loan. Principal will be repaid in semiannual installments over 30 years, the first payment being due 1 year after the first disbursement under the loan. No disbursements have yet been made under the AID loan.

Mr. CONTE. Will the gentleman yield?

Mr. FORD. Yes.

FINANCIAL PROBLEMS IN GHANA

Mr. CONTE. You mentioned that Ghana was one of the better countries in Africa in regard to self-help projects.

Mr. HUTCHINSON. In regard to self-help measures, particularly the administration of tax laws.

Mr. CONTE. You would not go so far as to say they have shown wise financial investments, would you?

Mr. HUTCHINSON. I do not think I testified to that.

Mr. FORD. How can you admit, as you did, that they are close to bankruptcy and then say they have got a good fiscal system?

Mr. HUTCHINSON. You are still pushing it further than I am going here in either direction. I did not testify as to the bankruptcy.

Mr. CONTE. I said that.

Mr. FORD. I gathered that you concurred. If you do not concur, tell us what the story is.

Mr. HUTCHINSON. They have had very serious difficulties in their foreign exchange situation in the last few months. They have been developing at a pretty rapid rate, which tends to draw foreign exchange reserves down pretty rapidly. They probably went much more quickly in this respect than perhaps the best judgment would have indicated. I am also sure, however, that their reserves ran down more quickly than was anticipated. They recently imposed some pretty severe exchange controls over imports, but how effective these will be, I am not sure. They have, on the other hand, put those controls into effect. They have not just let the situation run rampant without attempting to bring it under control.

They do have one of the best tax systems and one of the best-administered tax systems in Africa. They are able to run their internal affairs administratively better than many other countries.

Mr. WILLIAMS. Some of their recent political difficulties have been because of austerity programs; there were objections on the part of some of the people that were affected. They persevered in their austerity program.

MEANING OF SECTION 202(b) COMMITMENT

Mr. HUTCHINSON. Let me say one more thing in connection with my use of the word "commitment."

I do not want to mislead you again.

I am trying to be very careful in the language I use here because of the contrast between the kind of determination which the chairman is talking about that we should make before entering into some of these long-term arrangements with countries and the determinations that were made in the case of the Ghana project. Because this was a specific loan project agreement, the engineering, economic feasibility,

and the gamut of the other kinds of studies were finished before the contract was entered into.

It is that kind of work which is not done before we enter into a section 202(b)-type commitment, and that is why I was defining the alternative uses of the word "commitment." I want to be very careful.

REFORM MEASURES PRIOR TO ASSISTANCE TO AFRICA

Mr. FORD. Do I gather the impression then that in none of these projects or programs which we are talking about in the 29 countries in Africa is predicated on a quid pro quo that the countries will institute and carry out any social, economic, or fiscal reform?

Mr. WILLIAMS. This is what we have reference to in not "tying political strings." We make our judgment in advance that these countries are, in the long run, going to provide a stable political and economic system for their people and we make our projects so as to promote that.

Mr. FORD. In other words, you are not tying any reform in these countries to the commitment by us on the basis that if we insisted on that, we would be tying strings to our aid? That is what I gathered you said.

Mr. WILLIAMS. Mr. Hutchinson wants to answer.

Mr. FORD. That is what I thought you said, Governor.

Mr. WILLIAMS. In other words, as far as the economic end of it is concerned—as you pointed out, taxes and austerity—on these things, in the long-range plan, we do give commitments. But, for example, that they should change their method of voting if we give them certain loans—this is not tied in.

Mr. FORD. I am not talking about a method of voting. I am trying to draw a comparison between the alleged failures we had in South America and what we are now seeking to do. I am only trying to find out now at the inception of a massive program in Africa whether we are duplicating the alleged error we made in South America, or are we doing what we are told is being done in South America now; that is all I want to know.

Mr. HUTCHINSON. The situation is slightly different than in Latin America in that we do not have a long history of institutions and social practices which require reformation. This process of building institutions is really almost starting from scratch in Africa and is building up, rather than going through a reformation process.

Mr. FORD. I will concede that and that the heritage is different but you have conditions which, if not identical, are similar. I specifically have in mind fiscal management. What are you doing in this area to avoid the errors that were allegedly made in South America in your AID program?

Mr. HUTCHINSON. We think the African countries have a very impressive record in this respect, sir.

We cover it in part in my prepared statement here and, in addition, we have a whole series of items in the presentation books which deal with self-help measures being carried out in Africa. They cover, for example, increased taxes, customs duties in Nigeria, and a reduction in the prices paid to cocoa farmers for cocoa which is exported. We know how difficult it is to accomplish this short of thing.

Then there is a reduction in government employees' salaries and an enforced plan for contributions to a government bond drive.

Mr. RHODES. Enforced contributions, did you say?

Mr. HUTCHINSON. From certain of the civil servants; yes, sir.

Mr. RHODES. That is like they do in Russia.

Mr. HUTCHINSON. It is self-help in the sense that it raises the revenue.

Mr. RHODES. The government is helping itself to the salaries of the civil service people.

Mr. FORD. What I would like to have you do when we go on a country-by-country basis is to be prepared to say that for this project which we are proposing, with x number of dollars, I would like to know what conditions are the quid pro quo from the other country.

If you cannot identify the quid pro quo project agreement, what quid pro quo can you relate to a program, or a plan? This is the only basis, in my opinion, on which the overall approach to Africa will succeed.

If we are just going down there with our largesse, and make available as much as we can and as quickly as we can, it will not work. We have to expect some cooperation, and I use that in capital letters, from them. Whether you construe it to be quid pro quo or not I don't care, but if we are just going down there to spread our well-being I do not think it will operate effectively.

Mr. HUTCHINSON. I would like to get into the record country by country the actions being taken by these governments.

Mr. FORD. That is what I want done.

Mr. HUTCHINSON. There are some actions we are taking likewise to get contributions by them in support of their own programs, and in support of particular AID projects as well. We feel you can approach this thing by requiring that to the maximum extent possible they make maximum contributions to the particular project we are financing, for example, rather than for us to finance the whole thing. This is an example of the thing we do.

I can list a whole series of tax measures, and savings measures which have been introduced throughout African countries, which we think make an impressive record for countries which are just new and starting down the road as these countries are.

Mr. FORD. Can we relate them to our insistence they do this in return for our cooperation?

Mr. HUTCHINSON. This relationship might be a little difficult.

(The following was submitted later for the record:)

Examples of self-help among independent African countries

Country [1]	Date of independence (1956–61)	Tax, saving, and other self-help measures (1960–62)
Cameroon	Jan. 1, 1960	Tax administration and collection were improved. Existing taxes were increased. New taxes on wages were introduced. Domestic revenue has been increased from $47,000,000 in 1959 to an estimated $54,000,000 in 1961.
Central African Republic	Aug. 13, 1960	Budget receipts from direct and indirect taxes were augmented appreciably in 1961. Domestic revenue has been increased from $10,000,000 in 1959 to an estimated $12,000,000 in 1961.
Chad	Aug. 11, 1960	Domestic revenue has been increased from $13,000,000 in 1959 to an estimated $19,000,000 in 1961.
Congo (Brazzaville)	Aug. 15, 1960	Existing taxes were increased. New taxes were introduced. Budget receipts from direct and indirect taxes are estimated to have been at least 11 percent higher in 1961 than in 1960.
Dahomey	Aug. 1, 1960	Among the various austerity measures announced for the 1961–62 period have been an increased income tax, a 10-percent reduction in Government salaries, the abolition of various fringe benefits such as free housing, restrictions on the use of vehicles, and a reduction in force of Government personnel.
Gabon	Aug. 17, 1960	Direct and indirect tax receipts were nearly 10 percent higher in 1961 than in 1960. New taxes were introduced. Domestic revenue has been increased from $13,000,000 in 1959 to an estimated $20,000,000 in 1961.
Ghana	Mar. 6, 1957	Beginning September 1961, restrictions were imposed on luxury imports. Domestic revenue has been increased from $196,000,000 in 1960 to an estimated $214,000,000 in 1961.
Guinea	Oct. 2, 1958	Existing taxes were increased. Budget receipts from direct and indirect taxes were estimated to have increased by 10 percent between 1959 and 1960.
Ivory Coast	Aug. 7, 1960	A savings campaign for the National Development Fund was launched in 1962. Highly paid persons were required to contribute 10 percent of their salaries. The private sector was to provide loans from profits but was entitled to special rebates if profits were reinvested in the Ivory Coast instead of being transferred abroad.
Malagasy Republic	June 26, 1960	Domestic revenue has been increased from $61,000,000 in 1959 to an estimated $78,000,000 in 1961 despite the effects of several cyclones. The budget was reorganized. A 10-percent reduction in Government wages was announced. Existing taxes were increased. New taxes were introduced. A national subscription campaign was launched.
Mali	Sept. 24, 1960	New taxes were introduced. Budget receipts from direct and indirect taxes are estimated to have been more than doubled between 1960 and 1961.
Morocco	Mar. 2, 1956	Reform measures have included the introduction of progressive taxes on agriculture, of increased taxes on business profits, salaries, and wages, and of a National Investment Fund which draws upon 3 to 5 percent of firms' income in exchange for certificates.
Niger	Aug. 3, 1960	Public subscriptions to the Development Bank reached $1,200,000 by May 1, 1962, despite the low per capita income average. Budget receipts from direct and indirect taxes were increased by 12 percent between 1960 and 1961.
Nigeria	Oct. 1, 1960	Prior to independence, Nigeria had largely self-financed its own growth. Nigeria now intends to finance from domestic resources 100 percent of the recurrent expenditures and 50 percent of total capital expenditures in the comprehensive 6-year (1962–68) development plan.
Senegal	Sept. 24, 1960	Domestic revenue has been increased from $95,000,000 in 1960 to an estimated $108,000,000 in 1961. New taxes were introduced. Land reform proposals are being prepared.
Sierra Leone	Apr. 27, 1961	Domestic revenue has been increased from $31,000,000 in 1959 to an estimated $41,000,000 in 1961.
Somali Republic	July 1, 1960	Domestic revenue has been increased from $9,000,000 in 1959 to $15,000,000 in 1961.
Sudan	Jan. 1, 1956	High import duties were imposed on luxury goods. During 1961, more than 20 percent of total domestic revenue was spent for development projects. A 7-year development plan is being prepared.
Tanganyika	Dec. 9, 1961	Domestic revenue has been increased by nearly 4 percent between 1960 and 1961.
Togo	Apr. 27, 1960	Budget receipts from direct and indirect taxes have been increased by 11 percent between 1960 and 1961.

See footnote at end of table, p. 348.

Examples of self-help among independent African countries—Continued

Country [1]	Date of independence (1956–61)	Tax, saving, and other self-help measures (1960–62)
Tunisia	Mar. 20, 1956	Tunisia has adopted a long-range 10-year perspective plan and a 3-year (1962–64) plan, and hopes to finance 50 percent of total investment from domestic savings. A labor-intensive development program, which provides employment for more than 170,000 Tunisians in agriculture and in construction, is being integrated into the new development plan.
Upper Volta	Aug. 5, 1960	The budget was reorganized. Domestic revenue has been increased by more than 50 percent between 1960 and 1961. In 1962, a decree was enacted to reduce fringe benefits, such as housing and vehicles, to high-level Government employees.

[1] All of the countries listed, except for the Somali Republic and Togo, have either in effect or definitely in preparation national development plans of varying scope. Roughly ¾ of the countries listed have recently established development banks or have expanded existing lending facilities. In addition, new or improved investment legislation has been introduced in the majority of countries within the last 2 years.

Mr. ROONEY. Off the record.

(Discussion held off the record.)

ASSESSMENTS AND CONTRIBUTIONS OF NEW NATIONS TO U.N.

Mr. FORD. Let us put in the record, just so it is available, the status of the contributions by these countries to the United Nations since their admission to the United Nations, their assessment both for the regular budget and for the special budget, and what they have actually paid as of the last reporting date.

(The information follows:)

United Nations assessments (in U.S. dollars for calendar year)

Country	1962 net assessment for—			Balance due as of May 31, 1962, on prior year assessments for—		
	UN regular budget	UNEF	UNOC	UN regular budget	UNEF	UNOC
Cameroon	29,650	780	6,400			
Central African Republic	29,650	780	6,400			
Chad	29,650	780	6,400			6,640
Congo (Brazzaville)	29,650	780	6,400	27,098	7,968	10,056
Congo (Leopoldville)	51,887	1,365	11,200			
Dahomey	29,650	780	6,400	934	382	
Ethiopia	37,062	975	8,000		64,178	26,416
Gabon	29,650	780	6,400			7,925
Ghana	66,712	1,755	14,400	478		
Guinea	29,650	780	6,400		7,484	27,298
Ivory Coast	29,650	780	6,400			
Liberia	29,650	780	6,400			
Libya	29,650	780	6,400	24,746	33,373	27,298
Malagasy Republic	29,650	780	6,400	11,800	3,155	12,698
Mali	29,650	780	6,400			7,925
Morocco	103,774	2,730	22,400	158,728	26,879	95,541
Niger	29,650	780	6,400	13,925	4,206	8,991
Nigeria	155,661	4,095	33,600			
Senegal	37,062	975	8,000			
Somalia	29,650	780	6,400			7,925
South Africa	392,858	51,675	424,000			825,949
Sudan	51,887	1,365	11,200		69,821	26,416
Togo	29,650	780	6,400		4,206	8,991
Tunisia	37,062	975	8,000			
Upper Volta	29,650	780	6,400		7,968	10,056

NOTE.—1962 assessments are due for payment prior to Jan. 1, 1963.

BUDGETARY ASSISTANCE

Mr. FORD. As I understand from a reading of your testimony, Governor, there is no budgetary assistance in this program for any of these countries?

Mr. WILLIAMS. That is correct, sir.

Mr. RHODES. We used to have budgetary assistance for Tunisia under "Special assistance."

MOROCCO

Mr. WILLIAMS. In Morocco—I am sorry we didn't bring this out—we have a payment which we followup to try and see that it goes into appropriate projects, but we do not have the same kind of project control we do elsewhere. We wouldn't characterize this directly as budgetary assistance but it also is not a simple case of project assistance as we have it elsewhere.

Mr. RHODES. You would not characterize it as budgetary assistance? It could be, could it not? If it should happen to slip over into general governmental expenses, it could be used to pay for the Sultan's palace, and so on? This could occur, could it not?

Mr. WILLIAMS. It might, but I don't think so. I think we have a pretty close record of that.

Mr. MOSSLER. We have this year, fiscal year 1962, a $30 million Moroccan program, part of it is in the form of a cash loan, and part is for commodities.

To the extent that there is a cash loan we do not have any control over the use of that. This goes into Morocco's general foreign exchange reserve.

Mr. HUTCHINSON. This is used in support of their developmental budget.

It is not budget support in the traditional sense. These amounts are not arrived at by analyzing the budgetary deficit and relating the amount of assistance we are going to provide to them to their budget requirements. It is not budget support in that sense.

Mr. WILLIAMS. I should have made an exception of this because it is different from the other projects.

Mr. RHODES. Then the word "loan" should be in quotes, should it not?

Mr. WILLIAMS. It is to be repaid.

LOCAL CURRENCY LOANS TO MOROCCO

Mr. MOSSLER. Morocco has been taking their supporting assistance on a loan basis.

Mr. RHODES. Is this a dollar-repayable loan?

Mr. MOSSLER. Local currency repayment.

Mr. PASSMAN. What use is made of the local currency? Is it plowed back into the economy of the country?

Mr. MOSSLER. Back into miscellaneous receipts of the Treasury, Mr. Chairman.

TOTAL PROPOSED AID PROGRAM FOR AFRICA FOR FISCAL YEAR 1963

Mr. FORD. You testified that the minimum program which will be submitted is $350,250,000 which includes development loans, development grants and supporting assistance for this area. What other aid programs of one sort or another, including Public Law 480 and others, are included? Break it down in totals and not by country at this point.

Mr. MOSSLER. Again, as an estimate for fiscal year 1963, in addition to the economic aid requested under our act, it is our best forecast at this time that the food for peace programs for Africa will amount to approximately $170 million. This includes title I, title II, title III, and so on.

We also expect some activity from the Export-Import Bank but we do not know exactly how much. This would depend upon the actual loan applications which come in.

Last year, in 1962, I believe this ran to approximately $70 million.

Mr. FORD. You would envisage a comparable figure, or perhaps more?

Mr. MOSSLER. Possibly. I don't know.

Mr. HUTCHINSON. I would qualify that. I think there was one loan there which would tend to distort the figures on the high side.

Mr. FORD. These are all the programs other than military assistance which would come from the United States.

Mr. MOSSLER. The Peace Corps will have some. We don't know exactly how much the cost of these people will be or how to evaluate them.

Mr. FORD. They want $64 million this year in toto. Part of that would go to this?

Mr. MOSSLER. That is right.

Mr. FORD. Will you list any other hydroelectric projects which the aid program is supporting other than the Volta Dam project in Africa? Are there others?

Mr. WILLIAMS. Yes, sir.

Mr. FORD. What are they?

Mr. WILLIAMS. I think there is also aid which goes to the U.N. for its Congo operations.

Mr. CONTE. A big one.

U.S. CONTRIBUTION TO THE U.N.

Mr. FORD. Mr. Chairman, it was my recollection from reading an article the other day that Mr. Klutznik had recently refused to make our last contribution to the U.N. aid program on the basis that other nations had not contributed their share.

Does anyone here know whether or not that is an accurate statement? It would be helpful if we could have that clarified. If they are not doing it in fiscal 1962 it might make some impact on their 1963 justification.

Mr. PASSMAN. We shall have full and complete hearings on the international items, which involve a very substantial amount. I think that 87 of the 104 nations which are members of the U.N. are in default.

We shall go into that matter in considerable detail, because they have thrown many of these things into the U.N., a good part of the technical aid now being handled through that organization.

POWER PROJECTS IN AID PROGRAM FOR AFRICA

Mr. HUTCHINSON. We told you we had a hydro project similar to that of the Volta River. If you mean multipurpose projects involving power, and so on, we spoke too fast. We have dams for purposes of irigation, and this sort of thing. The Volta project is the only hydro project of this sort that I am aware of which we have financed to date.

We have some other projects under consideration but Volta is the only one now.

Mr. FORD. How do you differentiate between the Volta type and the other type?

Mr. HUTCHINSON. For example, we have made a loan for a project in Morocco which involves a dam and storage reservoir, irrigation canals, and irrigation works, but not power.

Mr. FORD. What is the dollar value in round figures?

Mr. HUTCHINSON. $23 million.

Mr. FORD. I would consider that as a project under the intent of my original question. I didn't mean to limit it to multipurpose hydro projects.

Mr. HUTCHINSON. The power there is only to operate the pumps and it is not for the general supply of power.

Mr. FORD. Will you list whatever the projects are under this broad definition and not the restrictive definition, and give the amounts, how much we have spent, and how much more we contemplate, and in what fiscal year?

Mr. HUTCHINSON. We cannot break obligations down by fiscal years, since we make a loan to cover the entire cost of the project. We can tell you how much has been spent to date, how much remains to be spent, and when it is anticipated it might be completed.

Mr. FORD. You can give us the date of the commitment.

Mr. HUTCHINSON. Yes.

Mr. FORD. You can give us any expenditures by fiscal year to date?

Mr. HUTCHINSON. That is right.

Mr. FORD. And if the full commitment has not been made you can tell us what you anticipate the expenditures would be in the next several years?

Mr. HUTCHINSON. We make the full commitment at the beginning.

Mr. FORD. You must have a plan of payout, and you could give us that information.

Mr. HUTCHINSON. Yes, but on major capital projects of this sort the actual construction usually slips.

Mr. FORD. That might be a very important fact we ought to know. Why don't you put what the planned expenditure rate is by fiscal year?

Mr. HUTCHINSON. For these water projects?

Mr. FORD. That is right.

That is all, Mr. Chairman.

Mr. WILLIAMS. There is one powerplant, a steamplant, in Libya. Do you want that, too?

Mr. FORD. I intended to mean it in a very broad sense. I didn't know you were putting in a steam project but this is the kind of area about which we ought to know.

If you are putting in a steam project let us include that within the definition.

(The information supplied follows:)

AFRICAN POWER PROJECTS

In addition to the Volta hydroelectric project, AID has financed several loans to African nations for projects to provide and distribute power. Other loans have been made for the development and expansion of farmland which have entailed power production and transmission facilities. A description of all these projects and the fiscal data requested follows.

1. Libya, Tripoli powerplant

This loan, obligated in June 1959, provides for engineering design, procurement of equipment, and construction of a 20,000-kilowatt power generating plant in Tripoli, as well as a 70-mile, 30-kilovolt-ampere transmission system with nine substations. Total U.S. financing includes a $5 million development loan and $3.5 million of mutual security program assistance of which $2.5 million was a loan.

The plant has been turned over to Libyan management. Disbursements against the $5 million development loan at the end of May 1962 totaled $4,483,227. Repayments at the same time have been made to the sum of $50,000; interest collected thus far is $212,195.

2. Morocco, Triffa irrigation

In March 1960, a $23 million development loan was obligated for the construction of the Mechra Klela Dam and storage reservoir in the basin of Morocco's lower Moulouya River. The project includes the construction of a distribution system to provide power for 50,000 acres of Moroccan farmland, as well as irrigation canals, drainage works, etc. The project is scheduled for completion in fiscal year 1965.

At the end of May 1962, disbursements totaled $500,000.

3. Tunisia, Oued Nebana irrigation

This $18 million development loan was obligated in October 1960. Plans call for the construction of a dam and storage reservoir, water distribution system, about 15 irrigation wells, a land development and drainage systems, and a purification and regulating basin for domestic water supply. This loan is being used to provide the foreign exchange and local costs of materials, equipment, and services. This project is scheduled for completion in fiscal year 1966.

Disbursements totaled $94,361 as of May 31, 1962; $1,101 interest has been collected.

4. Tunisia, Sfax water supply

A $600,000 development loan was authorized in August 1961. This loan will assist in financing the foreign exchange costs of acquiring equipment, materials, and services in expanding the water system in Sfax and its suburbs. Plans call for increasing the capacity of the main waterline and extending the water distribution system. This project is scheduled for completion in fiscal year 1964.

There have been no disbursements made thus far.

5. Tunisia—Tunis water supply

In August 1961, an $800,000 loan was authorized to assist in financing the foreign exchange costs of equipment, materials and services required to increase the water supply of Tunis and its suburbs. Plans call for constructing a regulating basin and installing related facilities including a filtration plant. This project is scheduled for completion in fiscal year 1964.

No disbursements have yet been made.

6. Tunisia—El Haouavia irrigation

This $1 million loan, authorized in September 1961, will be used to assist in financing an irrigation project. Specifically, this loan will finance the foreign exchange costs of equipment, materials and services required to install wells, an electrical distribution system, pumping systems, regulating basins, a water

distribution system and land development works necessary to provide irrigation for about 3,400 acres. This project is scheduled for completion in fiscal year 1964. No disbursements have been made as yet.

FOREIGN AID POLICY TOWARD STABILITY OF THE FREE WORLD

Mr. RHODES. Governor, you used the phrase that the purpose of foreign aid is to get a stable world. Do you recall having said that?

Mr. WILLIAMS. That is ultimately true, yes.

Mr. RHODES. What is your definition of a stable world?

Mr. WILLIAMS. I was just pausing to look up the short title of the act because there it comes up with a somewhat similar purpose. I think the executive policy here and the statement of policy of the Congress in the act run very closely together.

The President in his state of the Union message, the second message, said we are striving for—

> * * * a peaceful world community of free and independent states, free to choose their own future and their own system, so long as it does not threaten the freedom of others.
>
> Some may choose forms and ways that we would not choose for ourselves, but it is not for us that they are choosing. We can welcome diversity—the Communists cannot, for we offer a world of choice—they offer a world of coercion, and the way of the past shows that freedom, and not coercion, is the wave of the future.

Generally I will say that what we hope to be able to develop is a kind of economic and political stability to help make useful and contributing countries for these people.

ESTABLISHMENT OF INDEPENDENT NATIONS IN AFRICA

Mr. RHODES. How do you go about starting a new nation? In Africa I would think there would have been all sorts of conflicts as to this little area or that little area desiring to become a free and independent nation, how their boundaries would be set up, and so on, How is all this being resolved?

Mr. WILLIAMS. It started out largely following boundaries which had been artificially created by the European powers. Mali and Senegal, for instance, started out together.

Mr. RHODES. Take the Central African Republic and Chad, for instance. There may have been historically such a thing as the Central African Republic but I certainly don't recall it.

Chad is named for the lake, I presume. I didn't realize there was a territory there which had any political history at all.

Mr. WILLIAMS. There were distinct units. The French administered them together in French Equatorial Africa, though they were separate and there was some rivalry between them.

For example, if you go into Gabon they will tell you they were heavily taxed and the money went into the central city of Brazzaville in the Congo. There were intramural jealousies.

Mr. RHODES. Who decided that Urundi would not be part of Tanganyika?

Mr. WILLIAMS. Ruanda and Urundi have been independent and separate kingdoms since the 15th century. This is a historical development. Actually, it is of interest that there was a United Nations resolution that they wanted to bring them in together, and so directed the special commission which went out there.

After an extensive investigation, in which they tried to persuade these countries to come in separately, they concluded reluctantly that history was against them.

Mr. RHODES. And Upper Volta decided not to become part of Mali or the Ivory Coast. How did that occur?

Mr. WILLIAMS. I think again this was partly historical and partly more recent colonial history.

ECONOMIC FEASIBILITY OF MANY SMALL INDEPENDENT COUNTRIES

Mr. RHODES. Do you think that all of these independent nations in Africa will be able to support themselves in the determinable future? Will they be able to establish some sort of a viable economy and make a decent life for their people as they are now constituted politically and economically?

Mr. WILLIAMS. I would answer that in part by saying that I think there are many of them which would not as presently constituted. I think the Africans themselves realize this, and this is one of the reasons they are adopting some sort of association, economic and political. Many of these countries are the Brazzaville 12 which are trying to organize themselves economically, to begin with, although they have some auxiliary and political association.

Mr. RHODES. How much formality is there to these various associations, such as the Casablanca powers, the Brazzaville powers, and so on?

Mr. WILLIAMS. Quite considerable. The Brazzaville powers, as they sometimes call themselves, have set up three Secretariats. One general secretariat I visited. They have a building and 17 officials from the 12 different countries. The have worked some of their general problems out. Politically, they have tried to be helpful with respect to the problem of Ruanda-Urundi. They also have a secretariat in the Cameroun, called the OAMCE, which is economic. This has been working on such things as the joint airlines we discussed, the problems of a customs union, trying to harmonize the currencies they have, and matters of that kind. They also have a less developed military grouping which works out of Ouagadougou.

In east Africa you are familiar with the fact that the ex-British Common Services group comprises Tanganyika, Zanzibar, and so on. This is a very impressive group because in addition to trying to run the harbors, the postal services, the railroads, and things of this kind. they also collect the income tax for all the areas. They control foreign exchange. Therefore any group of countries which limits their sovereignty in this kind of joint operation would be fairly serious.

Mr. RHODES. Are these areas contiguous geographically?

Mr. WILLIAMS. Yes, except the UAM includes the Malagasy Republic, which is an island, far separated. The Casablanca powers are not contiguous.

Mr. RHODES. They would like to become contiguous by swallowing Mauritania, which is in between them?

Mr. WILLIAMS. Morocco and Mauritania have a dispute.

Mr. RHODES. Do you think we are working toward a stable world by apparently encouraging all of these small nations to come into being in the first place and keeping them in being? Is this stability?

Mr. WILLIAMS. Yes. We do not encourage them to come in as small nations. Their background and history creates the smallness. We hope they will coalesce one way or the other, but until they become independent, such as we are, there will always be a "head of steam" mounting. Until they have governments of their own choosing there will be a great element of instability.

ADVANTAGES OF POLITICAL COALITION

Mr. RHODES. Have we not done a lot of things which would deter their coalescing, such as admitting them to the U.N.? I cannot imagine that these six nations we mentioned would feel very kindly toward a union which would cause them to come up with only one vote in the U.N. where they now have six.

Mr. WILLIAMS. I have had occasion to talk to some African leaders about this. Obviously, as you point out, it is a political fact of life that it is nicer to have six votes than one vote, but in talking about coalescing they have considered that and they can see in some cases where the value of coalescing politically and economically would be more important.

Obviously, while in the final analysis numbers of votes count, if the individual nation is a large and powerful one, then its influence with respect to others in getting their votes is greater. Therefore, in the end it might be as important.

SPIRIT OF PAN-AFRICANISM

Mr. RHODES. Would you say that the pan-African spirit is a strong spirit? By that I am encompassing the entire continent and not just the various power cliques which you have mentioned.

Mr. WILLIAMS. Let me answer "yes" and then explain. "Pan-African" has a whole lot of connotations.

Nkrumah has used it as a political association.

I think as you move about Africa you are conscious of the fact that all of them have a spiritual longing for a unification of Africa. The way in which they are going to achieve this will be different.

The Nigerians, for example, believe in pan-Africanism, but it is on the basis of gradualism, over a period of years.

When I answer your question I say I think they all believe in pan-Africanism, though they define the term differently and they have a different way of achieving it.

ATTITUDE TOWARD EXPROPRIATION

Mr. RHODES. Do you have any indication as to how the various African nations regard the expropriation of the property of foreigners?

Mr. WILLIAMS. Yes, I do. Many of them have a very strong feeling about being dispossessed of their own lands and they want in one way or another to get a reallocation of some of these lands, but I think they contemplate a legal process and some kind of payment.

Many of them now are recognizing the tremendous importance of foreign investment, and they recognize that foreign investment and expropriation are mutually incompatible.

It is true that there have been some examples of expropriation already, but there is also some indication that in some of these instances they are having second thoughts about it and may work out some kind of compensation or return.

LANDHOLDING IN AFRICA

Mr. RHODES. What about the holding of lands in various portions of Africa? Is there much in the way of public lands as we know them in the United States?

Mr. WILLIAMS. Land tenure is very complicated as a subject in Africa, and I would not pretend to understand it, but I would say this: that there is private landholding. There is landholding by tribes, which is a kind of community holding and there is also some kind of national lands, as you have pointed out.

Mr. RHODES. It differs from area to area, I suppose.

Mr. WILLIAMS. Yes, it does. If you are interested in it, I will try to get you some kind of an analysis of it.

Mr. RHODES. If it is short enough so we could put it in the record but long enough so it would be meaningful.

(The information supplied follows:)

In view of the complexity and variety of land tenure in Africa it is difficult to provide a meaningful brief summary. The following two recent studies might be of interest to the committee:

1. U.N. Economic and Social Council, Progress in Land Reform, Third Report of April 5, 1962 (E/3603).
2. U.N. Food and Agriculture Organization, FAO Africa Survey (C61/15).

SOVIET BLOC AID TO AFRICA

Mr. RHODES. Do you have any figures as to the magnitude of the Soviet bloc aid to Ghana and Guinea since their independence? I ask that this be submitted for the record, Mr. Chairman.

Mr. WILLIAMS. I think we could give you an analysis for all the African countries.

Mr. PASSMAN. It may be submitted for the record at this point.

(The requested information was supplied to the committee.)

STUDENT EXCHANGE PROGRAM

Mr. RHODES. What is the magnitude of the student exchange between ourselves and the African nations?

Mr. WILLIAMS. It is around 3,000.

Mr. RHODES. Africans coming to the United States?

Mr. WILLIAMS. Africans coming to the United States.

Now this isn't as satisfactorily broken down as I would like to have it. If you will permit me, I would like to deliver you a paper on this, but I will say roughly that of the possible 3,000 about 10 percent are complete grants. That is, it covers transportation, tuition, and maintenance. Then there is another number in the "David Henry program" in which some 200 American universities are associated together. They provide the scholarship and the AID provides maintenance.

Mr. RHODES. There are also private scholarships, are there not?

Mr. WILLIAMS. Yes, and this is what makes it so difficult to give you a complete breakdown.

Many of the Africans come over either with nothing specifically in mind, or they have a scholarship of a small amount from a small, perhaps unrecognized school, and we have difficulties in meeting these people's problems over the summer and the like of that.

(Additional information follows:)

AFRICAN STUDENTS

The most complete survey of foreign students in the United States is compiled by the Institute of International Education in New York and published annually under the title of "Open Doors." This survey includes only students at the college or postgraduate level. According to the 1962 edition of "Open Doors," there were 58,086 foreign students in the United States during the 1961–62 academic year, of which 3,007 came from Africa (excluding Egypt). Nine and four-tenths percent of foreign students generally received their financial support from the U.S. Government, but for African students the percentage was more than twice that high. The following table, based on the "Open Doors" statistics, gives a country breakdown of African students:

African students in the United States, 1961–62

Country	Total	Financial support from— [1]					
		U.S. Government	Foreign government	Self	Private	U.S. Government and private	Foreign government and private
Africa	3,007	613	316	331	1,205	135	83
Algeria	15	1			7	1	
Angola	6	3			1		
Basutoland	2				1		
Cameroons (British)	7	3					
Cameroun	10	3	1	1	5		
Chad	1					1	
Congo (Brazzaville)	57	16	1	3	27		
Congo (Leopoldville)	39	11		1	5	1	
Dahomey	7				5		
Ethiopia	176	79	29	6	36	2	
Federation of Rhodesia and Nyasaland	145	16	4	15	91	10	
Gabon	1						
Gambia	1				1		
Ghana	201	34	40	15	82	5	4
Guinea	58	18	2		24	3	
Ivory Coast	7				5		
Kenya	543	75	17	70	292	38	18
Liberia	180	34	75	11	28	3	9
Libya	46	20	16	2	5		
Malagasy Republic	7			6	1		
Mali Federation	3	1			1		
Mauritius	12		1	4	7		
Morocco	78	33	3	7	16		
Mozambique	5	1			2		
Niger	1	1					
Nigeria	552	50	65	93	243	29	25
Portuguese Guinea	1	1					
Ruanda-Urundi	1						
Sierra Leone	94	10	2	13	56	9	1
Somalia	35	29		2	3		
Somaliland (British)	1					1	
South Africa	256	17	19	66	110	11	7
Southwest Africa	4				1		1
Sudan	135	76	16	6	16	2	
Swaziland	1				1		
Tanganyika	149	27	9	3	78	9	9
Togo	17	10	1	1	3		
Tunisia	39	21	1	2	9		
Uganda	102	20	14	4	39	8	9
Zanzibar	12	3			4	2	

[1] Some students did not give source of financial support, which accounts for the difference in total numbers.

The African scholarship program of American universities (ASPAU), sometimes referred to as the Dean Henry program, is a privately initiated and administered, interuniversity project. Under this program more than 190 American colleges and universities provide 4-year scholarships to African students, the student's government pays his international travel costs and AID provides the student with living expenses of up to $6 per diem or $1,800 per student per year. The African American Institute (AAI) functions as the administrative agent of the ASPAU program. Administrative costs of the program have been met by U.S. foundations and the institute.

In the academic year 1961–62, some 244 students were selected and processed under this program; 238 actually completed the school year. For the academic year 1962–63, 300 additional students have been selected and will enter American universities this fall.

DETERMINATION PLACING COUNTRY PLANS UNDER SECTION 202(b)

Mr. RHODES. I have just one more question: How do you decide when you put a plan under section 202(b)? At what point do you say, "This is a section 202(b) plan," and submit it to Congress?

Mr. HUTCHINSON. First, let me say that we are making our first move in that direction so we are having to examine these questions ourselves so that we can reach some answers. To be more specific, the fundamental criteria for determining that we are going to seek a section 202(b) commitment are that we have satisfied ourselves that this plan is a sound plan; that it is within the country's capabilities, that is, that they can handle the assistance contemplated; and that they are taking the necessary fiscal measures that make the plan effective in terms of their taxes, credit measures, and the utilization of their own foreign exchange and this sort of thing.

After we have made that kind of a determination and are satisfied that the chances are good for a successful performance against the plan and are satisfied that the plan has legitimate objectives, and has a great deal of signfiicance to the development of the country, then we are ready to go forward. We may provide assistance for individual items long before we come forward with that determination.

Mr. RHODES. At that time you do not have any specific projects developed?

Mr. HUTCHINSON. We may have some specific projects developed but it is not essential that there be completely developed specific projects for the entire plan.

Mr. RHODES. But, of course, since section 202(b) still contemplates annual appropriations, even though a plan had been submitted under 202(b), you would each fiscal year submit specific projects to Congress?

Mr. HUTCHINSON. In making our estimate of the development loan appropriation, yes.

Mr. RHODES. In making your estimate of the DLF appropriation?

Mr. HUTCHINSON. Right.

Mr. PASSMAN. Those are estimates subject to being firmed up as to the actual cost at a subsequent date?

Mr. HUTCHINSON. This is normally true; yes, sir. There may be some of the projects for which the cost has been firmed up but we will give you each year in our request for appropriations our best estimate for those projects that are going to reach that stage during that time period.

Mr. PASSMAN. Let me say this, and then we are going to conclude very shortly——

Mr. RHODES. Mr. Conte has not had time yet.

Mr. PASSMAN. I thought he had concluded.

Mr. CONTE. No, I yielded back to you.

Mr. PASSMAN. I am sorry. You may proceed, Mr. Conte.

REFORM MEASURES PRIOR TO GIVING ASSISTANCE

Mr. CONTE. One thing I was somewhat disturbed about, the answer to Mr. Ford's question in regard to tying strings on our foreign aid to the African countries. I came back somewhat pleased with some of the countries I visited in Africa where our ambassadors told me they were really getting difficult with these leaders—I should not use the word "difficult"—getting a little tougher with them, saying, "Well, you have got to do this before we will come across with this aid," and that pleased me no end, because otherwise I felt we were "pumping money down a rathole" unless they put through some land reforms and tax reforms and educational reforms.

I was somewhat disappointed this afternoon to notice we are not carrying forth on this program. I got the impression in your answer to Mr. Ford that we were lending support and aid to projects which would be helpful in the development of that particular country without having any political improvements, any strings on the foreign aid program.

Mr. WILLIAMS. First of all, social reform in the sense of "division of wealth" isn't as much a problem in most of these African countries as it is elsewhere because there are great disparities——

Mr. CONTE. Let me interrupt you there. It is in a country like Ethiopia where only a few people have all the money and only the masses pay the taxes and the few who own the land do not pay their share of the cost of government. This is one country I had in mind. Morocco is another one.

Mr. WILLIAMS. There are some, but by and large, this isn't the general condition.

Our general effort is in the direction that you have indicated, to try to encourage, as we can, these countries to make progress in expanding the base of the enjoyment of opportunities of that country to as many people as possible; to suggest ways of doing it, and, of course, as the President has indicated, we endeavor to help those countries who help themselves. I think I am correct—Mr. Hutchinson has a closer connection than I—I do not think we have the sort of contractual quid pro quo as Mr. Ford was suggesting in the granting of our aid with respect to any of these political considerations.

I think it is a different thing when it comes to the economic problems. There, in order to safeguard the efficacy of our aid, we are concerned that there not be inflation and things of that nature—particularly with reference to our longer term commitments.

I would like Mr. Hutchinson to develop this in particular, which he can.

Mr. HUTCHINSON. This is correct, but to use ——— as an example——

Mr. CONTE. You may take off what you want, but I want mine on the record because I want people to know how I feel as an advocate

of foreign aid and I know these people have to be told that this is it, we are going to be tough. Otherwise the program is worthless. It is just like pouring corn down a rat hole.

Mr. HUTCHINSON. Off the record.

Mr. CONTE. While we are on the subject I think I want the record to show that I was very disappointed that ——— was not progressing fast enough in regard to certain social reforms, primarily land reform, tax reform, and educational reform and I was very much disturbed to see the poverty, the lack of water, the lack of irrigation in that water, and at the same time this year they were contracting a loan with the Russian Government, a sizable loan—I will get it for the record—in that part of the world. I spoke with individuals and they agreed with me wholeheartedly that this is something they didn't need there.

LIBERIA

Likewise in Liberia, I traveled all over Liberia and saw some great projects there and we were putting those projects in—and I will go into greater detail with you when we have more time, and I want the Secretary to hear this, but there I saw a rich country which has been independent longer than any other country out there in Africa and yet hasn't progressed hardly at all. There is a great deal of misery, poverty, and sickness all over the country and yet they were building a $10 million palace for President Tubman when the present palace that he has is almost as fine as our White House that we have for our own President of the United States. Now this is discouraging. When you talk to members of the Liberian Cabinet like I have, they say this is a question of prestige, that Nkrumah has done this in Ghana. That is one of the reasons Nkrumah is in the tough, financial straits he is in. And he goes out and buys a bunch of airplanes from the Soviet Union merely for prestige purposes and while I was there they had not been off the ground for about 6 weeks. These are things that are disturbing and I think we have to be tough with these leaders. They cannot go off and waste time and money. They have to plow it into their country because if they do not there will be uprisings in Ethiopia, there will be uprisings in Liberia and other countries. There was a strike in Liberia several weeks before I got there in a rubber plantation, the workers who were underpaid, underfed—not by Firestone who incidentally is doing a tremendous job out there for the workers—underfed because they couldn't—on account of the high cost of nutritious food—the economy wasn't strong enough in the country and they were very upset that this money was being spent for that palatial palace on the seashore of Liberia.

I will just close it off there. I hope, Mr. Secretary, that you will do everything in your power to see that these countries put their reforms through before we give them any further aid.

Mr. WILLIAMS. May I say we do all in our power to discourage any of this kind of expenditure. I would like to defend our own White House, however. I have been inside both of these. I did not find it so.

Mr. CONTE. I did not go inside. I did not have that privilege but outside it looked mighty elaborate.

Mr. WILLIAMS. It is a very sufficient building, I will agree with that, but I think we can be proud of our White House.

Mr. CONTE. I am certainly proud of my White House, but don't tell me that this new one that Tubman is building is not going to cost more than our White House and in size—why it looks like the Fontainebleau Hotel in Miami Beach. That is just what it looks like. It was almost finished when I was there. It is not in any sense that sumptuous.

Mr. WILLIAMS. I agree with you we certainly do not feel we should encourage any ostentatious expenditures.

NIGERIA

Mr. CONTE. I want them to read this record because I was disturbed about it. The great hope I saw in all of Africa was in Nigeria. I came back feeling there was some hope in that part of the world because there the public servants were well trained, the civil servants. The men in charge of their government were not going out to build these ostentatious buildings. I only talked about the palace in Liberia. You ought to see the justice department building and the education department and the labor department and the other different buildings they are constructing. They are going to have buildings just like Washington, D.C., in that little country of about 1 million people. They are going from the ridiculous to the sublime. The original education building was built out of wood from boxes and the new one is going to be a multistory building.

EFFECT OF FOREIGN ASSISTANCE PROGRAM ON REDUCTION IN U.S. GOLD RESERVE

Mr. PASSMAN. I address myself to the distinguished Secretary, the former Governor of Michigan: It is my understanding that among all these nations, even the new nations, there are certain dollars in currency which they earn from exports that work their way through channels to purchase things in this country, normally.

Mr. WILLIAMS. That is correct, sir.

Mr. PASSMAN. If we credit these nations with dollars, and they requisition their needs from America against those dollar credits, would that not automatically release to them the dollars that they normally earn, and they could do with those dollars anything they should decide they want to do with them?

Mr. WILLIAMS. If we gave them——

Mr. PASSMAN. If we credit dollars to their economy, would it not release to them dollars they earn from their exports to do whatever they wanted to do with them?

Mr. WILLIAMS. If I understand you correctly I believe that it would, sir.

Mr. PASSMAN. That simply means, then, that we can tie this directly into our diminishing gold reserves—the fact that many nations throughout the world, even some of the African nations, are buying U.S. gold? Many of the underdeveloped aid-recipient countries are buying substantial gold?

Mr. WILLIAMS. There is just one African country.

Mr. PASSMAN. My list indicates more, but even if it is one, you have certainly answered to the point and I am grateful for that.

LOSS OF CONGRESSIONAL CONTROL OVER PROGRAM

I may disagree with the policy of my Government but when that policy has been firmed up I want to support my Government, Governor, as far as I can. My responsibility is to have the privilege of recommending with the committee, the minimum amount of dollars required to carry out our commitments.

We do know that in the past they would always have to come before this subcommittee and say, "These are the estimates, it is for 'X' project, it is an irrigation canal, a dam for a river," and it would be totaled down to the last dollar. But, even when we had some supervision, by examination and by appropriating on request, our Americans dealing with other people made some unpardonable mistakes, some terrible waste. Now, under this new program, we have given up that measure of control. We might as well admit it. I think the Congress will recognize the mistake it made last year and maybe take that control back before too much damage is done. That is why I went into the proposition this afternoon that we appropriate money to a plan, and not to a series of actual projects. I do not mean to be discourteous, but I am not satisfied with the case any of the witnesses have made this year. Some of them obviously feel, "We are looking down your throat and we will get it anyway," because everyone in the top echelon has said, "We have made the commitments and we want the money."

I even went so far as to say to our distinguished Secretary of State, "What if the committee should ascertain that here is a project which is not sound, the cost-benefit ratio is not favorable, and we know that and we have a firm case, if we should specifically deny funds, what would happen in that case?"

His reply was, "Then you would be trying to administer the program."

I think that answer is quite significant. We know there are plans to switch supporting assistance over to the new type of authorization that would fall in this broad category: "We have a plan and in that plan we have projects and programs, and we have made the commitment and now we want the money."

REDUCTIONS IN SUPPORTING ASSISTANCE

The record is quite complete in that detail, that even in supporting assistance they plan to take more of that type and switch it over to the so-called development credits, or loans.

Mr. WILLIAMS. May I just comment on that, sir?

Mr. PASSMAN. Yes, we want you to do so.

Mr. WILLIAMS. I think it is true that we are trying to reduce as quickly as possible the category of supporting assistance, but it isn't reducing the category, it is reducing that type of activity. It isn't any sleight of hand that moves it into a different area, with a different name, but we are trying to get rid of that type of business.

Mr. PASSMAN. We covered that very thoroughly. It is in the record and it would be most interesting to read it.

When you had supporting assistance, it was for civil works projects and the like. Under this new program you will spend money for this same type of project, listed over on these pages, projects which

you built out of supporting assistance funds. I asked that question, and the answer was "Yes."

EFFECT OF LIMITING AID TO NEWLY FORMED COUNTRIES

If we should write a provision in the bill that a nation has to be independent at least 6 months prior to U.S. spending foreign-aid funds in it, do you think that would do any particular harm?

Mr. WILLIAMS. Yes, sir; I think it would.

Mr. PASSMAN. Thank you, Governor.

Mr. WILLIAMS. Would you let me show you why?

Mr. PASSMAN. Certainly.

Mr. WILLIAMS. I think there are areas where this may be very important. For example, we were in one of the British territories. They indicated that there was a growth of Communist activity there. They felt if we could help mount an educational program, this would be very helpful in keeping the people friendly to the ideals and ideas in which we believe. I think there are other projects of this kind, a similar kind where it might very well be important and be of assistance before independence.

Mr. PASSMAN. Why would the British not do it? They have the same interest in security as we have.

Mr. WILLIAMS. They are doing some of it. They feel this is a place where mutual sharing would be of assistance.

Mr. PASSMAN. Getting into British territory does not cause the British to resent it as long as we are pouring money in.

You said "British territory." What are we doing in British territory?

Mr. WILLIAMS. Well, I think these are areas that the British expect to become independent. They would like to see them become independent with that kind of training and background which would insure their staying in a Western-oriented kind of freedom.

Mr. PASSMAN. Why not let the British do it? The financiers of Great Britain are saying they are again at the point where they can just about grasp the world money market.

There are two groups of people I have always said might foul up the world, those so smart they cannot look back and those so dumb they cannot look ahead. Certainly you would not be in either category. But, we are in trouble in this country. As you know, we have a public debt that exceeds by $23 billion the combined public debt of all the other nations of the world. There are 45 nations which do not pay any income tax—or, if they do, it is small, it is at a rate of about 5 percent. They go out and negotiate settlements. They do not have rigid laws enforcing taxes. We are just about out of the world market, to the point that we are only going to be able to sell in the future, according to the indications, by subsidizing our exports.

Mr. WILLIAMS. I would like to talk with you about that.

Mr. PASSMAN. I wish I could talk to you for a week about it.

U.S. COMPETITIVE POSITION

We are making a lot of automobiles, yet we are actually importing more than we are exporting. You can buy many types of Japanese steel products, dockside, in New Orleans from $28 to $33 a ton cheaper

than out of Pittsburgh; similarly, with respect to certain German and Swedish steel.

If we go back for the past 10 years we have had a balance-of-payments deficit every year but one, and the total deficit for that period has been $19.6 billion.

If you take away the subsidy for our exports and the food we have been giving away under Public Law 480, and the local currency that is plowed back into the economies of these countries, and the credits we take on this foreign aid program, and the commodities we ship out under this development credit program, and if you figure those items into our exports, which are not being paid for by dollars from these countries, but by dollars from the U.S. Treasury, this, it may be, will explain why we have not only a balance of payments deficit, but maybe also a trade deficit.

Now, we should like to hear your story.

Mr. WILLIAMS. I know that I provoked all of us into staying later than we intended, but I would like to submit for the committee a story of a fishing equipment company in Michigan. This company was faced with stiff competition from Japan. Rather than seek a subsidy as you indicated that they all might have to do, they just relied on good old American initiative and enterprise. They are now outselling the Japanese and I would like to give you that story.

Mr. PASSMAN. You are not going to change those figures that I gave you with 1 or 50 stories. That will not change the facts that we have had a balance-of-payments deficit of $19.6 billion in the past 10 years, and that we are now having to sell abroad with a very substantial subsidy.

Mr. WILLIAMS. It might change the story that every company will have to go on a subsidy this year.

Mr. PASSMAN. You are talking about, maybe, a little company, but does this amount to anything significant in world trade?

Mr. WILLIAMS. These little companies are what made America.

Mr. PASSMAN. That is true. Nevertheless, the situation I have outlined is accurate.

The committee will now adjourn until tomorrow.

WEDNESDAY, JUNE 20, 1962.

Mr. PASSMAN. The committee will come to order.

We shall continue today the examination on the request for funds for the African area.

We have as witnesses this morning Mr. Edmund C. Hutchinson, Assistant Administrator, Bureau for Africa and Europe, AID; Mr. J. R. Mossler, Director, Office of Development Planning; Mr. Oliver Troxel, Special Assistant for Economic Affairs; Mr. Leigh M. Miller, Legislative Programs Coordinator, AID; Mr. Kenneth M. Rabin, Presentation Coordinator, AID, and Mr. Edward Tennant, Comptroller, AID.

I believe, Mr. Hutchinson, this is your first time to appear before the committee in the capacity of Assistant Administrator in this area.

Mr. HUTCHINSON. That is correct.

BIOGRAPHICAL SKETCH OF MR. HUTCHINSON

Mr. PASSMAN. Will you provide the committee with a brief biographical sketch?

Mr. HUTCHINSON. I will be glad to, sir.

I am 48 years old, born in Shelby County, just outside of Memphis. I was educated in the public schools of Shelby County.

I have a bachelor's degree from Southwestern College in Memphis. I have a master's and Ph. D. from the University of Virginia.

Most of my experience has been in Government in various positions, starting at the junior economist level, working up through the equivalent of the highest level of the civil service. My last position in Government was Assistant Deputy Managing Director of the Development Loan Fund. I have had experience in the Department of State and the Bureau of the Budget. I was for a while Provincial Director General of Finance for the Government of Iran during the war as a member of the American financial mission to Iran.

I was on the staff of the economic and scientific section of the Supreme Commander for Allied Powers in Tokyo following the war, occupying the position of Deputy Chief of Public Finance, later Chief of the Price and Distribution Division.

Immediately before coming into my present job, I was with the International Division of the Radio Corp. of America as manager of financial projects.

Mr. PASSMAN. Have you had any experience in operating your own business?

Mr. HUTCHINSON. Not operating my own personal business, no, sir.

Mr. PASSMAN. You have been with the Government?

Mr. HUTCHINSON. Except for the experience with RCA.

Mr. RHODES. How long were you with RCA?

Mr. HUTCHINSON. Sixteen months. I was manager of financial projects.

Mr. PASSMAN. And the rest of the time you have been with the Government?

Mr. HUTCHINSON. Yes.

Mr. RHODES. In what position immediately before your association with RCA?

Mr. HUTCHINSON. Assistant Deputy Managing Director for Operations, Development Loan Fund.

Mr. PASSMAN. Mr. Hutchinson, do you have a prepared statement to make to the committee?

Mr. HUTCHINSON. I do.

Mr. PASSMAN. You may read it into the record, sir.

STATEMENT OF ASSISTANT ADMINISTRATOR HUTCHINSON

Mr. HUTCHINSON. Mr. Chairman and members of the committee, I am here today to testify in support of the programs of economic assistance proposed for Africa and Europe in fiscal year 1963.

REORGANIZATION AND REORIENTATION

I wish to first summarize the situation which exists in the AID and the events which have occurred in the almost 6 months during which I have been responsible for administration of the program for Africa and Europe.

Fiscal year 1962 has been a period of examination, reorganization, and redirection of the economic assistance program. This process has involved, insofar as the Africa-Europe region is concerned, first, devising and installing a new organization structure related to the consolidation into AID of the major elements of the assistance program in Washington. The basic principle on which this structure is based is that responsibility for all the activities being carried on in a particular country is vested in one place in the new organization. To manage the new AID program, we have expended considerable effort in the recruitment of key personnel, both for Washington and the field.

In addition, all programs have been reviewed in order to attempt to insure that their goals were well conceived, capable of accomplishment, and addressed to the principal needs of countries being assisted. The pattern for the allocation of AID resources in Africa was evaluated, as were the African countries' own planning, self-help measures, and contributions to their development. This process has had a number of effects, including substantive changes in our emphases and approach.

This process, while well advanced, is not completed and must continue for some time; further review may produce some changes in the content of the program before you. I plan to continue the review begun in my first months in office of both the management and methods of economic assistance, and the levels and types needed to support U.S. objectives. The program results are indicated in the new funds requested for fiscal year 1963, which I would now like to summarize for you.

FISCAL YEAR 1963 PROGRAM

With respect to Europe, the situation is one in which economic growth and progress have made possible the attainment of virtually all the objectives to which use of economic assistance by AID is appropriate.

Africa presents a completely different picture. Our request is based on the enormous development potential and problems of the continent and the U.S. interest in helping these new, inexperienced nations attain economic growth. To this end and in line with U.S. policy toward Africa, an expansion of the AID program is planned. The recommendation for next year's program totals $350.25 million, compared with the $204.7 million obligated in fiscal year 1961 and the approximately $233 million new estimated for this year. This proposed increase follows from the African countries' gradually expanding absorptive capacities, particularly for using development loans. The latter, comprising the largest portion of this request, and the development grants are scheduled to increase while supporting assistance is forecast to decline markedly.

In order to furnish you with the information which might help in considering the proposed program, I believe it advisable first to describe the environment against which this request is posed.

THE AFRICAN SCENE

Africa is a "mosaic" with economic, political, and social conditions so diverse as to permit few generalizations. In order, however, to appreciate the environment, some general economic facts may warrant repetition here.

Africa has been described as "the largest understudied and underdeveloped area in the world." It ranks among the least developed in its portion of world exports, GNP's, literacy, urbanization, and trained persons. Many of its countries have two distinct economic systems—one modern and the other, involving the bulk of population, traditional—functioning side by side. Other countries are characterized as "predevelopmental." Most are poor and backward, based primarily on agriculture, and some are not yet able to live without outside help.

More specifically, resources are erratically distributed, creating, alternatively, countries of great potential wealth and of almost certain near poverty. African States range in size from Sudan, which covers more territory than all the European NATO countries combined, to the 300-mile-long sliver of Togo. In terms of per capita GNP in 1960, Somali Republic and Ethiopia at $42 and $44, respectively, contrasted sharply with the much higher but still comparatively low levels in Ghana at $175 and Senegal at $190. Transportation, communication, and power are inadequate. The African countries lack organizations and institutions to promote industry and trade, and there is an overdependence on a few primary exports. A few countries earn significant foreign exchange from their exports and made substantial amounts available for their capital and developmental budget. Many more depend heavily on the former metropoles to balance their operating and capital budgets, as well as to meet minimal import requirements.

Population densities vary widely with Ruanda-Urundi, among the highest with 234 persons per square mile, contrasting with Mauritania with two persons per square mile. Mineral resources abound in the Congo, Ghana, and Liberia, while many African countries have virtually no known assets of this kind. Literacy ranges from 4 to 5 percent in Ethiopia and Sudan to 25 percent in Ghana. Infant mortality rates have been estimated in ranges from 80 per 1,000 in Nigeria to 150 per 1,000 in other areas of Africa, compared with 26 in the United States.

For all of its diversity, though, Africa has certain very clear, common characteristics with economic consequences. One is the intense nationalism of her peoples, still pressing at the borders of colonialism. Now, with independence achieved in many countries, the heady cries for freedom have turned into demands for progress in achieving a better way of life.

Perhaps the most common denominator at this time is that most African countries are just embarking upon the longrun course of nation building. This is a process full of complexities and problems, as is evidenced by our own history and that of other countries. In Africa, the process is beset with special problems. Tribal ties are still strong and the integration of various tribal units with diverse cultural divisions, languages, and loyalties into cohesive governmental entities

with goals and purposes will not be easy. Present-day leaders are often inexperienced and quite a few countries have only a minute nucleus of well-trained nationals.

Although described only briefly, these characteristics illustrate the great complexity of Africa and the scale of the problems facing the new African leaders and those willing to assist them. Our belief is that we must be responsive to the needs of the African nations. What we do or fail to do in Africa in the next few years may affect the course of economic development and political stability there for some time. These are the years in which African leaders set the course dealing with the harsh economic and social realities of their domestic situations. The next decade will see whether or not they can develop cohesive forces and a sense of direction in establishing the foundations for growth.

I would now like to turn to the program we propose to address to these problems.

FISCAL YEAR 1963 PROGRAM REQUEST

The congressional presentation volumes you have contain specific explanations of each of the African country programs including aid purposes and goals. Instead of summarizing these in this statement I believe it would be helpful to discuss briefly the principles followed in developing the fiscal year 1963 program request.

The first is that we and the African leaders must proceed on the understanding that economic growth is a long-term, tedious process, with the primary responsibility resting on the aid-receiving countries. I was struck in my African trip by the way the national leaders have recognized the importance of these points and by the energies being applied to economic growth and political stability.

The second is the consideration of the large and increasing volume of aid to Africa from other free world countries and international donors. Our proposal takes into account the estimated $1 to $1.5 billion of assistance forecast for fiscal year 1963 from free world sources other than the U.S. assistance from U.S. sources other than those authorized by the Foreign Assistance Act, such as agricultural commodities sold or granted pursuant to Public Law 480 and Export-Import Bank loans, have also been considered.

A third principle of this request is the concentration of the proposed program. Better than 58 percent of the total development assistance program proposal before you is concentrated in three countries, Nigeria, Sudan, and Tunisia. These are among those which have come forward with programs for accelerating their rates of economic growth and improving the lot of their people, socially as well as economically. These countries also have shown or are developing the willingness and ability to mobilize their resources.

The fourth is that the prime tool for development assistance should be loans rather than grants. In the request for this region for fiscal year 1963, therefore, over 60 percent of the development aid projected under the Foreign Assistance Act is on a loan basis. This change in the form of financing significant capital projects is one of the policy decisions that we have made. This is the first time that less than half of the appropriation request for African programs is for grant assistance.

The fifth principle which has been applied is to effect certain administrative measures which we believe will result in program improvement. For example, in the course of achieving greater concentration of resources, some activities have been eliminated and others redirected. In addition, we have taken measures to maximize the percentage of AID administered funds spent directly for U.S. goods and services in order to minimize the adverse effects on the U.S. balance of payments of our program. These steps include a vigorous application of the procurement policies first introduced in the foreign assistance field by the Development Loan Fund.

This concludes the background of our fiscal year 1963 program. Now to the specifics of our appropriation request.

Mr. PASSMAN. Should we not indicate in the record at this point that we are dealing with an underdeveloped part of the world?

TYPE OF LOANS TO AFRICAN COUNTRIES

I want the record to show that both Mr. Dillon and Mr. Black specifically, and to the point, previously stated that we could not deal with underdeveloped countries on a dollar repayment basis; it had to be local currency or we would defeat our own purposes.

(The following was submitted for the record:)

Excerpt from Mutual Security hearings, 1959 (pp. 55 and 56):

"Mr. DILLON. * * * In other words, we could not have the record show when we got the local currency repayment at the end, to take that and buy products and export them out of the country to the full amount. If we did that, we would make the local currency the equivalent of a dollar repayment."

From page 341, same volume:

"Mr. DILLON. * * * Finally, the one that actually impresses me the most, Mr. Chairman, is the testimony of Mr. Eugene Black, as you know, the head of the World Bank, and who undoubtedly has more experience in this field of economic development worldwide than probably any other American.

"In his report last year to the 23d session of the Economic and Social Council of the United Nations in New York he attacked the donor-donee relationship, saying that over the long pull it might create an atmosphere of inequality and dependence which impairs the ability of nations to work together.

"He said that in contrast, loans are apt to lend themselves more readily than grants to businesslike administration.

"He warned of the dangers of having too many loans repayable in dollars or other hard currencies that might weaken the credit standing of the countries, and continued that these dangers could be avoided by a properly conceived system of loans repayable in the currency of the borrower.

"He said:

" 'When I say "properly conceived," I have in mind loans which are administered on a businesslike basis, which impose a clear and unambiguous obligation to repay in local currency, and which are made on terms appropriate to the type of project to be financed. While the proceeds of such local currency loans may be made ultimately transferable to the extent that the economic progress of the borrowing country permits, it must be made clear that this will be done only in a manner which would not affect the country's then existing foreign exchange obligations, and which would not otherwise impair its credit.'

"Then he continues and states:

" 'If any substantial amount of this extraordinary aid were to be provided in the form of loans imposing a fixed foreign exchange burden on the underdeveloped countries, World Bank activities would almost certainly have to be curtailed in many countries. The participation of private capital in international lending would probably be even more adversely affected.' "

TERMS OF LOANS

Mr. PASSMAN. You keep referring to this assistance as loans, but I wonder if the record should not indicate the type of loans to which we are referring.

These are under section 202. This is the type of loan that could be made on the basis of 50 years; is that correct?

Mr. HUTCHINSON. The loans could be made up to a period of 50 years; that is correct.

Mr. PASSMAN. Also without interest?

Mr. HUTCHINSON. They could be made without interest.

Mr. PASSMAN. Also, 10 years of grace before they start repaying on the so-called loans?

Mr. HUTCHINSON. That is permissible.

Mr. PASSMAN. Then 1 percent a year for the following 10 years, would that be the maximum?

Mr. HUTCHINSON. That is something——

Mr. PASSMAN. Let me say for the record, that is correct: 10 years of grace, and then 1 percent annually for the next 10 years, then 3 percent per year for the next 30 years. Is that correct, as you understand it?

Mr. HUTCHINSON. I know of no loans made on that basis.

Mr. PASSMAN. I did not say loans. I am speaking of the maximum terms by which you can extend the credits.

Mr. HUTCHINSON. I know of no provision that provides those requirements concerning repayments.

Mr. PASSMAN. May I ask some other witness?

Is it not true that under the 50-year proposal, a loan could be made for 50 years, with 10 years of grace without any repayment, the next 10 years 1 percent per year, and the next 30 years 3 percent, all without interest?

Mr. HUTCHINSON. It could be done.

Mr. PASSMAN. Is that correct?

Mr. HUTCHINSON. Let me testify to this.

Mr. PASSMAN. You said you knew of no such section, and it is in the record.

Mr. HUTCHINSON. You were asking me about the provisions of law, sir. It is quite possible that under the provisions of law the terms you outline could be applied.

Mr. PASSMAN. That is what I want the testimony to show.

Mr. HUTCHINSON. My testimony was I knew of no provision in the present policy of making loans that provided for those repayment terms.

Mr. PASSMAN. I am talking about what has been testified to before this committee and the terms on which the loans could be made.

Is it not true also, under this legislation, the executive could, in its wisdom, if it desired, cancel these loans entirely?

Mr. HUTCHINSON. I know of no provision——

Mr. PASSMAN. I am speaking of the law, and the provisions are broad enough whereby these credits could be canceled if the executive should decide it is to the interest of this country to do so.

Mr. HUTCHINSON. I see no such authority in section 201 or 202 of the act.

Mr. PASSMAN. Your superiors have testified that is true, so you had better study the hearings.

Now, you may proceed with the remainder of your statement.

SUPPORTING ASSISTANCE

Mr. HUTCHINSON. Supporting assistance in the African-European programs serves two principal objectives. The first is the continuing strategic requirement of maintaining effective use of facilities important to the U.S. interest. The second is providing assistance for political purposes in circumstances which do not permit adequate assurances that the criteria established for development lending or grants can be met.

For fiscal year 1963, supporting assistance is expected to decline sharply in Africa to $32.5 million from the levels of $84 million in fiscal year 1961 and the anticipated $61 million this year.

The proposed reduction in the number of these programs reflects our concerted effort to replace supporting assistance insofar as possible with food-for-peace commodities and, where the criteria can be met, development assistance. In Tunisia, for example, fiscal year 1962 is expected to be the last year for grants under supporting assistance. The program in that country is planned to change substantially to rely primarily upon loan financing, with continuing emphasis on the use of Public Law 480. The total elimination of supporting assistance in other countries is not yet attainable, largely as a function of strategic interests there. In these situations, however, we are now attempting to establish the conditions which will enable these countries to qualify for development assistance in the future. This was accomplished in three of the supporting assistance countries this year.

DEVELOPMENT LOANS

Development lending is expected to become the single largest element of the AID programs in Africa next year. For fiscal year 1963, we anticipate loan approvals of $200 million to meet anticipated loan proposals estimated to range from $200 to $270 million. This compares with the $71 million approved in 1961 and the approximately $75 to $100 million estimated level at the close of this year.

The large increase requested symbolizes several significant developments. First, there has been considerable activity this year in providing for cost estimates and technical judgments on a number of African loan project proposals. Second, the improvements and expansion of African development planning have produced national programs, such as those in Nigeria, Tanganyika, and Tunisia, which increase the abilities of several African countries to use aid effectively. These developments also assist us to better direct our aid. The loan forecast assumes the obligation of significant portions of the long-term assistance assurances extended to Nigeria and Tanganyika this year, as well as the commitments being considered for Tunisia. Finally, we have changed the approach which existed prior to AID's establishment, whereby ICA financed some capital projects through grants while DLF funded others on a loan basis. It is planned to finance all significant capital projects, including those in the social infrastructure fields with major construction elements, on a loan basis. As a result

of all this, the estimate for fiscal year 1963 reflects an extensive list of development lending prospects which actually exceed the funds requested.

Any consideration of the respective amounts of loan approvals in different years, however, can be misleading unless several facts are observed. The pattern of this assistance in Africa is bound to be irregular due to the effects of approving loans for possibly large projects when all of the prerequisites have been met, rather than in yearly increments. This, incidentally, has considerable advantages in avoiding the perpetuation of "annual aid levels." Then, as the committee knows, there is the difficulty of forecasting precisely the speed with which the various African countries will be able to prepare specific applications, or when the tests of the economic feasibility and engineering soundness of the projects will be completed to permit their financing. It is difficult, therefore, as the range of the program projection indicates, to estimate the actual volume of country development lending during fiscal year 1963. However, in making our appropriation request, we have used the lower range of our estimate of projects likely to be ready for financing.

Our expectations for the principal recipients and fields of development loans are clear, however. Nigeria, Sudan, Tunisia, and Liberia are the countries in which we anticipate the greatest level of activity next year. In implementation of the long-term commitment given the Nigerian Government, a variety of development loans are expected there. The projects tentatively being considered as suitable for loan financing in the Sudan are largely in the field of transportation since this represents a major economic bottleneck in that country.

The overall forecast of development lending in Africa closely follows the order of priorities for the African countries' goals for overcoming their critical needs. The fields now being emphasized and likely to remain as top priorities are transportation, industry, power, and water. Improved transportation in the form of highways, railways, airways, et cetera, is of fundamental importance in bridging much of this vast continent. Access to Africa from the outside world is still easier than movement within and between the many states. Power is another key field in Africa whose water resources exceed those of any other continent but are virtually unharnessed. Almost every country's development program calls for greatly increased power for running new mines, factories, farms, village workshops, and homes. Water also is the focus of many other potential loan projects to overcome the difficulties which make it a top-ranking factor limiting economic advance in at least half of Africa. Its supply for human and animal consumption, and for irrigation has many significant economic implications for the sub-Saharan countries which face perennial dryness and dearth or flooding and waterlogging. Other potential loan projects are in the fields of communications, development banks, and capital projects in the social development field.

DEVELOPMENT GRANTS

Development grant assistance of $117.75 million is proposed for fiscal year 1963, compared to estimated fiscal year 1962 obligations of about $97 million and a fiscal year 1961 program of $69.7 million. This somewhat enlarged program reflects the African nations' im-

proving capacities to use aid effectively, as well as the fact that the need for this form of assistance is greater in Africa than in any other region.

Here, as in the loan portion of our development assistance, an examination of the proposed country levels points up the AID effort to concentrate its resources to the maximum. The top five prospective development grant recipients are scheduled to obtain approximately half of the total. In keeping with this approach, we have limited the plans for AID programs and staffs in the countries which have the least development potentialities or are being heavily supported by the former metropolitan powers. The traditional U.S. aid mission with direct-hire technicians and overhead staff would not be established in that category of countries. The proposed programs would be restricted as well to achieve maximum concentration.

This is an experimental approach, it should be noted, and conclusions must await some practical experience. Similarly, since many of the African country programs began just last year, greater flexibility is required in the entire development grant area. We must be prepared to expand these programs as additional requirements are identified, more programs meet development criteria, and our implementation capabilities are improved.

The main purpose of development grants in Africa is to assist these governments to overcome the lack of trained, able persons which is believed to be the greatest gap in the development requirements of all African countries. Education projects comprise about 40 percent of the total requested for fiscal year 1963, reflecting both our appraisal of needs and the overriding priority accorded education and training by most African states. Our programs stress the development of local educational institutions, largely in vocational and postprimary fields, with considerable attention given also to teacher training. Please note that much of this concerns educational activity in the fields of agriculture, health, public administration, and so forth. We are most fortunate, in this respect, to be able to attract high-caliber American universities and other educational institutions with which to contract for services in African countries. You may have noticed the references to seven universities—Harvard, UCLA, Michigan State, Ohio University, Western Michigan University, Indiana University, and Pittsburgh University—engaged in the large-scale program in Nigeria.

I would like to underscore other activities in this region under "Development grants." Intra-African economic arrangements and activities pooling the resources of several states to attack mutual development problems are the subjects of several potentially valuable projects to obtain regional economic cooperation. Some of these are addressed to curbing infestations of rinderpest and locusts which do not respect national boundaries. Others seek to develop and improve promising educational institutions for regional uses, as well as assisting the several agencies already promoting regional economic cooperation.

A new venture under the development grant program is to assist in bringing governmental services in such fields as agriculture, education, and health to the people in rural Africa, often for developing key geographic areas. The Gbarnga district of Liberia bordering on Guinea, the Chisimaio Port hinterland in the southern portion of the

Somali Republic, and the southern and central provinces of Nyasaland illustrate these approaches.

To put the AID recommendations in perspective, I wish now to bring you up to date on the most important aspect of measures to promote Africa's economic and social development. I refer, of course, to the Africa government's own responsiveness to popular concerns, particularly in demonstrating clear determinations to marshal and direct their resources to furthering their own development.

SELF-HELP EFFORTS

Considering the fact that most African nations have been independent only since 1960, their strides toward economic stability and developing workable government institutions have been striking. Several already are showing a capacity for responsible and imaginative leadership. Even more generally in Africa despite the brief period of time, there have been encouraging signs of self-help actions and sound, responsible planning. These are all the more impressive when one considers the economic difficulties following the achievement of independence which increase pressures on new governments and the continued high incidence of disease and poverty which weaken the already thin layer of technicians and administrators.

As illustrations of efforts to promote their own advancement, I cite first the introduction and expansion of taxes and related revenue-gathering measures within the last 2 years. This trend would be regarded as somewhat surprising, considering the political power struggles going on within many African countries in their first years of independence. As unpopular as these measures are, even in our own country, they are being carried out in Africa despite the concern with the tough, tedious problems of raising living standards, satisfying the thirst for education, and, in other cases, just keeping the new nations from economic collapse. The introduction of taxes on agriculture and increase in taxes on business profits and wages in Morocco typify the actions taken recently in at least 10 other African states. Direct taxes were stepped up, for example, over 20 percent in Mali, 18 percent in Togo, and 17 percent in Niger. Restrictions on luxury imports have been increased to discourage these purchases, as well.

Other examples of self-help include (a) the innovation of savings campaigns in the Ivory Coast; (b) a sizable internal bond flotation in Niger; and (c) the 30-percent reduction of government officials' salaries in Dahomey. For the Ivory Coast, contributions from the private sector and from the salaries (10 percent) of high level government officers are made to the Development Fund. In addition, firms which reinvest profits in the Ivory Coast instead of transferring them abroad obtain special rebates.

The evidence is even more impressive in examining the application of self-help actions in the context of a country's total development effort. Nigeria, for example, is planning to take measures necessary to finance all of the recurrent expenses and 50 percent of the capital costs of its new development plan. Budget expenses are being cut through reduced salaries, allowances and leave periods for senior government officials. Custom duties have been increased by $33 million per year; the duty on luxury consumer goods, for example, has been increased. Prices paid to farmers by agricultural marketing boards for some

products have been reduced, so as to increase the savings of these boards available for investment under the development plan. Widespread reforms have been made in educational practices which were unsuited to Nigeria's development needs.

Tunisia has demonstrated its imagination and administrative ability by vigorously attacking its chronic problem of unemployment and underemployment through a labor-intensive development program. Supported in part with grants of surplus U.S. wheat used for wage and other payments, the program has put to work over 170,000 unemployed on hundreds of projects, such as land clearance, reforestation, terracing and road construction. Tunisia and the AID are now cooperating on plans to integrate this program fully into Tunisia's new national development plan. As another measure, Tunisia hopes to finance half of its total investment through domestic savings.

My discussions in the field early this year with officials of African governments and representatives of all AID missions have left me optimistic about the prospects for economic development in many countries. That African nations are looking to the United States for assistance was apparent. I was encouraged, however, by the evidence that many are determined to make the necessary sacrifices and are addressing themselves to their problems in a businesslike way.

FREE WORLD AID

To round out the picture of assistance to Africa, it is necessary to review the pattern of all other free world sources, particularly since these other donors actually carry the principal burden. In fact, the other free world donors are doing more than is generally known and these efforts are improving also in terms, tools and scope of assistance. The development of Africa has been recognized as a full Western community responsibility. It is almost paradoxical that, as empires retreat from the face of Africa, the European countries have started projects in and, in several instances, are increasing their contributions to those no longer bound to them by colonial ties.

In total, aid from European and international sources is large and has increased. The rate of annual economic aid obligations to all African countries from other free world sources has risen from about $900 million in 1959 to nearly $1.5 billion in fiscal year 1962. If aid to Algeria and other African countries not currently receiving U.S. assistance is excluded, other free world aid is estimated at over $1 billion—far more than expected U.S. aid. France remains the largest contributor, with annual obligations, mostly grants, of over $300 million to former French states other than Algeria. The largest portion of French aid is used to finance most of the costs of the approximately 25,000 French technical administrative and teaching personnel. French aid also provides budget support and specific project assistance. In addition to its formal aid, France guarantees an export market and fixed prices to producers for key commodities such as coffee, peanuts, cotton, and bananas. The Common Market Development Fund (EEC) is currently approving social and economic projects in the 17 associated African states at a rate of about $200 million per year. United Kingdom grants and loans to African countries average over $150 million annually and finance mainly de-

velopment budget costs, with some contributions to operating budgets and the cost of British personnel. West German obligations, which will reach a peak of about $155 million in fiscal year 1962, have consisted mainly of loans for foreign exchange costs of specific development projects. Belgium, Italy, Japan, Israel and several other countries also extend some aid to Africa.

The role in Africa of international lending agencies, notably IBRD, IDA, and IRC, is becoming increasingly important. Commitments from these organizations to Africa have averaged about $100 million per year during 1960 and 1961. Export-Import Bank developmental lending activity in Africa (excluding the United Arab Republic and the Union of South Africa) has increased from $7 million in 1959 to nearly $53 million in 1961. It is anticipated that the Bank will continue to expand its lending operations in Africa.

These statistics and trends in the record of free world assistance to Africa are encouraging. The future is far from clear, however, and the record scarcely permits the conclusion that U.S. aid can only be of token dimensions. Strengthening the free world's influence in Africa cannot be left to European aid alone. Quite apart from the Africans' desires to avoid what they fear to be another form of colonialism, the U.S. responsibility is clear. We wish to assist in the development of the African community and to help assure its stability. AID's approach here is to help the new African nations by supporting their economic and social aspirations and to help them establish new kinds of common ties with the Western nations. Contributing to the second objective are the already favorable indications of the improvement of the organization for economic assistance in donor governments and the establishment of machinery for coordinating our efforts with other free world nations. We have consulted with the French, British, and Italians in the past 2 months.

CONTINGENCIES

Uncertainties are prevalent in Africa. Emergencies may turn out to be the rule rather than the exception. The course of future events in Africa is probably more difficult to predict than in other areas of the world. The urgency of the needs is clear. However, in spite of the advance planning that has taken place, it is extremely difficult to forecast the magnitude and timing of the assistance requirements. So much is dependent upon developing political situations in which the United States is not a direct participant. It is expected, therefore, that a number of significant requirements which cannot now be anticipated or measured or planned may rapidly materialize during fiscal year 1963 and will have to be met from contingency appropriations.

Thank you very much, Mr. Chairman and members of the committee, for the opportunity to present this statement.

Mr. PASSMAN. Thank you.

TERMS OF LOAN REPAYMENT

As we stated earlier, at the time you were reading your statement into the record, about what could be a misunderstanding whether

these are loans or disguised grants, I think we should read into the record from page 341 of Mr. Black's statement of 1959:

When I say "properly conceived," I have in mind loans which are administered on a businesslike basis, which impose a clear and unambiguous obligation to repay in local currency, and which are made on terms appropriate to the type of project being financed. While the proceeds of such local currency loans may be made ultimately transferable to the extent that the economic progress of the borrowing country permits, it must be made clear that his will be done only in a manner which would not affect the country's then existing foreign exchange obligations, and which would not otherwise impair its credit.

On page 55 of the same hearings:

Mr. DILLON. The detail of language that we are going to try to put in the loan agreement on that has not yet been finalized or approved by the loan committee. That is one of the things that we are working on right now. Maybe we can do something like that to a limited extent to cover things like diplomatic expenditures. We could not do it to the total extent. In other words, we could not have the record show when we got the local currency repayment at the end, to take that and byproducts and export them out of the country to the full amount. If we did that, we would make the local currency the equivalent of a dollar repayment.

Throughout the hearings, for 2 or 3 years, it was indicated it would defeat the purpose of the assistance if we should request that these loans be repayable in dollars.

Then we go to page 914 of the hearings for fiscal 1962. I quote from Mr. Dillon's statement:

We feel that these loans with the terms as set forth, which are noninterest and no principal repayable for the first 10 years, would not put any burden except a small service charge on their economies for the first 10 years. Thereafter, they would repay in the next 10 years 1 percent a year. Thereafter, they would repay for the next 30 years at 3 percent a year.

We think that sort of burden is one they can meet, particularly in the future when they will be in better shape than they are now.

If we move along to page 184, part 1, cancellation clause and agreement:

Mr. PASSMAN. Under these contracts on this development credit proposal, will there be any cancellation clause on any of the agreements?

Secretary DILLON. I would think that there would be under certain circumstances, but, again, that is a thing for the Administrator of the program.

Mr. PASSMAN. If we should deem it in the interest of America, it could be?

Secretary DILLON. That is right.

Mr. PASSMAN. Even though we do not think of it as a loan, but getting in the shadow of a loan, if it should be in the interest of America, according to those who administer the program, it could be done under the program? Could they cancel repayment requirements?

Secretary DILLON. So they could not be repaid?

Mr. PASSMAN. Yes.

Secretary DILLON. I do not think that provision would be in there.

Mr. PASSMAN. Could you give the committee the assurance that there will be no cancellation of requirements for payments?

Secretary DILLON. That is a different matter.

Mr. PASSMAN. There is always a possibility the loans will be canceled?

Secretary DILLON. There is always that possibility in any loan.

Mr. PASSMAN. We would not be able to take these loans and borrow money on them ourselves. It would not be good security, would it?

Secretary DILLON. No.

GRANTS DISGUISED AS LOANS

Let the record show that these things are not loans, because if you should get back a few dollars in subsequent years, they would go back

into the program and would not go back into the Treasury to make any reduction on the public debt.

These are not loans, and the record should not show they are loans.

Mr. HUTCHINSON. I think the record should show, however, that the Secretary was testifying before the passage of legislation in connection with various proposals that were under consideration.

I think you will find that there is subsequent testimony by other witnesses who did not feel these contracts requiring repayment could be canceled by the executive branch, and I think also, sir, that there has been no policy decision to put into effect terms of the sort which were being considered at the time of the Secretary's testimony.

Mr. PASSMAN. What was Mr. Dillon's position on this matter last year when he appeared before the committee?

Mr. HUTCHINSON. What was his position?

Mr. PASSMAN. Yes.

I was reading from last year's hearings. We have agreed this morning that you can go up to 50 years without any interest, with a 10-year grace period, then 1 percent for 10 years, and the subsequent 30 years at 3 percent per year.

Mr. HUTCHINSON. We can go to other terms also.

Mr. PASSMAN. We asked a question last year: Could the Executive cancel these loans?

I read into the record the answers. If you want to put another answer in, you and Secretary Dillon work it out.

Mr. HUTCHINSON. Mr. Labouisse answered by saying he understood it would require action by the Congress in order to cancel the country's obligations to repay.

Mr. PASSMAN. Where is Mr. Labouisse now? Is he still downtown?

Mr. HUTCHINSON. No.

LEGAL ACTION AVAILABLE FOR COLLECTION OF LOANS

Mr. RHODES. May I ask a question—I thought last night from an answer Secretary Williams made, he indicated we could take some legal action to collect certain obligations and loans.

Mr. Hutchinson, really what legal action can one nation take to collect a debt which another nation owes it?

Mr. HUTCHINSON. I would have to get a lawyer to answer the question. These are legal contracts which we have entered into with the various entities of government and are binding agreements in accordance with our law and in accordance with theirs. We get an opinion from the chief legal officer of the country with which this obligation is entered into, that these are valid and binding obligations.

Now, what specific legal recourse we would have in a particular case would depend upon the nature of the particular governmental entity that we were contracting with. Sometimes they are entities that have the right to sue and be sued, and so on. Sometimes it is the general authority of the government.

So I think the answer would be very, very diverse and varied. I would not be competent to give you a specific statement on exactly the recourse in each case.

Mr. RHODES. Certainly, these loans could not be recovered by legal action or otherwise unless the recipient nation decided it wanted to pay the loans?

Mr. HUTCHINSON. Well, certainly legal recourse would be difficult through foreign courts.

Mr. RHODES. Legal recourse can be had only where a court is available which is capable of enforcing its decrees?

Mr. HUTCHINSON. Right.

Mr. RHODES. In most of these instances there would not be any such tribunal?

Mr. HUTCHINSON. Right.

Mr. PASSMAN. I think we should indicate in the record at this point that your superiors answered that, from time immemorial, nations have made loans to other nations and have entered into barter agreements.

Mr. FORD. Would the chairman yield?

To a substantial degree, I share the chairman's apprehension about the kind of loans that are being made, but I think it is unfortunate if in these hearings we create in the minds of the debtors that there are some who do not think they are going to pay back. I think it would be the attitude of this committee, every one of us, and Members of the Congress as a whole, that we do expect them to pay back even though we understand and fully appreciate there may be some difficulties.

I would not want the beneficiaries of these loans to misconstrue the colloquys we have here, and I am sure the chairman would not want them to misconstrue it either.

Mr. PASSMAN. I am not going to make myself a party to calling these transactions loans when the AID people downtown, if you go head and head with them, will tell you they do not expect this money to be repaid.

Now, some of the top echelon people indicate that these things are loans when Mr. Dillon himself, the Secretary of the Treasury, indicated for the record he did not think of them as loans.

I read it into the record. If you want to make it all classified, that is one thing, but as far as I am concerned, I am not going to be a party to misleading the people as to what these things are. Our economy will not stand it. It is serious business, and it is the time for this committee to buckle down, in my opinion, and indicate to the American public just what we are doing to generations yet to be born.

Even yesterday I asked the distinguished Secretary if a new nation should be created, if we could write a provision to wait 6 months before we began with the AID program, and he thought that would do damage.

(Off the record.)

REPAYMENT OF LOANS

Mr. HUTCHINSON. Mr. Chairman, I would not want to quarrel with you over the term you apply to these credits. I would not like, however, the record to show that the AID agency does not expect they will be repaid. It is our full expectation to effect repayment.

Mr. PASSMAN. You might expect that. You may get a few dollars back. If any should trickle back in it will trickle out through another door and it will not trickle into the Treasury.

I yield to Mr. Conte.

Mr. CONTE. Mr. Hutchinson, getting back to Mr. Rhodes' question. True, some of these countries do not have the proper judicial vehicle

to enforce a contract. However, the Export-Import Bank has been in existence a good many years and its record thus far of collecting its loans has been outstanding as I understand it.

Mr. HUTCHINSON. That is correct, without the necessity of this type of legal recourse.

Mr. CONTE. I for one would not want the record to show that we do not feel that we are going to be left high and dry. We want this money coming back and if it is not coming back I think it will be the end of the DLF.

I want that to appear in the record for these countries to read.

Mr. HUTCHINSON. I would agree with your statement, sir.

Mr. CONTE. We fully and strongly feel that this money that they have not only is a contractual obligation but a moral obligation to repay this money in cash or hard currency.

Mr. RHODES. If the gentleman will yield, I certainly did not intend to indicate I felt otherwise as far as their requirement and obligation to repay. I think the chairman's point was well made, however, when he said that the money even if it comes back does not go into the Treasury; also the fact that the terms are more than generous. The interest rate is practically nonexistent for at least the first 20 years under our understanding of the usual terms. This really takes these out of the category of a usual type of loan. I feel that the terms must be complied with but I do feel also the American people should be fully informed that this is not the usual type of loan and the chance of repayment is less certain than in the usual type of loan.

Mr. PASSMAN. What we are talking about today is no different than in prior years. There are hundreds of pages of testimony dealing with the same type of questioning that we are pursuing today. Even in the act itself there is a loophole that you could fly a jet through. That is section 201(b)(6) "Loans shall be made under this title only upon a finding of a reasonable prospect of repayment." Who is going to interpret the reasonable prospect?

ENFORCEMENT OF LOAN AGREEMENTS

Regardless of any legal claim, do you know of this Nation ever suing any other nation for any obligation in all the history of America, even the so-called good, hard dollar loans that we made after World War I?

Mr. MOSSLER. I do not know of any cases where we have sued them, but it might be interesting to note how much of the amounts we have loaned have been repaid without any suits.

Mr. PASSMAN. If you would give the other side of the page and show how many we made we cannot collect, chances are the percentages would be in such fractions you would not want it in the record.

Wherever have we enforced a loan agreement in the existence of America? You do not know of any, do you?

Mr. HUTCHINSON. Through legal processes, you mean?

Mr. PASSMAN. We are talking about legal processes.

Mr. HUTCHINSON. I think the ability to collect against credits has been fairly well demonstrated by the Export-Import Bank without going through legal processes, as has been testified to.

Mr. PASSMAN. This is a pretty good indication, and I quote from the hearings:

At the request of ICA, the Bank deferred collection of principal and interest payments on certain dollar loans to India, Pakistan, and Turkey. The outstanding balance of these loans amounted to $286.2 million at June 30, 1961. Principal repayments of $52.4 million and interest totaling $60.8 million are being deferred for periods from 6 to 10 years.

AID REQUEST FOR AFRICA FOR 1962

What was the amount of the request for the African area for fiscal year 1962?

Mr. HUTCHINSON. The amount of the request for fiscal year 1962?

Mr. PASSMAN. That is correct.

Mr. HUTCHINSON. As I understand the situation, the request was submitted on a total basis in fiscal year 1962.

Mr. PASSMAN. What was the total?

Mr. FORD. Mr. Chairman, do you mean by the Congress or the Bureau of the Budget?

Mr. PASSMAN. I am talking about what these people testified for in fiscal year 1962, your estimate, your request for this area; the request to the Congress and this committee.

Mr. HUTCHINSON. For the African region?

Mr. PASSMAN. That is correct.

Mr. HUTCHINSON. Mr. Mossler, do you know the figure? I was not here.

Mr. MOSSLER. Mr. Chairman, for the Africa region, we came up for continuing costs for development grant programs of $71,350,000. You will also recall that in addition to these continuing costs, the development grant appropriation request for fiscal year 1962 had an unprogramed portion, if I recall correctly, of $130 million on a worldwide basis, which was not——

Mr. PASSMAN. Could you give us the total?

Mr. MOSSLER. I have to treat each category separately because the total is different for each category of assistance. I have given you development grants.

Mr. PASSMAN. Get it all together. You deal yourself with the totals and we run into five different amounts along the way. You just cannot run a government like that. You could not run a fourth-class post office the way you run this.

Mr. MOSSLER. All right.

I have the information right here, Mr. Chairman, but I think it is necessary——

Mr. PASSMAN. You expressed some degree of doubt. Get it together. We will take a brief recess and answer this rollcall.

(Short recess taken.)

Mr. PASSMAN. The committee will come to order.

Do you have the figure?

Mr. MOSSLER. Yes, sir.

Mr. PASSMAN. How much is it, please, sir?

Mr. MOSSLER. The amounts that we asked for by specific program or project——

Mr. PASSMAN. Give us the total for Africa.

Mr. MOSSLER. For Africa, Mr. Chairman, it amounted to $139,450,000, of which $71,350,000 was for development grants, $68,100,000

supporting assistance. In addition to that you will recall we had an unprogramed worldwide request for development grants of $130 million, of which it was assumed that a substantial portion would be needed for Africa. In addition to that, we had a worldwide request for development lending activities and, of course, it was assumed that some portion of that would be for Africa.

Mr. PASSMAN. So the total was $139,450,000?

Mr. MOSSLER. For specific programs and projects.

INCREASING BUDGET ESTIMATE

Mr. TABER. It might run to $200 million.

Mr. PASSMAN. $139,450,000 is the figure. At a subsequent date you estimated, on February 28, $199,800,000.

Mr. MOSSLER. I believe that is the figure in the congressional document.

Mr. PASSMAN. I appreciate your courtesy. Just tell us yes or no.

Mr. MOSSLER. Yes, sir.

Mr. PASSMAN. Then, at a later date, you put out another estimate of $233 million, did you not?

Mr. MOSSLER. Yes, sir, it is $233 million, to be exact, but the figure that you quoted earlier from the congressional books only indicated that portion of the development lending activity that we had specifically programed at that time and the figure we——

Mr. PASSMAN. I was speaking as of February 28, where you had the development grants, development loans, supporting assistance, $199.8 million.

Mr. MOSSLER. Yes, sir.

Mr. PASSMAN. Today you are estimating it will be $233 million?

Mr. MOSSLER. That is correct, because we have brought our estimates up to date on the development lending activity. In our February figures we only recorded those development loan figures which we had firmly programed at that time.

Mr. PASSMAN. We understand you brought it up. That is exactly what we are complaining about. You come in and testify for one amount; then later you decided it should be a different amount. Then at a subsequent date you changed it and you came in with another amount. I do not know why, with our economy in one of the most alarming strains it has been in my lifetime, so far as threats are concerned, the amount of overdraft that we are encountering this year—expenditures over budget receipts, the diminishing gold reserves, regardless of the economists' views, it is frightening—why you could not come up with a program and say this is it and tell those people out there that this is what we are going to be able to do in fiscal year 1962. I do not know why you should go out and continue to find new projects and obligate or commit in excess of what you justified in the previous year.

ESTIMATED UNOBLIGATED BALANCE AS OF JUNE 30, 1962

What is the anticipated unobligated balance for this area on June 30, 1962?

Mr. MOSSLER. Unobligated balances are programed on a worldwide basis, Mr. Chairman.

Mr. PASSMAN. But how about your area? Let us break it up.

Mr. MOSSLER. Of the funds that have been allocated to our particular area of the world, we expect that substantially all of them will be obligated.

Mr. PASSMAN. We want you to be specific. What will be the unobligated balances of June 30?

Mr. MOSSLER. That is really an impossible question to answer, Mr. Passman, for this reason: These allotments are made to the field, and most of the agreements are negotiated between the host government and our mission representatives in the field. We will not know until June 30.

Mr. PASSMAN. Can you give us an estimate of what the unobligated balances will be?

Mr. MOSSLER. For this reason we feel we have programed our money in such a way that we have allotted only those funds which we believe they are going to obligate.

Mr. PASSMAN. Then you want to let the record show that you are not in position to give us an estimate on the unobligated funds for your region as of June 30, 1962?

Mr. MOSSLER. I would like the record to show, Mr. Chairman, that there may be some small amounts. I am not in position to provide you with an exact amount as to what it will total.

Mr. HUTCHINSON. It is our expectation that our program will be substantially completely obligated at the end of the fiscal year.

Mr. PASSMAN. Substantially?

Mr. TABER. When will you know?

Mr. MOSSLER. We will get our reports in, Mr. Taber—flash obligation reports—about the 10th of July. Subsequently we get a final June 30 certification and these become the official obligation records.

Mr. PASSMAN. When will that information be available for the committee?

Mr. MOSSLER. That is usually submitted in the month of September.

Mr. PASSMAN. If you think you are going to run behind this so-called long-range plan that we gave you last year, and not answer these questions and give us some estimates, then you are not going to get any money. We are going to wait before we report the bill until you at least give us an estimate of what your unobligated funds will be.

Mr. RHODES. Mr. Chairman.

Mr. PASSMAN. Mr. Rhodes?

ALLOTMENT OF AVAILABLE FUNDS

Mr. RHODES. You mentioned the word "allotment." Have you allotted all the money which is available to you in the field?

Mr. MOSSLER. At this particular moment, to the extent that we show programs in here, we have made those allotments.

Mr. RHODES. Is there any money which is available to you for this region which has not been allotted to the field.?

Mr. MOSSLER. As of today, none.

Mr. RHODES. How about as of yesterday?

Mr. MOSSLER. None that I know of, sir.

ESTIMATED UNEXPENDED BALANCE AS OF JUNE 30, 1962

Mr. PASSMAN. What is the anticipated unexpended balance for this area on June 30, 1962? We are dealing, of course, with three specific items. They are development grants, development loans, and supporting assistance?

Mr. HUTCHINSON. Yes, sir. Again, this question gets a bit difficult because the unexpended balances of loans is generally kept on a world-wide basis but the figures that we have here before us today—let me be sure I am looking at the right column——

Mr. PASSMAN. If you will, make up your minds that from here on in we want to know what you have in your region.

Mr. HUTCHINSON. I was incorrect about the unexpended balance. The unexpended balance for Europe we estimate as of June 30, 1962 as being $74,992,000; for Africa, the estimate is $284,559,000.

Mr. PASSMAN. Making a total of what amount?

Mr. HUTCHINSON. Making a total of $74.9 plus $284.6. I will add them.

It looks like $359,551,000.

Mr. PASSMAN. That is the total unexpended for Europe and Africa for the development grants, development loans and supporting assistance?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Would you break it down for us by the three categories?

Mr. HUTCHINSON. We have it here if you want it now.

Mr. PASSMAN. Give it to us then.

Mr. HUTCHINSON. Development loans, $46,989,000.

Mr. MOSSLER. For Europe.

Mr. TABER. For Europe?

Mr. PASSMAN. Two countries in Europe, I believe.

Mr. MOSSLER. Yes.

Mr. TABER. What are those countries?

Mr. MOSSLER. Spain and Yugoslavia.

Mr. PASSMAN. Let the record show at this point, while you are getting those figures, that this, of course, refers only to the grants and loans and development credits and supporting assistance. It does not include the military assistance program.

Mr. HUTCHINSON. That is correct.

Mr. PASSMAN. There is a substantial military assistance program for other countries in Europe.

Mr. MOSSLER. That is correct.

Mr. PASSMAN. Do you have those figures available?

Mr. HUTCHINSON. Military assistance?

Mr. PASSMAN. No, what you indicated you would run down.

Mr. HUTCHINSON. For Europe, the anticipated unexpended balance for development grants is $5,359,000; for supporting assistance, $21,057,000.

Mr. FORD. These figures represent what, Mr. Chairman?

Mr. PASSMAN. The unexpended balances in the area for which they are testifying.

Mr. TABER. Estimated?

Mr. PASSMAN. Estimated unexpended balance as of June 30.

Mr. FORD. For fiscal year 1962?

Mr. PASSMAN. It could be in prior years. It is the total on hand. You have some money appropriated as long as 7 years ago that is still carried on hand unexpended.

Mr. HUTCHINSON. The same figures for Africa?

Mr. PASSMAN. Yes.

Mr. HUTCHINSON. For development loans $144,339,000; development grants, $99,737,000; supporting assistance, $40,483,000.

Mr. PASSMAN. Making a total of your entire region——

Mr. HUTCHINSON. For all of Europe and Africa, $359,551,000.

UNEXPENDED BALANCES AS OF JUNE 30, 1961

Mr. PASSMAN. May we have the same total for fiscal year 1961?

Mr. HUTCHINSON. For Europe——

Mr. PASSMAN. First give us the total as you did a moment ago.

Mr. HUTCHINSON. The total is $152,302,000.

Mr. PASSMAN. The unexpended sum is more than doubled in one year?

Mr. MOSSLER. No. That is the Europe total, and it has actually gone down.

Mr. PASSMAN. We asked for the total.

Mr. HUTCHINSON. As of June 1961, the Development Loan portion in Europe was $85,989,000. The supporting assistance portion was $54,357,000; the development grant portion was $8,269,000.

It appears that there is a hangover of the old appropriations, in fact, quite a number of other type things, amounting to $3,687,000.

Mr. PASSMAN. Do you have the totals?

Mr. HUTCHINSON. Those are included in these totals. I would be glad to give you these figures.

Mr. PASSMAN. The total for Europe is $152,302,000?

Mr. HUTCHINSON. For Europe?

Mr. PASSMAN. Now Africa.

Mr. HUTCHINSON. As of June 30, 1961, the unliquidated obligations for development loans was $124,039,000; supporting assistance, $58,738,000; development grants, $71,321,000, and the total, $254,143,000.

Mr. PASSMAN. All right, sir.

The grants and supporting assistance represent approximately 75 percent of the total; that is, using your projected figure of $233 million for this area, looking at development grants, development loans, and supporting assistance. This is about 75 percent that falls in the category of supporting assistance and development grants?

Mr. MOSSLER. Of the total——

Mr. PASSMAN. Of the $233 million, yes.

Mr. HUTCHINSON. Development grants and development loans——

Mr. PASSMAN. I am separating development grants and supporting assistance. Those are economic facts of the thing. Your development loans are in three categories that we have been talking about.

Mr. HUTCHINSON. Development grants are estimated at $97 million. Supporting assistance is estimated at $61 million and the development loans at $75 million; $75 million out of a $233 million total would not be 75 percent.

Mr. PASSMAN. I made that statement because on February 28 it was heavy on the side of supporting assistance and development grants.

Development loans, of the three, was the lowest amount. That is also true of these figures.

Mr. HUTCHINSON. Development loans are higher than the supporting assistance figure.

Mr. PASSMAN. That is not true with your February 28 estimate. On February 28 you had development credits that you referred to as loans as $42 million, you had supporting assistance as $61 million; is that correct?

Mr. MOSSLER. That is correct.

Mr. PASSMAN. Those are the only figures we have to go by. There is nothing in the books to support the third figure; is that correct?

Mr. MOSSLER. It has been our practice on development lending to only include in the books what we had approved.

Mr. PASSMAN. Is it a statement of fact that the figures I just referred to are the ones that are in the books?

Mr. MOSSLER. That is correct.

NUMBER OF AFRICAN COUNTRIES IN 1963 PROGRAM

Mr. PASSMAN. What is the anticipated number of AID missions you will have in operation in this area during fiscal year 1963?

Mr. HUTCHINSON. We will have programs in 29 countries.

Mr. PASSMAN. You will have AID missions in 29 countries?

Mr. HUTCHINSON. We will have AID personnel in 29 countries.

INTEGRATION OF AID AND STATE DEPARTMENT PERSONNEL IN SOME AFRICAN COUNTRIES

Mr. PASSMAN. What is the difference in AID personnel and an AID mission?

Mr. HUTCHINSON. The reason I make this distinction, sir, is that we are expecting that in a number of the smaller countries, especially those where we do not expect to have a very large program, to combine AID personnel with Department of State personnel and not to have a separate AID mission as such. AID personnel would be operating under the direction of and as an integral part of the Department of State unit.

Mr. PASSMAN. This is a Department of State operation, is it not? It is an arm of our foreign policy and it is generally considered that the Secretary of State has veto power over any decisions of all of those in the AID mission?

Mr. HUTCHINSON. This is true, sir.

Mr. PASSMAN. That brings on a lot of concern to this committee, because some of those you have felt should no longer have an AID mission, you did not transfer over. Some of them have been transferred over to the State Department. I wonder to what extent those who left the old ICA program because they did not desire to transfer over, and some of them wound up in the State Department, if they would come right back in and actually be in the AID program, but under the auspices of the State Department?

Mr. HUTCHINSON. I am missing your point, sir. To whom are we referring?

Mr. PASSMAN. I can name names.

Mr. HUTCHINSON. I did not want to make it personal.

Mr. PASSMAN. I say when you had ICA and you transferred personnel over to the new AID program, some of the old ICA personnel did not go over but some of them did go to the State Department. They transferred over to the State Department after the new AID program decided they could not utilize them in the new AID operation.

Mr. MOSSLER. I understand what you are saying; yes, sir. I do not know whether they did or did not. We just do not know.

Mr. PASSMAN. Let us say that they did. I think the record will show that they did. If you are in some sections making the AID program a part of the State Department as such, and not having an AID mission independent of the other personnel out there, could it be these people would be transferred out and take over as the administrators of the AID program?

Mr. HUTCHINSON. Sir, the personnel who are to be used in these consolidated operations are subject to approval by both of the agencies concerned.

Mr. PASSMAN. But they will be under the State Department's operation. You will not have an AID mission as such, as we think of AID missions?

Mr. HUTCHINSON. We will not have a separate AID mission.

Mr. PASSMAN. How many fall in that category?

Mr. HUTCHINSON. We have not made a final determination on this. We are sure that this pertains probably to three of the four Entente States, probably all of the central African states——

Mr. PASSMAN. How many will the total be?

Mr. HUTCHINSON. We are sure of seven and there may be additional ones as we review the situation further.

We have not made a final decision on all the areas in which we are to adopt this approach.

Mr. PASSMAN. Is that a new approach to this AID program?

Mr. HUTCHINSON. There have been cases in the past in which the economic counselor or another official of the Department of State was also concurrently an AID Director.

Mr. PASSMAN. You are referring to that as the exception and not the general rule, is that correct?

Mr. HUTCHINSON. I think that was not the general rule.

Mr. PASSMAN. Out of the total of 29 nations in your area?

Mr. HUTCHINSON. Twenty-nine.

NUMBER OF AID MISSIONS PLANNED FOR FISCAL YEAR 1963

Mr. PASSMAN. How many of them will have an AID mission?

Mr. HUTCHINSON. It is a little hard to subtract from 29 an indefinite figure; as we told you we were not sure——

Mr. PASSMAN. On what basis are we going to recommend funds if you are going to answer questions by saying you do not know?

Mr. HUTCHINSON. We will have people in 29 countries.

Mr. PASSMAN. How many of them will be AID missions?

Mr. HUTCHINSON. If the answer is "No"——

Mr. PASSMAN. That you do not know how many AID missions you will have, as we have known AID missions in the past.

Mr. HUTCHINSON. This is still under consideration.

Mr. PASSMAN. You said you could not subtract. Yet you gave us the number of countries that in all probability would have State Department supervision.

Mr. HUTCHINSON. I gave you that as about seven.

Mr. PASSMAN. Subtract them, then.

Mr. HUTCHINSON. The difference will be 22.

NUMBER OF AID MISSIONS IN OPERATION IN FISCAL YEARS 1961 AND 1962

Mr. PASSMAN. Will you tell us how many AID missions you had in operation in 1962?

Mr. HUTCHINSON. The same number.

Mr. PASSMAN. You have brought no new nations in or created no new AID missions in fiscal year 1962?

Mr. HUTCHINSON. No.

Mr. PASSMAN. In 1961?

Mr. HUTCHINSON. I do not know the answer to that.

Mr. MOSSLER. I think I have that.

Mr. PASSMAN. The number of nations in which you had AID programs?

Mr. MOSSLER. Twenty-five.

Mr. PASSMAN. How many AID missions did you have in 1961?

Mr. MOSSLER. We had, presumably, people in each of those 25 spots.

Mr. PASSMAN. But many how would you consider AID missions?

Mr. HUTCHINSON. You again, sir, get us in a problem. Do you consider a man who is out alone as a so-called AID representative to be an AID mission? If you do, then we have AID missions in all those countries in which we were carrying on programs.

Mr. PASSMAN. Did you answer the same question the same way, to my previous questioning, that we do know that you have AID missions in other countries in which you said you had personnel, and if you have two or three personnel assigned under the State Department, you would not call that a full AID mission, would you?

Mr. HUTCHINSON. I would not.

Mr. PASSMAN. How many AID missions did you have? We know you had personnel.

Mr. HUTCHINSON. In 1961? We do not know at this moment.

Mr. PASSMAN. Let's let the gentleman do a little research for us. Do you have it?

Mr. MOSSLER. No.

JUSTIFICATION FOR INTEGRATION OF AID MISSIONS WITH STATE DEPARTMENT

Mr. PASSMAN. Could it be this is the beginning of the State Department completely absorbing the AID program?

Mr. HUTCHINSON. I do not know what the ultimate direction of movement will be as between the two agencies insofar as their relationships are concerned. It did seem to us, and this was basically proposed by me, as a matter of fact, that it did not make sense to establish separate missions with separate staffs in countries such as the Central African Republic and Chad, where the programs were likely to be small, where we were going to be in and out, and where there were

great problems of logistics. It would be better to utilize personnel serving the functions of both of the agencies and approved by the two agencies than it would be to set up separate staffs.

Mr. PASSMAN. You made that decision?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. What countries do you feel we will be in and out of? You made the decision based on the in and out aspect of it?

Mr. HUTCHINSON. In and out of particular projects. I am sure that in quite a number of these states which I have mentioned—possibly the Central African Republic, Chad, Niger, a whole series of countries running down this part of Africa—we may be doing a project now and another project later, and that the amount of assistance to be provided to those countries year by year will vary all over the lot.

Mr. PASSMAN. You had, of course, the authority to make this decision?

Mr. HUTCHINSON. Yes, sir.

CONTROL OVER MISSION PERSONNEL

Mr. PASSMAN. If the State Department should, in its wisdom, utilize the services of those who the AID program, which for reasons of its own, did not desire to bring over to the AID—I am talking about the old agency now—in these new positions, either in Washington or in the field, would you have veto over that?

Mr. HUTCHINSON. These people are subject to our agreement.

Mr. PASSMAN. Who is "our"?

Mr. HUTCHINSON. Mine.

Mr. PASSMAN. Would you have the right, if the Secretary of State decides to use Dr. Fitzgerald, we shall say, out in one of these nations, to veto that appointment?

Mr. HUTCHINSON. Sir, the AID program is subject to the guidance of the Secretary of State.

Mr. PASSMAN. You would not have veto over his decision?

Mr. HUTCHINSON. Let me tell you, sir, these things do not always get clear. The understanding I had when I came into this job was I had the veto right over people suggested as coming into my area and other people had the veto right over people I suggested.

Mr. PASSMAN. You could not veto the Secretary of State's appointment?

Mr. HUTCHINSON. Sir, these things are not worked out on the basis of one man vetoing another. They are worked out on a mutual basis of acceptable appointment.

I have no indication since I have been in the job that people will be crammed down my throat.

Mr. PASSMAN. How long have you been in this particular job?

Mr. HUTCHINSON. Six months.

Mr. PASSMAN. You have been with 10 or 12 different branches of the Government. You stay with one branch long enough before they demand your services in another Department.

Mr. HUTCHINSON. I will stand on my record, sir.

Mr. PASSMAN. Were you in the DLF at one time?

Mr. HUTCHINSON. I was in the DLF in a responsible position. I did not handle it.

Mr. PASSMAN. Did you ever testify for the desirability of having these loans in local currency and point out the advantages of it?

Mr. HUTCHINSON. I have no recollection of ever having appeared before an appropriations committee for the DLF.

Mr. PASSMAN. So you had no position on that?

Mr. HUTCHINSON. I had no position——

Mr. PASSMAN. As you have to deal with two types, you have soft currency, that is still in your area, and you have the development credits, that we referred to, and you administer both of them; do you not?

Mr. HUTCHINSON. Sir, an administrator frequently finds himself in the position of administering programs of varying emphasis as times and conditions change.

AID PERSONNEL IN AFRICA REGION FOR FISCAL YEAR 1962 AND FISCAL YEAR 1963

Mr. PASSMAN. What is the personnel anticipated to be on board in fiscal 1963?

Mr. HUTCHINSON. Are you talking about the total for the region or are you talking about in Washington or are you talking about in the field, and I am not stalling for time, sir.

Mr. PASSMAN. I am talking about the total personnel on board. To me, that would simply mean total personnel for your region.

Mr. HUTCHINSON. As of what period were you asking, sir?

Mr. PASSMAN. Fiscal year 1963.

Mr. HUTCHINSON. In 1962——

Mr. PASSMAN. I said fiscal 1963.

Mr. HUTCHINSON. You said 1963. All right. We are expecting a total for Africa of 900 program personnel and 353 administrative personnel.

Mr. PASSMAN. For a total of what number?

Mr. HUTCHINSON. 1,253 in 1963, sir.

Mr. PASSMAN. How many did you have for the same area in fiscal year 1962?

Mr. HUTCHINSON. Our estimate for June 30, 1962, is 735 program and 312 administrative personnel.

Mr. PASSMAN. That is an increase of about 20 percent.

Mr. HUTCHINSON. From 1,047 to 1,253, which is something over 19 percent, sir.

TERMINATION OF PROJECTS IN FISCAL YEAR 1962

Mr. PASSMAN. Could you tell the committee what programs or projects, by country, funded by prior year appropriations will not be funded in fiscal year 1963?

Mr. HUTCHINSON. We have a list of those showing you where they are.

Mr. MOSSLER. Let me be sure first, Mr. Chairman, I understand your question. Would you mind repeating that, please?

Mr. PASSMAN. What programs or projects, by country, funded by prior year appropriations will not be funded in fiscal year 1963? How many programs will be brought to a completion for which you will require no funds for fiscal year 1963?

Mr. MOSSLER. We show 49 such projects, sir.

Mr. PASSMAN. By country?

Mr. MOSSLER. Yes.

Mr. PASSMAN. You are giving us 49 projects that you funded in 1962 that you will not request funds for in 1963?

Mr. MOSSLER. These are projects terminating in fiscal year 1962 and of those, by country, is Cameroon, one——

Mr. PASSMAN. Is it because they have been brought to completion?

Mr. MOSSLER. This has been completed and the project goal is accomplished.

Mr. PASSMAN. How many of those projects are you bringing over under a new program, with new names?

Mr. MOSSLER. Of the projects I am giving you, these are projects that have been discontinued completely?

Mr. PASSMAN. Discontinued or completed?

Mr. MOSSLER. Discontinued or completed.

Mr. PASSMAN. Let us separate the completed or discontinued.

DISCONTINUED PROJECTS IN FISCAL YEAR 1962

What are the discontinued projects, by country?

Mr. MOSSLER. I would be very happy to submit for the record the entire list, including the country, the name of the project, the obligations and expenditures in 1962, the amount that we have obligated since the inception of those projects and our reason for terminating them.

Mr. PASSMAN. How many did you discontinue in total?

Mr. MOSSLER. Forty-nine.

Mr. PASSMAN. What had been the expenditure on the 49 projects that you discontinued?

Mr. HUTCHINSON. Sir, are you making a distinction now between discontinued and completed as you asked before?

Mr. PASSMAN. Yes. You said you discontinued 49. We want to know the projects which were discontinued.

Mr. HUTCHINSON. Forty-nine is the number of projects that we funded in fiscal year 1962 which we are not funding now.

Mr. PASSMAN. Give us the total number you have discontinued as of your last record.

Mr. HUTCHINSON. We will have to make a count.

Mr. PASSMAN. We want only the ones you discontinued for reasons other than completion.

Mr. MOSSLER. The first one we come to——

Mr. PASSMAN. Please give us the total first. We want the number of projects you discontinued.

Do you have a copy of those projects for the committee, so we may go over them with you?

Mr. MOSSLER. Yes, sir.

Mr. PASSMAN. You do not have copies available now, do you?

Mr. MOSSLER. I have the one copy.

Mr. PASSMAN. Proceed in your own way. I do not want to interrupt you.

Mr. HUTCHINSON. It seems to be nine.

Mr. PASSMAN. We want this information and, if you will, kindly furnish the committee a copy of the worksheets. We would like to

receive a summary of the nine projects, when you entered into the contract the discontinued project, in what country, the total estimate, the expenditures made before discontinuing the project, and the reasons for discontinuing it.

Mr. MOSSLER. I think I can give you every one of those answers right now, Mr. Passman.

Mr. PASSMAN. You do not have copies for the committee that we can follow.

Mr. MOSSLER. I will give you this one.

Mr. PASSMAN. We would not want to take your copy.

We shall recess until 2 p.m.

Thank you, gentlemen.

AFTERNOON SESSION

Mr. PASSMAN. The committee will come to order.

We were discussing the discontinued projects in the African region. You stated that you had discontinued nine.

Mr. MOSSLER. We tallied them. Of the 49 on the list, there were 8 that had been discontinued before we actually completed what we set out to do.

Mr. PASSMAN. They were discontinued?

Mr. MOSSLER. Yes.

Mr. PASSMAN. I believe you said nine. You find you were mistaken?

Mr. MOSSLER. I find there were eight.

Mr. PASSMAN. That represents about 20 percent of the total projects, does it not?

Mr. MOSSLER. Approximately that.

Mr. PASSMAN. Is that not an unusually high ratio of started projects to be discontinued?

Mr. HUTCHINSON. Could I speak to that?

Mr. PASSMAN. Certainly.

Mr. HUTCHINSON. It perhaps is, sir.

I think we ought to indicate we have been trying to take fairly careful looks at the projects that are underway to see if better results can be obtained by concentration on a fewer number of projects or by concentrating in some areas where we are getting more support for the objective from the country. This process is a continuing one.

Mr. PASSMAN. Which is a clear-cut, documented fact that you started the projects prior to having sufficient information that there was a favorable cost-benefit ratio, that the projects were desirable, and that the country involved would cooperate.

If they were good, profitable, and desirable projects, you would not have discontinued them.

Mr. HUTCHINSON. If they had had as high a priority as the other programs, we would not have.

Mr. PASSMAN. Which means that since you have no firmed-up program, you start some weak project, dissipate a lot of money, and later you find another project you think has more value and you drop the first one.

Mr. HUTCHINSON. Well, I do not——

Mr. PASSMAN. It would be a matter of interpretation?

Mr. HUTCHINSON. I do not think it necessarily follows.

This is the result of a special review that has been conducted by the AID group to examine the projects to see if we cannot improve the outlook.

COST OF DISCONTINUED PROJECTS

Mr. PASSMAN. The people who justified these projects on which you have made prior expenditures endeavored to make just as good a case for the projects which have been discontinued as you are making for the new ones today.

Mr. HUTCHINSON. I am sure they tried to do so. I am sure we will make some mistakes also.

Mr. PASSMAN. What is the total amount covering the projects? I am asking for the original estimate of the cost of the eight.

Mr. MOSSLER. We have obligated——

Mr. PASSMAN. Could you tell us what the original estimate was?

Mr. MOSSLER. No, sir.

Mr. PASSMAN. You spent money on projects without knowing what the total costs would be?

Mr. MOSSLER. I can tell you what we actually obligated.

Mr. PASSMAN. That is not my question.

Can you give us your estimate at the time you obligated funds to the eight discontinued projects?

Mr. MOSSLER. All of these were development grant projects. We made an estimate on a year-by-year basis. I do not have the information.

Mr. PASSMAN. You do not have the original estimate of the total cost of the eight discontinued projects?

Mr. MOSSLER. No, sir; I do not.

Mr. PASSMAN. What has been the expenditure on the eight discontinued projects?

Mr. MOSSLER. $4,122,000.

Mr. PASSMAN. When did you obligate for these eight projects you have discontinued?

Mr. MOSSLER. These eight projects were started at various times. I do not have the exact time each one started.

Mr. PASSMAN. The latest one.

Mr. MOSSLER. The point we are making here is that even in fiscal year 1962 we are putting some amount of money into them, but we are closing them off this year.

Mr. PASSMAN. On the discontinued projects?

Mr. MOSSLER. Yes, they are being closed at the end of fiscal year 1962, because we felt other projects are of higher priority.

Mr. PASSMAN. Why do you discontinue them?

Mr. MOSSLER. Because we have higher priority needs.

Mr. PASSMAN. When you get the support on the higher priority projects, you will step aside altogether?

Mr. MOSSLER. We plan on stepping aside on these altogether.

Mr. ANDREWS. Did I understand you to say you are putting money into projects that have been discontinued?

Mr. MOSSLER. That are being discontinued.

Mr. ANDREWS. That does not make sense to me.

You have decided to discontinue the project and you are putting money in.

Mr. MOSSLER. We are putting some funds in this year. But since we found out that we were not getting the kind of support we should be, we are not asking any money for those same projects in fiscal year 1963.

Mr. PASSMAN. But you are discontinuing them as of fiscal year 1962?

Mr. MOSSLER. Some obligations have already taken place.

Mr. PASSMAN. Are you canceling that obligation and, therefore, reducing your request for similar projects this year?

Mr. MOSSLER. We are not going to obligate any more money. Since there are obligations, however, we will have to liquidate them.

Mr. PASSMAN. Why do you not liquidate them by cancellation and reduce your request for funds for similar projects in 1963.

Mr. MOSSLER. These projects have done some good, Mr. Passman. It is just that we believe——

Mr. PASSMAN. How much good, and what kind of good? Pin one down.

DISCONTINUANCE OF PROJECT IN LIBYA

Let us consider the one here in Libya, for instructional materials. It would appear here that your expenditures have amounted to $362,000. That is a part of the $4 million that you have spent on the discontinued projects. You obligated $699,000 on this project. You expended $362,000 on the project. You discontinued the project for lack of cooperation by GOL; is that correct?

Mr. MOSSLER. Yes.

Mr. PASSMAN. Why did they not cooperate?

Mr. MOSSLER. In Libya, we are not always getting the kind of support we should. Education is one field where there have been some problems.

We are trying to redirect our program in Libya. In fact, we are trying to gradually change the program in Libya because they are going to have oil income in the near future. Our program at this stage of the game includes an effort to help them in their economic planning activities.

Mr. PASSMAN. Is it good business to take these eight discontinued projects, on which we have spent in excess of $4 million, and continue making any expenditures at all on them?

Why would you not just stop them, when you discover we should not have started them because of lack of cooperation on the part of the recipient nation?

Mr. HUTCHINSON. That is what we think we are doing, cutting them off.

Mr. PASSMAN. Have you canceled all the contracts?

Are you making obligations out of fiscal year 1962 funds?

Mr. HUTCHINSON. We are making obligations out of fiscal year 1962 funds. We are telling you the projects we have terminated——

Mr. PASSMAN. Those are the ones we are talking about, fiscal year 1962?

Mr. HUTCHINSON. Obviously, we would have had to cancel the contract at an earlier date.

Mr. PASSMAN. You said you were going to do so as of June 30.

Mr. MOSSLER. Since we were talking of the fiscal year 1963, we mean that from this point on we are not going to obligate any more.

Mr. PASSMAN. From today on?

Mr. MOSSLER. Today.

Mr. PASSMAN. I am glad we have fixed a date.

What disposition will you make of this $699,000 that you have carried under an obligation to this particular project?

Mr. HUTCHINSON. That will depend to the extent there are expenditures that must be continued to be made against the obligation.

Mr. PASSMAN. If you are making expenditures against the obligation, it would not be a discontinued project, would it?

Mr. HUTCHINSON. It may very well be, sir; there are termination costs that run beyond the date of the actual period of obligation that must be met within the particular fiscal year extending beyond the terminal year of the project.

Mr. PASSMAN. At this time it is too early to determine the amount of the obligated funds to the discontinued project; that is, what part will be expended so you can reach a complete termination point?

Mr. MOSSLER. We would expect the expenditures, generally speaking, to reach the amount of the obligations.

Mr. PASSMAN. Why will it not be a completed project rather than just a discontinued one for lack of cooperation?

Mr. HUTCHINSON. As you know, sir, the development grant portion of the AID program is carried on a basis of year-to-year funding. You do not fund the development grant program on a project-by-project basis through to completion. This is the difference between the DG program and the development loan program.

Mr. PASSMAN. Are you telling the committee, of the $699,000 that you obligated for instructional materials in Libya, with an expenditure already made in excess of $362,000, and even though you are discontinuing it for lack of cooperation by the recipient country, that you expect to spend the entire amount of the original obligation?

Mr. MOSSLER. Yes.

Mr. PASSMAN. For what purpose are you going to spend the money if you are discontinuing the program?

Mr. MOSSLER. The obligation is for instructional materials, books, and things of that sort, and in many cases the supplier has already committed himself. We have obligated ourselves to the supplier and it could be these books are already delivered, so we are going to have to pay for them.

Mr. PASSMAN. Why do you call it a discontinued project?

Mr. MOSSLER. Because we are not going to obligate any more money.

Mr. PASSMAN. Other than the amount you originally obligated for a completed project?

Mr. MOSSLER. That is not a completed project.

Mr. PASSMAN. Did the $699,000 originally contemplate completion of the project? Is that your estimate?

Mr. MOSSLER. No.

Mr. PASSMAN. What was the estimate of this particular project in the beginning?

Mr. HUTCHINSON. That is the question you asked earlier.

Mr. PASSMAN. Do you mean to tell us you obligated $699,000 to a project for which you had no original estimate of its cost?

Mr. MOSSLER. We regard a number of our development grant activities as continuing projects because we expect when we go into them,

even though we obligate funds on an annual basis, to continue that kind of technical assistance, assuming we get appropriations, in subsequent years.

In this particular case, we are not asking for any more because we just do not think we have been getting the most out of the projects we can get.

Mr. PASSMAN. But you are going to continue the project until you have expended the $699,000 originally obligated?

Mr. MOSSLER. We will have to liquidate our obligations, yes.

Mr. PASSMAN. Simply because you obligated it out of an appropriation, you have to liquidate it even though there is no return, and it is a discontinued project?

Mr. MOSSLER. There is some return. It is just that we believe there are other projects that would be better.

Mr. PASSMAN. Why would that undertaking not fall in the category of a completed project?

Mr. MOSSLER. I do not know that this is the case, but presumably we would have liked to have helped in education for a greater number of years, given appropriate host country interest. That is why we do not say we have actually completed the project.

Mr. PASSMAN. Even though they are not cooperating—and I am quoting you correctly, lack of cooperation by the GOL? That is the recipient country?

Mr. MOSSLER. Yes.

Mr. PASSMAN. Of course, we cannot go into all of the projects. There are eight, and the total involves $4 million. We are trying to discuss one project. You did not know the estimate of the total cost when you originally obligated $699,000. You have expended $362,000. Then you are going to disburse the remainder, which would be $337,000, on this "discontinued" project?

Mr. MOSSLER. Yes.

Mr. FORD. May I ask a question?

What will the $300,000-plus be spent for?

Mr. HUTCHINSON. For instructional materials for which contracts have been let and orders placed but for which payment has not yet been made.

Mr. FORD. Are these instructional pamphlets unique—they cannot be used elsewhere, or are they usable in some other project in some other country?

Mr. HUTCHINSON. I would be very much surprised if they are usable some place else. I am not familiar with the exact nature of this material, but I am reasonably sure they would be tailor-made for the Libyan education needs.

Mr. FORD. You indicated, Mr. Hutchinson, that the Libyans, or at least the agency of the Libyan Government, did not cooperate. What do you mean by that?

What kind of cooperation precipitated the termination, or discontinuance, or cancellation of the project?

INEFFECTIVENESS OF ADMINISTRATION IN LIBYAN PROGRAM

Mr. HUTCHINSON. There is a considerable history of administrative inefficiency in the organizational setup between us and the Libyans, and we have found that there has been a fairly continued lack of cooperation in carrying out our AID programs. This has been particularly true in the areas we have indicated here. That is why we have picked those for elimination.

Mr. FORD. In other words, this is an attitude in an agency of the Government which is not reflected in the Government as a whole?

Mr. HUTCHINSON. Basically, I think that is probably correct. There is considerable difference when you talk to the Prime Minister, or when you talk to the King, or someone of that level and trying to work through with the previous organizational arrangements that existed in Libya. We have some real hopes of improvement here.

Mr. PASSMAN. Let us go to page 105 of your status of projects last year. There is no place where this year adds up to last year in this project. Do you have last year's status of projects, page 105?

Mr. MOSSLER. No, sir; I do not.

Mr. PASSMAN. Is this the development of instructional materials project for Libya?

Is this the same project we are talking about this year (handing book to the witness)?

Mr. HUTCHINSON. It appears to be.

Mr. PASSMAN. You have the same caption for the same country?

Mr. HUTCHINSON. It appears to be.

Mr. PASSMAN. Thank you.

I want to say that we are pursuing just one small project out of many similar projects so as to get a record, and you can repeat this no doubt by the number of discontinued projects. This is just one project.

We go back to page 105 of last year's status of projects. You show the unliquidated funds as of June 30, 1961, as zero. Your estimated obligations for fiscal year 1962 would be $14,000. That was the request.

OBLIGATIONS AND EXPENDITURES ON DISCONTINUED PROJECT IN LIBYA

Then we go over to fiscal year 1962 and we see actual obligations of $11,000 and expenditures of $11,000, so you should not have any unliquidated funds.

How can we ever reconcile what you gave us last year with what you are giving us this year. This book is yours for an explanation. You had no unliquidated money. We get here, and we find out you do have obligations of $699,000. We are only dealing with one project. We can multiply it by the number of projects we find during the hearings.

Mr. MOSSLER. I did not prepare this last year. We did estimate $14,000.

Mr. PASSMAN. You had zero prior to that, did you not?

Mr. MOSSLER. That is what this says.

Mr. PASSMAN. If you obligated $14,000, and if you did not spend a dime, you would have unliquidated only $14,000.

Mr. MOSSLER. This record shows that obligations on this project, and again the figure does not check——

Mr. PASSMAN. In step 2, you said you were going to obligate only $11,000. You did obligate $11,000. Now, you are going to have $362,000 in expenditures out of $699,000 obligations. Will you get us some information on this?

Mr. MOSSLER. Yes.

(The information follows:)

"DEVELOPMENT OF INSTRUCTIONAL MATERIALS" PROJECT IN LIBYA

The "Development of Instructional Materials" project in Libya was devised to overcome a basic lack of Arabic materials in agriculture, technical and academic schools in that country. The joint Libyan-United States agriculture extension project was handicapped also by the virtual nonexistence of textbooks adaptable to Libya's needs. The project plan called for providing Arabic teaching materials as well as training Libyan teachers to develop new training aids in reorganizing their curriculums.

The project was started on April 1, 1957, by a project agreement, providing funds for the production of materials and provision of technicians. At the time of the preparation of the fiscal year 1962 congressional presentation materials, the project was delayed by problems concerning Libyan sensitivities over American technicians editing Libyan texts. Those problems were resolved on May 31, 1961, and a $330,000 project agreement signed, providing for the publication of additional textbooks and review of manuscripts by U.S. specialists. In fiscal year 1961 $21,000 was also obligated for this project, bringing the total last year to $351,000, for participant training and the services of an AID adviser. This accounts for the larger unliquidated obligations balance on June 30, 1961 ($337,000) than was projected in last year's "Status of Projects" description.

Subsequently, however, it was gradually demonstrated that the Libyans did not want American advisers to participate in the planning and review of texts prior to printing, but simply to finance them.

Mr. HUTCHINSON. The figures clearly do not check.

Mr. PASSMAN. I observe they do not check. I do not think any other project would be much different.

Mr. HUTCHINSON. It almost looks as though we should have continued the project.

Mr. PASSMAN. You said you were going to continue until you ran out of money. If you know of some way to get $699,000 out of $14,000 bring us the formula and it will arrest a lot of our worries.

Mr. FORD. That is a good formula.

REORIENTED PROJECTS IN MOROCCO

Mr. PASSMAN. Now, if you will, give us a little information on what you mean by "reoriented activities" in Morocco.

Mr. HUTCHINSON. These are projects that fall within the same general field of activity as the original project, but in which the direction and the type of work has been changed.

Mr. PASSMAN. Will that not simply mean you started a different type of project than you had originally planned?

Mr. HUTCHINSON. I think that would be a better way to describe it.

Mr. PASSMAN. How many of the projects would fall in that category right out of the 49?

Mr. MOSSLER. Five in that category.

PROJECT FOR SOIL CONSERVATION AND LAND USE IN TUNISIA

Mr. PASSMAN. Let us take up grassland improvement in Tunisia, oriented activity under soil conservation and land use. We have agreed that is a discontinued project. We are taking it up under a new caption.

Are you increasing the amount of the original estimate on this one project?

Mr. HUTCHINSON. This is being picked up under the caption of——

Mr. PASSMAN. Grassland improvement for Tunisia. The new caption would be "Soil Conservation and Land Use," I suppose.

Mr. HUTCHINSON. Right, soil conservation and land use. Our estimated obligations in fiscal year 1963 for this purpose are $232,000.

Mr. PASSMAN. You show for fiscal year 1962 obligations, $10,000, expenditures, $22,000. From the beginning of the project, obligations, $91,000; expenditures, $91,000. It looks like a completed project. When we move over to page 598 of the justifications, however, we find that you have obligated $336,000. Is this the same project?

Mr. HUTCHINSON. A similar type of activity is being carried on under this particular project.

Mr. PASSMAN. When it is reoriented, you brought that obligation in under the new title, and it is enlarged from the original $130,000 up to $232,000 for fiscal 1963?

Mr. HUTCHINSON. The project that we are now talking about in Tunisia for soil conservation and land use is now proposed for $232,000.

Mr. PASSMAN. From an original of $130,000?

Mr. HUTCHINSON. The original of $130,000 to which you are speaking; that is correct.

Mr. PASSMAN. Have you consolidated any other projects in this, or is this carrying out this same general project; that is, grassland improvement?

Mr. HUTCHINSON. We are still carrying out activities that are somewhat similar to the activity that was carried on here, but it is not the same kind of project. We are putting a considerably greater emphasis here on soil conservation and land use than we were under the improvement of grasslands under the original project. I think it would have been better to have shown that we canceled the project. We are trying to be as fair as we can here.

DISCONTINUED PROJECTS

Mr. PASSMAN. Will you give us a list of the eight projects that are discontinued and the five that should be?

Do you know of any others that should fall in the same category as the eight that you have mentioned?

Mr. MOSSLER. No, I do not.

Mr. PASSMAN. The 8 plus 5 is 13. Now we get it up to about 27 percent in discontinued projects.

Mr. MOSSLER. We have given you this insert.

Mr. PASSMAN. You had 8 discontinued, and you had 5 reoriented that could have fallen into that category, a total of 13?

Mr. MOSSLER. Yes.

Mr. PASSMAN. That brings the percentage of projects that should be discontinued up to about 27 percent of the original number?

Mr. MOSSLER. I am sorry; I do not understand your question.

Mr. PASSMAN. You mentioned you had discontinued eight projects?

Mr. MOSSLER. Right.

Mr. PASSMAN. We questioned on one project representing a certain amount of money of the $4 million-plus of the discontinued projects. We moved on to another category on your sheet, the reoriented projects, and you said there were five in that category that perhaps should have been placed over in the discontinued category; is that correct?

Mr. MOSSLER. Yes.

Mr. PASSMAN. Now, 13 would be 30 percent, or more, of the 49 that are discontinued, or should be discontinued, according to your interpretation?

Mr. MOSSLER. Yes. We plan on stopping 49 projects at the end of 1962. Of that 49, 13 of them are going to be discontinued, or stopped, because we either reoriented the project, or we found higher priority purposes for our funds. We did not complete our original objectives.

Mr. PASSMAN. So they could have all been in the category of "discontinued"?

Mr. MOSSLER. Yes.

Mr. PASSMAN. Thank you.

COST OF DISCONTINUED PROJECTS

Mr. ANDREWS. May I ask a question about the cost of the 13 discontinued projects?

Mr. MOSSLER. A little over $4 million.

Mr. ANDREWS. Would you consider all of that a total loss?

Mr. MOSSLER. No, sir.

Mr. TABER. Why is it not a total loss?

Mr. MOSSLER. Just using this one project, for example, educational material, they are going to use the material. It is just that the project is not going to be used as effectively as we originally hoped it would have been.

Mr. PASSMAN. When I look at the Treasury statement, and then read the President's address at Yale the other day, it reminds me of an expression of one of our great colleagues who has been called to the Great Beyond. I quote it:

> He was feasting on the delights of sweet anticipation but he is now gnawing on the cold corncob of stern reality.

We are trying to retrieve the retriever.

OBLIGATIONS AND EXPENDITURES ON DISCONTINUED PROJECTS

On the terminated projects, are you reducing your request for funds for fiscal year 1963, because of the fact of discontinuing those items and having either materials or funds that could spill over?

Mr. HUTCHINSON. That goes back, I think, to the original testimony we made. We anticipate that the obligations already incurred for those projects will be liquidated.

If that is the case, there will not be any savings in the sense of funds already appropriated that could be carried forward into 1963 in order to reduce our appropriation request.

USE OF MATERIAL FOR DISCONTINUED PROJECTS FOR OTHER PROJECTS

Mr. PASSMAN. You testified that some of it may be for materials that you had already entered into an obligation for with the manufacturer, and they had been shipped; therefore, you had to utilize them. It is obvious that you will not necessarily utilize them in a discontinued project, but could use them more advantageously in some project in some other country.

Does that follow? Did I understand you correctly?

Mr. MOSSLER. I believe I said that I thought we would have to liquidate these projects and I thought we would continue to use the materials in the same country.

Mr. PASSMAN. Did you say it may be for materials that had been obligated and that had already been shipped?

Mr. MOSSLER. Yes; I did say that.

Mr. PASSMAN. It would not necessarily be that you would have to use those materials, if they have a value, on a discontinued project?

Mr. MOSSLER. These are project agreements.

Mr. PASSMAN. The materials could be diverted; could they not?

Mr. MOSSLER. I think not, sir. I think these come under project agreements that have been signed and we are going to live up to them.

Mr. PASSMAN. You will live up to them whether they actually are any good or whether the host country cooperates or not?

Mr. MOSSLER. We are not going to put any more into them.

Mr. PASSMAN. You are going to put this into them.

Mr. MOSSLER. What we have already obligated.

Mr. PASSMAN. That answers my question.

DATA ON PROJECTS DISCONTINUED IN 1962

We have asked for a spread on the eight projects covering the $4 million plus. You are going to give us that spread?

Mr. MOSSLER. Yes, sir. I did it during the lunch hour.

Mr. PASSMAN. Also on the five that maybe should have been included? You are also putting those in?

Mr. HUTCHINSON. We will do so.

Mr. PASSMAN. What will the total be?

Mr. MOSSLER. If my addition is correct——

Mr. PASSMAN. We shall check it. It would be $4,761,000 in one category and $4,126,000 in the second category?

Mr. MOSSLER. The first figure I believe is the obligations. The second figure is the expenditure.

(The information follows:)

African Programs

8 projects terminated in fiscal year 1962 before completion [1]

[In thousands of dollars]

Country and project title	Fiscal year 1962		From beginning of project to June 30, 1962		Fiscal year project began	Reason for termination
	Obligation	Expenditure	Obligation	Expenditure		
Ethiopia:						
Mapping and Geography Institute	84	59	261	228	1955	Despite value and progress realized, lack of reforms and inadequate country support preclude continuation under AID criteria.
Livestock improvement	46	80	403	367	1956	Do.
Community development	45	210	1,066	769	1957	Do.
Communication media center	104	101	373	332	1958	Do.
Subtotal	279	450	2,103	1,696		
Libya:						
Instructional materials	11	11	699	362	1957	Lack of cooperation by GOL.
Industrial development	38	46	327	302	1955	Do.
Community development	40	36	1,541	926	1955	Do.
Communications media	27	26	978	846	1953	Do.
Subtotal	116	119	3,545	2,436		
Total	395	569	5,648	4,132		

[1] Additional remarks:

Ethiopia—Accomplishments under projects: Mapping and Geography Institute: 24 of the 30 technicians assigned to the MGI have received a year or more of training in cartographic and photogrammetric techniques. 140 quadrangle maps have been completed, covering all of Gojam Province, Weliga, and part of Shewa. Map products of MGI are in use by most of the ministries, the Planning Board, Malaria Eradication Service, etc.

Livestock improvement: Enough trained Ethiopian technicians (230 field vaccinators and 20 provincial administrators) are now available to eradicate rinderpest completely, if given proper supervision and financing. Approximately 21,000,000 head of cattle have been permanently vaccinated against rinderpest. The firms Incode, Livex, Ltd., and Chandris, Ltd., have been assisted in planning export of livestock products. Adamitulu beef farm has been completed with 4,200 acres under fence, a water system, scales, and corrals. New Heleta dairy farm is completed except for improved water supply and a spray race.

Communications media center: The center is in operation with a press production capacity of 15,000 impressions per day and a silk screen production capacity of 50 impressions per day. Photography and graphics work is fair.

Community development: Lake Awasa Training Center, although lacking final construction, is in full operation. A third-country adviser from the Philippines has arrived and taken over as school director, the Ministry for National Community Development is trying to reorganize to increase its efficiency. An inservice training seminar has been held for Ministry personnel and two participants are now studying in the Philippines. A community development worker has been assigned to Debre Berhan and the local governor has agreed to be chairman of the district development committee. The Mulu Farms Community Development Center is serving the people of that area.

Libya: Instructional materials: Nothing is more needed in Libyan education than textbooks and other instructional materials. Teachers are dependent on imported texts from Egypt and other countries, inappropriate to Libya, and unrelated to the child's life experience. This project set out to help Libyan educators produce texts and other materials specifically directed to Libyan needs. It also undertook to establish pilot libraries at key points in the school system and to train librarians. The library portion of the project has been carried out, providing 30,000 volumes to 35 libraries, training 35 librarians, and furnishing equipment and supplies for library operation. While the textbooks and materials part of the project was delayed by problems concerning Libyan sensitivities over American technicians editing Libyan texts, agreement was reached and implementation was begun. Subsequently, however, it was gradually demonstrated that the Libyans did not want American advisers to participate in the planning and review of texts prior to printing, but simply to finance them.

Industrial development: This project financed three industry advisers over a period of 6 years, as well as a number of contracted studies and reports on industrial development possibilities. Primary attention was given to small industries, especially rugmaking, and to interesting the GOL in establishment of an industrial bank. Assistance was given to individual businessmen, and the rug industry was developed into a small but dependable export. The comprehensive plan for the development bank still remains as a guide to establishment of such an organization when the GOL is ready. Lack of action by the GOL on this plan, despite its many expressions of interest in private enterprise, caused the project to be terminated. Establishment of the new Ministry of Industry gives cause for hope that GOL is now ready to take substantive action and we are prepared to consider technical assistance again should it prove useful.

Community development: This project provided technical advice, training of Libyans, and some of the commodities and local costs of a wide variety of activities throughout Libya. Logistics was supplied by the Libyan-American Joint Services. Some 160 individual local projects were carried out, generally with the enthusiastic participation of the people in the villages and towns that benefited: roads, bridges, community centers, schools, cisterns, wells, irrigation ditches, and others, all on the basis of organized, aided self-help. Despite popular response, no sound arrangement could be worked out with agencies of either the Provincial or Federal Governments of Libya to institutionalize and carry on the work. This was partly due to lack of any capable existing organization reaching down to the villages, and partly to lack of interest among politicians in such inconspicuous improvements in the conditions of life among the ordinary farmers and village people. After the dissolution of LAJS, it became increasingly clear that the Libyans would not soon assume their proper responsibility to carry on the work of this project.

Communications media: This project was begun with the purpose of producing all the training aids, audiovisual materials, and informational media support for the technical cooperation program. Centers were established in Tripoli, Benghazi, and Sebha, and they assisted other projects in spreading technical knowledge of all kinds with films, recordings, models, photographs, maps, displays, pamphlets, etc. Libyans from various walks of life were trained in using communication media in their work with people. The Government has shown little interest in operating and maintaining an efficient, centralized service devoted to spreading useful knowledge among the people. It tends to favor a multiplicity of inefficient facilities and to use them mainly for publicity and showy efforts. The inadequate salary scale has discouraged the 7 U.S.-trained communication specialists, all of whom have found better markets for their skills with oil companies and in business. While the goals of the project have been partly met and the facilities established are being continued after a fashion by the Libyans, there seemed to be little hope of attaining the original high purpose so additional U.S. funding for the project was discontinued in fiscal year 1962. The audiovisual needs of the U.S. aid program, however, had been met.

5 projects terminated in fiscal year 1962 and reoriented before completion

[In thousands of dollars

Country and project title	Fiscal year 1962		From beginning of project to June 30, 1962		Fiscal year project began	Reason for termination
	Obligations	Expenditures	Obligations	Expenditures		
Liberia:						
Department of Agriculture and Commerce	520	334	2,052	1,589	1952	Reoriented. Activities now under Government management development pertaining to establishment of a national forest system, agricultural planning office, credit association and credit bank. Completed is assistance for improvement in the department's organization and administration, particularly the extension of marketing, forestry, and fishery.
Highways	215	234	2,597	2,282	1954	Reoriented. Activities now under Government reorganization management development are engineering and planning assistance to the Department of Public Works and Utilities. Completed is assistance in the development of Liberian highway organization for construction and maintenance of all roads.
National Public Health Service	48	16	127	65	1961	Reoriented. Activities now under Government reorganization. Management pertaining to improving the Liberian National Public Health Service. Completed is advisory assistance on establishing a rural demonstration hospital.
Morocco: Land classification	14	26	114	99	1959	Reoriented. Activities now under agronomic research project pertaining to participant training in land classification. Completed is technician assistance in land classification.
Tunisia: Grassland improvement	10	22	91	91	1959	Reoriented. Activities now under soil conservation and land use should help improve grazing resources. Completed is range management technician assistance.
Total	807	632	4,981	4,126		

Mr. MOSSLER. Here is the total of the first eight—$5,648,000.
Mr. PASSMAN. It would be $5,648,000 and $4,761,000.
Mr. HUTCHINSON. That is right.
Mr. PASSMAN. It would be $10,409,000 for the two categories?
Mr. HUTCHINSON. As far as obligations are concerned.
Mr. PASSMAN. You expect to liquidate those obligations on the discontinued projects?
Mr. MOSSLER. Yes, sir.
Mr. PASSMAN. To liquidate them, you will spend additional money?
Mr. MOSSLER. It will be about the same as the obligations.
Mr. PASSMAN. What new programs or projects, by country, will be initiated in fiscal year 1963?
Mr. HUTCHINSON. Central African Republic—first, construction of public health dispensaries will start in 1963; participant training program, feasibility study in the field of food and agriculture.

ESTIMATED COSTS OF FISCAL YEAR 1963 PROJECTS

Mr. PASSMAN. Could we get the cost of each of the projects in 1963 and the amount required to complete it?
Mr. HUTCHINSON. Yes, sir; it will be something of a time consuming process.
Mr. PASSMAN. That is what we need, the estimate to complete the project and the 1963 slice. We refer only to the new projects.
Mr. HUTCHINSON. If you will run down the project list I will read off the cost if that is satisfactory.
Mr. PASSMAN. While we are looking that up, may we respectfully invite our very good friend, Mr. Tennant, to take notice that we will need this same type of information on the rest of the world.
Mr. TENNANT. This project information?
Mr. PASSMAN. Yes, sir.
Mr. TENNANT. Yes, sir.
Mr. HUTCHINSON. We will be giving you the estimated obligations for fiscal year 1963 and the estimated cost to complete the project.
Mr. PASSMAN. Let us take the first thing first, the estimated cost, then the 1963 request.
Mr. HUTCHINSON. That, again, means some mental arithmetic. We will do it.
Mr. PASSMAN. We want the total for each project, then the 1963 slice.
Mr. HUTCHINSON. I do want to emphasize the word "estimate." These are estimated costs to complete. I am not giving you figures that are absolutely firm and irrevocable, et cetera.
Mr. PASSMAN. How firm are the estimates if it is a "pie in the sky" figure?
Mr. HUTCHINSON. It is not a "pie in the sky" figure. It is our best estimate as of today.
Mr. PASSMAN. How do you arrive at the estimate?
Mr. HUTCHINSON. We get an estimate from the field based on their examination of the project as to what they think it is going to cost to complete it, depending on the number of technicians estimated to be involved, whether there is construction involved, and what the construction cost would be, et cetera. These estimates, however, are subject to margins of error.

Mr. PASSMAN. Give us your best estimates. You said that these things could be way off base. If you will, read into the record the new projects and the estimates and the first year's cost.

Mr. MOSSLER. In the Central African Republic, construction of public health dispensaries.

Mr. HUTCHINSON. The total cost is estimated at $470,000, of which the obligations in 1963 are estimated at $235,000.

Mr. PASSMAN. Would you have to first get the money before you can obligate it?

Mr. HUTCHINSON. Yes, sir.

Mr. MOSSLER. Participant training, also in Central African Republic.

Mr. HUTCHINSON. Apparently this is a one-time-only deal of $50,000.

Mr. PASSMAN. For what purpose did you say this was?

Mr. MOSSLER. Participant training in the field of food and agriculture.

Mr. PASSMAN. Are you going to obligate the entire amount?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Next?

FEASIBILITY STUDIES

Mr. MOSSLER. A feasibility study.

Mr. HUTCHINSON. This also would be a one-time-only obligation made within this fiscal year.

Mr. PASSMAN. What does a feasibility study encompass?

Mr. HUTCHINSON. That is the study to determine the engineering requirements for the project and its economic and technical feasibility. It consists of the studies which must be made to bring a project down to the point where you can meet the requirements of section 611 of the act.

Mr. PASSMAN. That, the feasibility study, would in all probability lead into a new project?

Mr. HUTCHINSON. It would possibly lead into a new project, that is correct, sir.

Mr. PASSMAN. Could you give us a little history on what has been accomplished so far as originating new contracts out of prior feasibility studies in this area?

Mr. HUTCHINSON. This would require complete analysis of the projects that we have entered into to determine which ones of them arose out of feasibility studies which we have financed. No such analysis has been made and I would think this would be quite an undertaking.

Mr. PASSMAN. How could you intelligently obligate funds unless you have this information available? You are bound to have a sheet down there that indicates the projects that came into being from the feasibility study.

Mr. HUTCHINSON. The projects which require feasibility studies have all had them. I understood your question to be whether we could tell you which projects had arisen out of feasibility studies which we have financed.

Mr. PASSMAN. That is it exactly.

Mr. HUTCHINSON. There are feasibility studies which countries finance themselves, which the U.N. technical agencies finance, or which

foundations finance. These studies could have been financed in a multitude of ways. I suspect it would be next to impossible to pull out the information as to which projects have arisen out of the specific ones which we have financed.

Mr. PASSMAN. Do we assume the responsibility of financing projects that came into being from feasibility studies made by the recipient country?

Mr. HUTCHINSON. We do finance projects which come into being out of feasibility studies conducted by recipient countries. The mere fact that a feasibility study has been conducted by a recipient country does not mean we have a responsibility for financing it, however.

Mr. PASSMAN. I did not say we had a responsibility, but do we finance such projects?

Mr. HUTCHINSON. We do finance projects which arise out of feasibility studies which the countries conduct.

Mr. PASSMAN. How about other organizations, such as the U.N.?

Mr. HUTCHINSON. Yes, indeed, sir.

Mr. PASSMAN. Do we finance out of those?

Mr. HUTCHINSON. Yes, indeed.

Mr. PASSMAN. You have to take their estimates?

Mr. HUTCHINSON. We take their estimates subject to our own review and check and our own judgment as to whether or not they did a creditable job.

Mr. PASSMAN. The record would indicate that some of them are not too dependable, I should think. Maybe some of the discontinued projects we discussed came out of these feasibility studies?

Mr. HUTCHINSON. No, sir. I think not. The feasibility survey is conducted in connection with the capital project on which we make loans. It is not the sort of thing that we do for the sort of project we have been discontinuing here so far as I am aware.

Mr. PASSMAN. Do you deal in the field of capital alone in the feasibility study?

Mr. HUTCHINSON. I would not say exclusively.

Mr. PASSMAN. Let us pin one down. Let us take the food and agriculture feasibility study listed as "confidential," and why, I would never know. What kind of a capital study is that?

Mr. HUTCHINSON. The one that you happened to pick is one for services, as a matter of fact, to try to determine what would be an appropriate approach to the provision of agricultural services by the country concerned.

Mr. PASSMAN. That is the one exception. This is not capital, then?

Mr. HUTCHINSON. This is an exception.

Mr. PASSMAN. Is what?

Mr. HUTCHINSON. This is an exception to the general pattern.

FORESTRY FEASIBILITY STUDY

Mr. PASSMAN. Let us take the next one, forestry.

Mr. HUTCHINSON. This is a feasibility study to explore the possible development of a loan project in the field of forestry. This one would be a capital project.

Mr. PASSMAN. A loan in the field of forestry?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. What kind of a project?

Mr. HUTCHINSON. This could be reforestation.

Certain areas require some real forest management.

Mr. PASSMAN. Now are you going to spend the $7,000?

Mr. HUTCHINSON. Things of this sort require planning before you enter into the projects.

MANUFACTURING STUDY

Mr. PASSMAN. How about the manufacturing?

Mr. HUTCHINSON. This is one to survey the possibilities of providing assistance to small business. This could end up in a loan for development bank or an institution such as that sort.

Mr. PASSMAN. We do not already have studies that could be applied here without having to spend $5,000?

Mr. MOSSLER. $5,000.

Mr. PASSMAN. That is a foot-in-the-door type.

Mr. MOSSLER. It is for the services of one person.

Mr. PASSMAN. How long is he going to be out there?

Mr. HUTCHINSON. It seems like 3 months, or something of that sort.

Mr. PASSMAN. And he is going to survey the manufacturing possibilities of that area? Is that his assignment?

Mr. HUTCHINSON. He is going to survey the possibility of establishment of a means of providing services to small business in the area.

Mr. PASSMAN. It says manufacturing here.

Mr. HUTCHINSON. It is in that field of small business activity.

Mr. PASSMAN. What kind of manufacturing?

Mr. HUTCHINSON. Any kind that may be appropriate for development in this area.

Mr. PASSMAN. The fact that he will be out there 3 months, in the central African republic, spending $5,000 for a survey, and he will bring in a feasibility study of manufacturing for small business; that certainly indicates that you have a lot of justification for the discontinued projects.

ESTIMATED OBLIGATIONS FOR FISCAL YEAR 1963

You may insert in the record the entire list of those projects, the estimate, what it may be if it is correctly estimated, and what you will obligate in fiscal year 1963.

(The information is classified and was supplied to the committee.)

LACK OF DETAILED INFORMATION ON PROJECTS IN 1963 PROGRAM

Mr. PASSMAN. We want you to give us your best estimate. There is no reason why you could not give us, or indicate, those that are firm and those that would not be quite so firm. That is a fair request, is it not?

Mr. HUTCHINSON. You asked a question, sir.

Mr. PASSMAN. The gentleman is attempting to answer it.

Mr. HUTCHINSON. I think I am the witness here.

Mr. PASSMAN. Both of you are talking. Who will answer it?

Mr. HUTCHINSON. I will, sir.

Mr. PASSMAN. Please answer it, then.

Mr. HUTCHINSON. I think you must recognize this program is submitted to you this year the same way that it has always been submitted to you, as an illustrative program. We have the projects that we expect to carry out as a backup for this program. We have the best estimates of cost which can be made at this time for those projects. We have never and we do not now submit to you that this is the absolute firm cost estimate for the programs that are to be carried out next year.

Mr. PASSMAN. You have no firm estimate on any of them?

Mr. HUTCHINSON. We do not have any absolute firm estimate on the projects that are going to be carried out, particularly the new projects which are the projects which you were discussing with us at this particular point in time.

Mr. PASSMAN. You said particularly the new projects. Does that indicate on the prior projects you did have a firmer estimate?

Mr. HUTCHINSON. We have a much firmer estimate of cost on the continuing projects.

Mr. PASSMAN. Why could you not give them to us on the new projects?

Mr. HUTCHINSON. Because, as I said, this program is the same sort of program that is always submitted to you as being our estimate today as to what we are going to do and what it is going to cost. We feel that the estimates are reasonably firm but just as the chairman has indicated, I do not want to come up here next year and have you tell me that I told you this year that it was going to cost a certain figure and I found that a particular project was going to cost a different figure. This may very well happen and I would not want to testify differently today.

Mr. PASSMAN. You want the record to show that you are not able to give us a firm estimate on any of the projects?

Mr. HUTCHINSON. I am afraid I did not quite say that, sir.

Mr. PASSMAN. I am asking you now, can you give us a firm estimate on any of the projects?

Mr. HUTCHINSON. If you mean an estimate that will show you down to the last dollar what the project is going to cost, then the answer is "No."

Mr. PASSMAN. Not down to the very last dollar, but down to a reasonable estimate.

Mr. HUTCHINSON. We think we have reasonable estimates of what these projects are going to cost, practically all of them, but I would hesitate to tell you that they are firm because there are certain in the great number of projects that are before you to turn out to be some substantial variations in cost estimate on individual projects and I would not want to be in the position next year of testifying that there was a cost variation when I testified that all these project cost estimates were firm?

Mr. PASSMAN. They could be 20 percent higher?

Mr. HUTCHINSON. Some of them.

Mr. PASSMAN. They could be double?

Mr. HUTCHINSON. Some of them could be. Our general estimate is, however, that these are reasonable estimates of the cost of the programs that we intend to carry out.

Mr. PASSMAN. Your present estimates?

Mr. HUTCHISONN. That is correct.

Mr. PASSMAN. Did I make a statement of fact, then, it could be 20 percent higher or it could be double on some of them?

Mr. HUTCHINSON. If you pick an individual project, this could happen on occasion.

Mr. PASSMAN. I used the words "some of them." On some of these projects the ultimate cost could be double what you estimate today?

Mr. HUTCHINSON. This is conceivable in some cases. It would be most unusual and I would not anticipate it, but I would not tell you, sir, that it could not happen.

Mr. MOSSLER. I might add something to that.

APPROPRIATIONS REQUESTED BEFORE DETAILED NEGOTIATIONS

I think there is good reason for this because what happens is we cannot really get down to detailed negotiations until we get the money appropriated to us. Sometimes we have to change our priorities when we get down to talking with these countries. We find that some of these projects may go up, others may go down and we do not get down to that stage——

Mr. PASSMAN. Did I understand you had to get the money before you could talk turkey with them?

Mr. MOSSLER. Yes, sir. We have to get the money before we can obligate it.

Mr. PASSMAN. How did we spend $115 billion over a 15-year period on altogether a different basis? Do these people not take our word? Do you know of any instance in the history of America where we have failed to live up to a commitment?

Mr. MOSSLER. No, sir.

Mr. PASSMAN. Then, why do you have to have the money before you can talk turkey with these nations?

Mr. MOSSLER. I said before we obligated.

I said, Mr. Chairman, that we had to have the money appropriated first. Since the amount appropriated is not always what we requested, we must first review our programs after we find out what our available funds are. At such time, and only then, do we enter into any obligational arrangement.

Mr. PASSMAN. You said that before you could get down and talk turkey to these nations about these projects, you had to have the money on hand?

Mr. HUTCHINSON. I think, sir, that it is reasonably responsible administration to have your money appropriated before you get down to talking turkey with the country about the amount of assistance you are going to provide them and the particular projects you are going to support. Otherwise, we can be in the position, quite legitimately, of being accused of going beyond the authority given us to, in effect, commit the U.S. Government.

This seems to us to be a responsible way to administer our program.

Mr. PASSMAN. They say, "Cut us loose and let us run this race," which by any fair interpretation would mean to stop interfering with them, and then they ask for more flexibility. It is not your fault that Congress abdicated its prerogatives last year. I cannot see it any other way. You interpret it just however you want to and when we conclude these hearings, we are going to be running in the same circle.

We will be right back where we started, that under the legislation under which we are operating, you do not have to justify these projects in detail and by project, but rather by a plan.

EFFECT OF CONGRESSIONAL DENIAL OF FUNDS FOR NEW PROJECTS

Any increase in the development grant category for Africa has not been discussed and if the Congress does not approve the request, then no harm is done?

Mr. HUTCHINSON. Sir, harm is done if there is justification for the carrying on of the development grant program in Africa.

Mr. PASSMAN. How do they know that there is any project being planned? You have not discussed it with them because you do not have the money. So how can any harm be done when they do not even know about what you propose to do for them?

Mr. HUTCHINSON. The harm is done, sir, in not getting forward with the development of the economies.

Mr. PASSMAN. In the diplomatic relationship, insofar as you did not discuss the projects, since you did not have the money, there would be no harm done?

Mr. HUTCHINSON. You would have to speak to the political side of this.

Mr. PASSMAN. If you have not discussed with them the project or the programs, and you do not intend to do so until you get the money, then if you do not get the money they will never know anything about it anyway, will they?

Mr. HUTCHINSON. They will not know about the new projects.

Mr. PASSMAN. Thank you. That is as direct an answer as you can give.

CASH TRANSACTIONS FROM SUPPORTING ASSISTANCE

Of the $32,500,000 estimate for supporting assistance for this area, how much is in the form of cash transactions?

Mr. HUTCHINSON. We expect ——— will have a cash transaction in the amount of ——— and ——— in the amount of ———.

Mr. PASSMAN. When we deal in the cash transaction items, it goes into the budget, and we actually could not expect you to pinpoint what the money will be spent for; is that correct?

If it is a cash transaction, does that mean budgetary support?

Mr. HUTCHINSON. It means basic support of their developmental budgets. This is correct. It is not budgetary support in the sense that that term has historically been used in connection with the program in which you make an estimate of the local currency requirements of the Government for general support of governmental purposes or for support of a defense establishment and then provide them with dollars directly related to that so-called budgetary gap.

Mr. PASSMAN. Then do you know in advance for what and when they will spend this cast transaction support?

Mr. HUTCHINSON. It depends on what you mean, again, in advance, sir.

Mr. PASSMAN. Before you actually give them the money, do you know for what purposes they will spend it?

Mr. HUTCHINSON. Perhaps we ought to go off the record on this.

Mr. PASSMAN. That is your privilege, if security is involved or the information is classified.

Mr. HUTCHINSON. Off the record.

Mr. PASSMAN. It could be used for budgetary support, it could be used to carry out domestic projects that they had planned to construct out of their own budget? We just want you to be direct.

Mr. HUTCHINSON. The local currency proceeds will be used to carry on local developmental projects.

Mr. PASSMAN. That they would normally have paid for out of their own budgets if the projects were to be——

Mr. HUTCHINSON. If the projects were to be carried out they would have had to pay for them out of their own budget.

Mr. PASSMAN. So, regardless of how far around the field we may travel, it could, in effect, mean budgetary support?

Mr. HUTCHINSON. It could.

Mr. PASSMAN. Thank you.

SUPPORTING ASSISTANCE TO BE SUPPLANTED BY DEVELOPMENT LOANS

We have been told that supporting assistance, which is economic aid, would in subsequent years be handled under the development credit plan or loan, as some people call it, for the same purposes or same projects or same programs as were undertaken under the supporting assistance program. Is that your understanding of the plans?

Mr. HUTCHINSON. This is not my understanding, at least of my own testimony, sir.

Mr. PASSMAN. I read from the testimony of the Secretary of State:

> In line with our purposes, affording this type assistance for development loans, as soon as it is feasible we are proposing to terminate supporting assistance for at least four countries which we have assisted for a considerable number of years in the past.

On continuation of the inquiry into, I believe, Mr. Hamilton's testimony, there was some indication that eventually this would all come under it. Are any of these four countries referred to in your area?

Mr. HUTCHINSON. Which are the four countries referred to, sir?

Mr. PASSMAN. What are the countries? If you will take the time to read the transcript you will understand the plans are to terminate supporting assistance. They indicated that we would give assistance out of the development credits to accomplish the same objectives, to build the same projects, that you had heretofore built out of supporting assistance funds. That is the record. I asked you the question if you understood this was the trend.

Mr. HUTCHINSON. I certainly understand it is the objective to reduce and eliminate supporting assistance to the extent that this is possible.

Mr. PASSMAN. Why did you not say that a while ago? You said your testimony did not indicate anything about it.

Mr. HUTCHINSON. I said my testimony did not indicate that it was the purpose to use development loans for the same purposes for which supporting assistance was to be used.

Mr. PASSMAN. I want to say that they said development credits would be used to finance the same type of projects that have been financed out of supporting assistance. I referred to several pages

which list, I think, more than a hundred projects, and they are in the hearings, and they said yes, they would apply to the same projects as listed.

Mr. HUTCHINSON. Mr. Chairman, I think I understand the Agency policy in this respect quite well.

Mr. PASSMAN. You are just not giving us direct answers.

Mr. HUTCHINSON. You are not giving me an opportunity, sir, to give you an answer at all.

Mr. PASSMAN. You just take your time and answer anything you wish to do. What do you want to answer now?

Mr. HUTCHINSON. I want to say, sir, with respect to supporting assistance it is the policy of the Agency to try to reduce this category of assistance. It is the purpose of supporting assistance fundamentally to provide assistance that is related directly to political objectives or security objectives which may not have any developmental context associated with them.

It is true that in the past there have been projects under this category, and certainly in the old defense support category, which did have developmental aspects associated with them. It is now our intention and hope that we can make the categories a little bit more definitive than has been the case in the past and to put those projects and those programs which are clearly developmental in nature into a developmental category, rather than in the supporting assistance category.

Mr. PASSMAN. Are you finished?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Mr. Reporter, please read the previous testimony.

(Whereupon, the record was read by the reporter as follows:)

Mr. PASSMAN. We have been told that supporting assistance, which is economic aid, would in subsequent years be handled under the development credit plan or loan, as some people call it, for the same purposes or same projects or same programs as were undertaken under the supporting assistance program. Is that your understanding of the plans?

Mr. HUTCHINSON. This is not my understanding, at least of my own testimony, sir.

Mr. PASSMAN. I think that completes it.

COMMODITIES FURNISHED UNDER DEVELOPMENT GRANT

What type commodities are included in the $18,700,000 estimate under the development grant category for this area?

Mr. HUTCHINSON. The $18 million, sir, in the development grant category for this area, is for all kinds of supplies in support of technical assistance type projects. It can be building materials for very small schoolhouses, which are handled on the development grant basis, it can be normal office type supplies which the technician needs to support himself with, it can cover the whole gamut of supplies which are necessary to support, let us say, an agricultural extension program, a teacher training program, or a public administration training program.

Mr. PASSMAN. You said it could include these things. Specifically, let me ask you some of the things it could include. Could it include jeeps, automobiles?

Mr. HUTCHINSON. It could; yes, sir. I am sure it does.

Mr. PASSMAN. How did you arrive at this estimate, when you are dealing with $18,718,000, without having a worksheet to indicate what the commodities would be and their cost?

Mr. MOSSLER. Mr. Chairman, each of the projects that we have, of which I think the bulk are included in this project book, does have a cost component breakdown. This figure, assuming it is added correctly, should indicate the total of all of the commodity elements in each of those projects.

Mr. PASSMAN. Then, why would you not answer us directly, and tell us what those commodities are, and the cost of them, without just covering a general range and not mentioning specifically any of them? How many jeeps could be in this, and how many automobiles and how man trucks, how many tractors, how many cultivators?

Mr. MOSSLER. This would be very difficult for me to do right here. I think perhaps we could discuss them on a project-by-project basis.

Mr. PASSMAN. Go to any country you wish. Let us take in the Malagasy Republic, at page 423.

It says "Commodities, round figures, $100,000." What does that represent?

Mr. MOSSLER. It says training and demonstration equipment to be provided at six centers.

Mr. PASSMAN. You have participants, contract service, and you have commodities. What would the commodities be?

Mr. MOSSLER. Training aids and administration equipment.

Mr. PASSMAN. By item, what would it cover?

Mr. MOSSLER. We do not have it by items.

Mr. PASSMAN. How did you arrive at the cost being $100,000?

Mr. MOSSLER. This is the estimate, as we indicated earlier.

Mr. PASSMAN. Did you have some basis for that estimate?

Mr. MOSSLER. The field has some basis for it.

Mr. PASSMAN. You do not get the field reports here?

Mr. MOSSLER. We do not get the commodity listing, no.

Mr. PASSMAN. This is the field estimate, and Washington approves the field estimate without knowing whether it is to buy jeeps, automobiles, or whatnot?

Mr. HUTCHINSON. Sir, we do not know the detailed commodity breakdown of the commodities that will be included in the program.

Mr. PASSMAN. What if you found out all of this should be intended for air-conditioned Cadillacs. This may be an exaggeration, but you say you do not know what this covers and it is possible, is it not, that it could all be spent for air-conditioned Cadillacs? Would an air-conditioned Cadillac be eligible?

Mr. HUTCHINSON. There are circumstances under which it could be considered eligible.

Mr. PASSMAN. It could be all for one item so far as Washington knows; is that right?

Mr. HUTCHINSON. It is not likely you would buy one item of $280,000 for training aids in six centers.

LACK OF COMMODITY DETAIL IN WASHINGTON OFFICE

Mr. PASSMAN. But as far as Washington is concerned, you do not know what this covers, by item?

Mr. HUTCHINSON. We do not know by item content; no, sir.

Mr. PASSMAN. Could you get one example for us from the field, a worksheet?

Let us indicate again for the record that in this wild and fuzzy category there is $18,718,000 in this one item, and the Washington office does not know what it is for. Get one set of worksheets in for us from the field.

Is there any further comment, gentlemen?

Mr. HUTCHINSON. I have none.

Mr. ANDREWS. Mr. Chairman.

Mr. PASSMAN. Mr. Andrews?

Mr. ANDREWS. Did this request for $230,000 come in from the field?

Mr. HUTCHINSON. Yes, sir.

Mr. ANDREWS. And no breakdown of it?

Mr. MOSSLER. We do know and we have described on the project sheet the amount that will be for commodities and we know it will be demonstration equipment for six centers, but we do not know item by item the kinds of equipment.

Mr. PASSMAN. You said it could be for air-conditioned Cadillacs, anything that meets the criteria. I think the record is clear you do not know what it is for. Is this same thing true on a worldwide basis? Will anybody volunteer to answer that question?

Mr. MOSSLER. The scope of this project, as it is set out, we know is for agricultural extension and we know it will be used for such things as test tubes and things of that kind.

Mr. PASSMAN. What page are you on?

Mr. MOSSLER. 423.

Mr. PASSMAN. You said you had no worksheet and it has been testified that you do not know exactly what they will requisition against it. Now do you want to tell us specifically how many jeeps, how many automobiles, how many cultivators, how many rakes, or shall we rest the case on this page 423?

Mr. MOSSLER. This is all the information we have here, that it will be for demonstration purposes at the six centers.

Mr. PASSMAN. Thank you. Will you get us a worksheet from the field on this one item? Send a cable and get a worksheet and let us see how they arrived at this figure. Is that not being fair with your side of the table?

Mr. MOSSLER. I think it is fair.

Mr. HUTCHINSON. Whatever you want, sir.

(The information was subsequently supplied and appears on p. 489.)

FORMULATION OF NATIONAL DEVELOPMENT PLANS

Mr. PASSMAN. Will you tell us how many nations in this area have formed national development plans?

Mr. HUTCHINSON. There are now a number who have formulated national development plans. In fact, most of them have formulated something they would call a national development plan. They range all the way from the very sophisticated plans such as Nigeria has, or the plan of Tunisia, to plans that consist of nothing more than a list of things the countries would like to do. We have 18 countries that we would say have really something you could call a national development plan that I could give you a list of.

Mr. PASSMAN. That is pretty general, "that you could call a national development plan." Should it not be more specific to meet the legislative criteria?

Mr. HUTCHINSON. If you are speaking of meeting the legislative criteria, we have made a determination that the Tanganyika plan meets our criteria for support under section 202(b). We are making an examination of the Nigeria and Tunisia plans and expect that similar determinations will be made.

Mr. PASSMAN. Presently it is one?

Mr. HUTCHINSON. Presently it is one on which this firm finding has been made. I fully expect we will make that finding with respect to the other two countries. In fact, I am sure of it with respect to both of them.

Mr. PASSMAN. But you rest your case as of today on one, and that is Tanganyika?

Mr. HUTCHINSON. We have made the formal finding and commitment in that case.

Mr. PASSMAN. You have made the final determination on one country?

Mr. HUTCHINSON. Yes; and we expect to make it on two others.

Mr. PASSMAN. But that is in the future?

Mr. HUTCHINSON. Not very far in the future.

Mr. PASSMAN. How far, since you insist on going further?

Mr. HUTCHINSON. I am not insisting on going further.

FISCAL YEAR 1962 PROJECTS IN AFRICA

Mr. PASSMAN. How many of the projects in this area were initiated in fiscal 1962?

Mr. HUTCHINSON. That is on that list we started going through before. We have a list showing the projects initiated in fiscal 1962 and a list showing the projects for fiscal 1963. We can start back on that list again.

Mr. PASSMAN. We want the information, otherwise I would not be asking for it.

Mr. HUTCHINSON. The total number is 87.

Mr. PASSMAN. Eighty-seven. When did we discuss 87 today?

Mr. MOSSLER. You asked us first when we were discussing 1963, which was 65, and you just asked us for 1962.

Mr. PASSMAN. You had not given 1962 before, had you?

Mr. MOSSLER. No, sir.

Mr. PASSMAN. Then, what is wrong with that question? How many of the projects were initiated in 1962?

Mr. HUTCHINSON. Eighty-seven.

I understood you wanted the projects introduced in the record, and I had understood before you wanted it placed in the record.

Mr. PASSMAN. You had 65 new projects for the record. This was an entirely new request you were making. Do you have the total estimated cost of the 87 projects?

Mr. HUTCHINSON. Again that will require going through the books, unless we happen to have it totaled up here. Yes; we do. It is about $20 million. We will give you the exact figure, sir.

Mr. PASSMAN. Do you have to go through the books or do you have it?

Mr. HUTCHINSON. We have it. It is $20,518,000.

Mr. MOSSLER. This is the total new projects started in fiscal year 1962.

Mr. PASSMAN. What is the completion cost of the 87 projects?

Mr. MOSSLER. That I do not have, sir.

Mr. PASSMAN. Is that information available anywhere?

Mr. MOSSLER. Yes. At the office we can go through project by project and add these up for you.

Mr. PASSMAN. You obligated $20,518,000 in fiscal year 1962?

Mr. MOSSLER. Yes, sir.

Mr. HUTCHINSON. That is the estimate.

Mr. PASSMAN. And you cannot tell the committee the estimated cost of completion of the 87 projects?

Mr. HUTCHINSON. We have it project by project, sir; but we do not have it in total.

Mr. PASSMAN. Gentleman, you know we have to have the information. Either you have to pick it out or we have to pick it out.

Mr. HUTCHINSON. We will be glad to give it to you, sir.

Mr. PASSMAN. Do you have a supporting witness who can call down and get the information?

Mr. MOSSLER. I am sure they would have to go through and add it up.

Mr. PASSMAN. But you can give a firm estimate of the completion cost?

Mr. MOSSLER. We can give our best estimate.

Mr. PASSMAN. Does it fall into the same category we have discussed earlier, and could it conceivably be twice your best estimate?

Mr. HUTCHINSON. It falls in the same general category as to the previous testimony except that you are able to be a little more firm on the projects that you have started.

Mr. PASSMAN. And, by the same token, you could have some of these discontinued at a subsequent date?

Mr. HUTCHINSON. Some could be discontinued at a subsequent date, that is possible.

Mr. PASSMAN. And the percentage could be higher or lower than what was established in the record earlier today, percentagewise? Only the future could answer that question?

Mr. HUTCHINSON. Only the future could answer the question as to the percentage, yes, sir.

Mr. PASSMAN. Gentlemen, we have been examining just on the general statement of the witnesses today. On subsequent days we will get into the program by countries and by projects. I should like to yield at this time to my distinguished colleague, Mr. Rhodes, of Arizona.

Mr. RHODES. Thank you, Mr. Chairman.

I just have a few questions here, Mr. Hutchinson.

LEVEL OF AID FOR AFRICA

Do you have any idea as to the ultimate amount of aid which Africa will be able to absorb?

Mr. HUTCHINSON. No, sir. It certainly would be an increasing amount as they grow and develop. What the ultimate amount would be for a continent this large I would not have any idea.

AID FOR NEWLY INDEPENDENT COUNTRIES

Mr. RHODES. Have all the countries been formed in Africa which will be formed? In your opinion, of course.

Mr. HUTCHINSON. I would doubt it. Obviously Algeria, I think, will be formed as an independent country. What will happen in the British areas, I think the Governor testified to yesterday, but there certainly will be some independent countries there. What will happen in some of the other areas I would not want to hazard a guess, such as the Portuguese area. Uganda is due for independence about October.

Mr. RHODES. And I guess we can assume Urundi is, for all practical purposes, in this category, at least for aid?

Mr. HUTCHINSON. We do not have a program in Urundi as yet.

Mr. RHODES. But if it follows the usual pattern there will be a program there posthaste?

Mr. HUTCHINSON. We may have a small program, supplementary to the Belgian program.

NECESSITY FOR U.S. ASSISTANCE IN ADDITION TO AID BY OTHER NATIONS

Mr. RHODES. In looking at these country programs one by one, I think it is rather interesting that in several of them our aid is not really a very large percentage of the total aid that is given at all. The former metropole countries, as you refer to them, seem to be giving most of the aid. Why is it necessary for us to give in situations where our aid is not really significant and where it seems to be pretty well handled by other sources?

Mr. HUTCHINSON. I think there are two reasons why we do get involved. First, as Governor Williams testified yesterday, there is a reluctance to show dependence upon a single country for assistance. There is a great need on the part of these countries newly becoming independent to have some feeling of acceptance and solidarity, of belonging, if you will.

Mr. RHODES. You mean this is psychiatry on a global basis?

Mr. HUTCHINSON. I did not mean quite that, but they do need to be tied to support by more than one country. They need it for internal political reasons as well.

I think there is another very good reason also, an economic reason. These countries do expect—and I think it is in our interest that these expectations be realized to some degree—to grow, to develop, and to have a viable economy and way of life. We have certain types of things we can provide which are of help in this process, and I think this is a significant reason for us to supply some assistance.

Mr. RHODES. In providing assistance do you try to pick areas in which we have particularly expert knowledge, or do you give aid across the board?

Mr. HUTCHINSON. We hope we will be providing it in those areas where we have a particular specialty, for instance, in the transportation field. We hope to get in the field of technical education.

Mr. RHODES. Yesterday Secretary Williams quoted a speech of the President's in which it was stated the United States was strong enough so that it did not have to demand adherence to its political

ideas before offering aid, indicating there were other systems in the world which were not in that happy situation.

I wondered, however, if this is necessarily the situation where you are dealing with people who really are not too sophisticated so far as the world's affairs are concerned. I am wondering if we are not dealing with people where the squeaky wheel gets the grease. If the Communist bloc says, "We will help you but we want you to do as we say," and if the country sees the opportunity to get aid from them and from us they might take it. In other words, we are reasonable and will still give aid, even though the country does whatever the Commies demand in exchange for their aid.

ADVISABILITY OF GIVING AID TO COUNTRIES FRIENDLY TO SOVIET BLOC

Do you not feel that in these areas which are undeveloped we really should adopt a policy that looks at least toward helping our friends more than helping our enemies, or those who are not at least sympathetic to our way of life?

Mr. HUTCHINSON. I think you will find our aid is being concentrated in this way. It is true the ——— project, as an individual project, might distort the analysis. But if you take that project out I think you will find the aid is along the line you suggest.

I do not think we can take the position that if they take aid on other people's terms that this means we should and must get out. I am not sure but that it is under those circumstances that our real opportunity and challenge and danger lies. By staying in we may be keeping a door at least partially open. I do not think this is entirely theoretical. I think we can cite a case or two where this is happening in Africa. There is a case or two in which aid has been accepted on the Soviet terms and in which the countries have become very disenamored and our aid, I think, has been a real factor in introducing what appears to us to be very hopeful trends.

Mr. RHODES. I have said before if I were a Premier in a newly independent country in Africa or elsewhere I would have as a keystone of my policy to insult the United States at every opportunity to endear myself to the opposition bloc, and would accept aid from both.

Mr. HUTCHINSON. I have a feeling at the higher governmental level there is a considerable amount of sophistication and, I think, a greater sophistication of what is involved in accepting Soviet aid than was the case in the past.

I also feel if we take the position to cut them off entirely, we may leave them without any other alternative and in desperation, like it or not, they will feel they have to become closer and closer associated with the bloc.

Mr. RHODES. Would it not be wise to follow the policy of helping our friends more than those who are not or may not be our friends?

Mr. HUTCHINSON. I think if you will examine our record you will find this is the direction of concentration.

Mr. PASSMAN. Will the gentleman yield?

Mr. RHODES. Yes.

Mr. PASSMAN. The record is just the opposite. If you go into some of these countries that we are giving aid to, some of them are so secret they do not want us to mention their names. Look at Ghana and Mali and Guinea in your 1963 program, and compare that with the other bloc, Ivory Coast, Upper Volta, and so on, and then look at what is happening in ———. It would appear the record is on the opposite side, but you have a right to make any statement you want to make.

Mr. HUTCHINSON. Sir, if you will look at the total assistance for Africa listed in the first column on page 65 as far as fiscal year 1963 is concerned, you will find countries like Nigeria, Liberia, the Sudan, Tunisia, and so forth, consuming by far the greater amount of the aid proposed.

You will also notice a downturn in some of the countries of the type you mentioned. If you want to bring countries like ——— in, these are countries of the type you mentioned, we do not expect to carry large-scale programs there. The French are in and we assume they will stay there.

Mr. PASSMAN. At least the record is there, and it speaks for itself. You just have to look at Ghana and Mali and Guinea and compare it with the so-called Red bloc. I call your attention to what you say about the U.S. interest in ———.

Mr. HUTCHINSON. Certainly there are countries in which we do not expect to have a very significant program, that will be getting less than a country like Guinea where we have some hopes. But I think a perusal of the total proposed figure for 1963 will clearly bear out the testimony I have given.

Mr. PASSMAN. I think ——— will get more than all the friendly nations you have mentioned here.

Mr. HUTCHINSON. I cannot testify as to ———.

Mr. PASSMAN. Thank you, Mr. Rhodes.

CONTROL OF ELECTRIC POWER DISTRIBUTION

Mr. RHODES. There will be certain power developed from projects now in construction or contemplated in Africa. How will the power be distributed to the consumer?

Mr. HUTCHINSON. I am not sure exactly what you mean by your question as to how it will be distributed. There will usually be a power authority basically responsible for distribution and it will basically be a power authority which controls, as I think it must in these situations, a large amount of capital.

Mr. RHODES. There are no private companies?

Mr. HUTCHINSON. Not for the provision of power itself. In Ghana the private companies are handling the smelter but the power distribution system is managed by a power authority controlled by the Government of Ghana. We have been pleased with the type of people they appointed on that authority.

PURPOSE OF INCREASED TAXES IN MOROCCO

Mr. RHODES. On page 14 of your statement you mention that taxes on agriculture and increase in taxes on business profits and wages in

Morocco had been introduced and that direct taxes were stepped up in Mali and Togo and Niger. I am old fashioned and I do not like anybody having to pay more taxes than they were paying, but perhaps this is part of an overall reform which hopefully has as its end result the modernizing of the whole economy of these nations.

Could you expand a little bit on the material which you have included on page 14 at the bottom and on page 15 at the top?

Mr. HUTCHINSON. We do have a table here which gives the examples of the increased revenues that they expect to get from increased taxes in the countries listed, if this would be helpful.

REVENUE AS PERCENTAGE OF GROSS NATIONAL PRODUCT

Mr. RHODES. Do you have a table which would state the percentage of the gross national product which is being paid into the governments of these countries by taxes at the present time?

Mr. MOSSLER. Yes, sir.

Mr. RHODES. Would you insert that in the record.

(The table requested follows:)

Domestic revenue as a percent of gross national product in AID-recipient countries of Africa, 1961

Africa:[1]	Percent
Cameroon	22
Central African Republic	23
Chad	15
Congo (Brazzaville)	15
Dahomey	22
Ethiopia	8
Federation of Rhodesia and Nyasaland	[2]12
Gabon	35
Ghana	14
Guinea	22
Ivory Coast	19
Kenya	[2]14
Liberia	19
Libya	17
Malagasy Republic	17
Mali	19
Morocco	17
Niger	17
Africa[1]—Con.	
Nigeria	12
Senegal	20
Sierra Leone	25
Somali Republic	27
Sudan	14
Tanganyika	[2]11
Togo	12
Tunisia	21
Uganda	[2]12
Upper Volta	14
Western Europe (selected countries):	
France	23
Germany	16
Greece	16
Italy	20
United Kingdom	25
United States	16
Canada	16

[1] Based on available national income data.
[2] 1960 estimate.

REPAYMENT OF LOANS IN HARD CURRENCY OR LOCAL CURRENCY

Mr. RHODES. You mentioned also the efforts of the International Development Association or authority, IDA—as I recall, IDA is an international lending agency which specializes in making loans to countries which are repayable in the currency of the country itself?

Mr. HUTCHINSON. I think, sir, they do have that authority but it is my understanding that as a matter of policy they are making loans on a very long-term repayment basis fundamentally repayable in dollars rather than in local currency, if I am not mistaken, sir.

Mr. RHODES. You do not know when this policy was changed so far as IDA is concerned?

Mr. HUTCHINSON. It is my understanding this policy was adopted before it started making any loans. I am not an expert on IDA but there was a very long discussion, even before the legislation was introduced on the subject, in terms of long-term dollar repayable loans. I feel sure they do have a policy of requiring dollar repayments.

Mr. RHODES. Since this is an international organization, do you mean to say all the repayments would be in dollars and not in marks or some other hard currency?

Mr. HUTCHINSON. I said dollars but I mean hard currency.

Mr. RHODES. You used to be a soft loan artist, Mr. Hutchinson. If you want to plead not guilty, of course one is presumed innocent until proven guilty, but do you have any idea what caused this sudden switch in policy? We certainly were led to believe that the whole undeveloped world would fall apart if we asked them to repay a loan in dollars or in hard currency, and now we find not only have we changed our policy but IDA has changed her policy too.

Mr. PASSMAN. If the gentleman will yield, that is why I read into the record a statement by Mr. Black and by Mr. Dillon. According to them, it would have been unpardonable in 1959 to suggest that these people pay back in dollars. They even went so far as to say that whatever came back must be plowed back into the economy of the recipient country, except for about 10 percent. I would like to know why they changed their philosophy.

Mr. RHODES. The chairman will recall at that time there was some concern about what we would do with the local currency we were accumulating and I guess we decided it would be better to be paid in dollars if we were paid at all.

Mr. PASSMAN. I do not know. I am no less confused now than back in those days. They may change this again before the year is over.

Mr. HUTCHINSON. I am not certain I know the reason for the change in the policy and the philosophy. I was not here when the change was made. This has always been a highly discussed subject as to whether or not your loan terms should be very long with dollar repayment or whether you should have shorter term loans and take the currency of the country in repayment. The discussions have waxed long and sometimes a little heatedly. I can only surmise that there was a feeling that after all the local currencies did eventually represent a demand upon the resources of the country whose currency they were and they perhaps were not of as much relief as was expected.

Secondly, perhaps it was felt that even in a shorter run period it would make some sense to begin to get some dollars back for the assistance we were giving, and that the ability to pay loans back ought to increase.

It was extremely difficult in the long run to make projections as to whether or not a country would be able to repay you in dollars.

I think also there was an element of the idea which you mentioned, that, after all, the building up of these large currency reserves begin to put a country in a position where if it spends or refuses to spend it can exercise an enormous influence on conditions of inflation or deflation, and countries get restless about this power vested in someone else.

There is also the feeling that the building up of these very large balances, constituting as they would over a long term a claim against

resources, could inhibit the chances of these countries ever making the currency convertible. But I was not here when these decisions were made.

Mr. PASSMAN. I wonder if this committee is supposed to change its mind as quickly as they do downtown? Or, could it be that the prestige of the American dollar, because of the drain on our gold reserves, is such that some of the other currencies have reached the point that they are as acceptable as the American dollar? I wonder if that could have entered into it?

Mr. RHODES. Well, Mr. Chairman, the committee is a little old fashioned because we are not as flexible as perhaps we ought to be.

Mr. PASSMAN. Do you have any softening formula?

Mr. RHODES. Mr. Conte does.

In closing I think we might as well all agree that whether these loans are repaid in local currency or are repaid in dollars makes very little difference to the American taxpayer because the money comes out of his pocket ultimately and none of it ever gets back either in dollars or local currency. In the first instance, the local currency is, by treaty and agreement, to be spent in another country according to agreement with that country; and in the second place, the dollars, if repaid, would have to go back by law into the program, so the dollars do not come back in the Treasury. Do you agree with that?

Mr. HUTCHINSON. I would certainly agree it does not come back in the Treasury, but I do not think it means there is no relief to the American taxpayer. To the extent there are loan repayments available for relending, the necessity for asking for appropriations for that purpose is reduced.

Mr. PASSMAN. Will the gentleman yield?

Mr. RHODES. Yes.

Mr. PASSMAN. Assuming it is our responsibility, yes, but it certainly follows that under the prior local currency laws the taxpayer did receive some benefit in that Embassy expenses in the recipient countries could be paid out of local currencies.

Mr. HUTCHINSON. The Embassy expenses could not be paid from it.

Mr. PASSMAN. Under prior laws they could, 10 percent could be used for Embassy expenses.

DLF REPAYMENTS AVAILABLE FOR RELENDING

Mr. HUTCHINSON. That is to the extent we have counterpart. This was not true of the Development Loan Fund loans. These all came back in the fund for relending purposes. The statement you made is applicable as to counterpart funds.

Mr. PASSMAN. But you have shut that off to the Embassy under the present program?

Mr. HUTCHINSON. This is still available to the Embassy under the Public Law 480 program.

Mr. PASSMAN. But under the development loans, or development credits, no part is available to pay Embassy expenses?

Mr. HUTCHINSON. As far as I am aware, that is right. But to the extent you have counterpart funds——

Mr. PASSMAN. That is not development lending?

Mr. HUTCHINSON. I agree.

Mr. PASSMAN. Your superiors say the trend is to this type of financing.

Mr. HUTCHINSON. I think you will find that the actual dollars that are flowing back in are still an item of some consequence in support of the program itself, and to the extent they are flowing back it seems to me clear this is a reduction in the burden to be placed on the American taxpayer.

Mr. PASSMAN. Is it not a strange thing that when we had worked this thing out under the old system the program was $2.8 billion, then with this new system of plowing it back into the program, rather than plowing it back into the Treasury, the program has gone up to a request of about $5 billion.

Mr. RHODES. I am glad the chairman mentioned that.

Mr. PASSMAN. The program is becoming "less expensive" because the repayments are being plowed back, yet it is twice what it was before.

Thank you very much, Mr. Rhodes.

Mr. RHODES. That is all.

Mr. PASSMAN. Mr. Conte?

POTENTIAL FOR AMERICAN ENTERPRISE IN AFRICA

Mr. CONTE. Mr. Hutchinson, one of the things I observed when I was in Africa was the great need for American businessmen to go to Africa and set up businesses there. This is a very fertile territory. Nigeria, for one, was crying for American businessmen. I met a lot of West Germans and Italians and British businessmen in Africa and I think the only American businesman I met was selling shirts. What can we do to encourage American businessmen to go to Africa?

Mr. HUTCHINSON. May I make a remark off the record?

(Discussion off the record.)

Mr. HUTCHINSON. This is a problem that we feel some very intensive work must be given to. We agree entirely that Africa, and Nigeria in particular, and quite a few other countries, have a real potential for American investment and for American enterprise. We are now seeing if there is any way we can direct our attention in an organized way to do something about this. We are thinking of three or four things. One is, the Office of Development Financing within the Agency has just brought a man on board to work in this whole field of private enterprise in these areas. He is hoping we can pick out a country or two we can concentrate on heavily and try to get American businessmen interested in going out in these countries and making investments and selling. We are entering into contracts with a number of American firms to try and see what they can do by working with the host government in these countries and developing opportunities for American enterprise and, hopefully, bringing those opportunities to the attention of potential investors in the United States.

I just talked to a man before I came to this hearing this morning about an analysis of what might be done in these local economies to stimulate the flow, to try to impress on the American businessman the tools which we do have available to assist in connection with his investment, our ability to make loans to him, our ability to make guarantees of certain investments he may make there, our ability to utilize the

investment guarantee authority we have, all of which we want to use to the maximum.

We also are trying to get an agreement with the Department of Commerce as to a cooperative program in bringing opportunities to the attention of American business.

Now there is another aspect, too, that in the short run might be quite productive in this field, it seems to us.

With respect to the possible effects of our program upon the U.S. balance of payments, when we are financing local costs we are trying our best to get undertakings that have the effect of increased exports from the United States to the extent of the financing of these costs. We are trying to get segregated accounts established which would be expendable only in the United States. We have one or two of these about to become operable.

Then we want to go out with a campaign to American business saying, "These funds are there. They have been expended for the purposes of the foreign-aid program and are now available only for the importation into those countries of American goods. The funds are there to be utilized." We think this might be one of the best ways to get American industry to have a knowledge of the country, and from this might flow some investment.

PUBLICIZING AID PROGRAM IN RECIPIENT COUNTRIES

Mr. CONTE. We are getting into another field, but I thought USIA was not doing a good job in Africa. They were not selling the American program as well as they should. I picked out a lot of periodicals being put out and I saw one containing a great deal of publicity about West Germany making a $15,000 loan for a water pump to Liberia. This was a small program but they were squeezing out every bit of good they could out of it, and I thought we were not doing enough. I hope we can work with the information agencies and get a little more propaganda for what we do.

LOCAL REFORM PROGRAMS IN AFRICA

You mentioned something in your statement about the self-help program. I saw the project in Liberia. Word came to me last week that you changed your policy up there and it is no longer self-help, that you are providing the schools by contracting. Is that so?

Mr. HUTCHINSON. I have not heard anything about that. I will be glad to have a look at it.

Mr. CONTE. That was a good program and it should be a self-help program. The native villagers were very proud that they participated in the construction of those schools. They were good looking schools. The Secretary mentioned something about getting a spear. They had 10 or 15 tribes out there and they made me an honorary chief and gave me a robe and a hat and so forth.

Also, what about the Food-for-Peace program? You had in Morocco a program for the construction of highways.

Mr. HUTCHINSON. Yes. We think programs of that sort, which you might call self-help programs, are very good programs. A good many people have been put to work. We are considering instituting similar programs in other places in Africa.

You have to move quite carefully in these programs. You have all kinds of administrative problems to get the local governments to establish the necessary administration for devising a wage system, the logistics, and this sort of thing. It takes time to get them operative. But our experience has convinced us they have prospects.

Mr. CONTE. I think they represent a force for good. They do a tremendous amount of good in the country.

Mr. HUTCHINSON. Right.

Mr. CONTE. The project in Morocco, they were paying them 40 cents a day in kind?

Mr. HUTCHINSON. Right.

Mr. CONTE. They had no machinery on the road project, just picks and shovels and wheelbarrows. They were employing thousands and thousands of people there. They were happy about getting a job. They were building a road to an area that was impassable up to that time.

Mr. HUTCHINSON. That is right.

Mr. CONTE. And it is a force for good in the United States. It helps us get rid of surplus food in the bins.

Mr. HUTCHINSON. Right.

Mr. CONTE. I hope you will concentrate on that. I came back and I was very complimentary about that particular phase of the program. That and the University of Oklahoma team in Ethiopia was about the best I have seen out there.

Mr. PASSMAN. Thank you very much, Mr. Conte.

TERMS OF IDA LOANS

I believe Mr. Rhodes mentioned something about the terms of the International Development Association lending.

Reading from the statement of Assistant Secretary John M. Leddy, who appeared before our committee, justifying our contribution for fiscal year 1963, he said this:

> IDA has introduced a new concept of development loan terms. All of IDA's credits have been for a term of 50 years, with repayment commencing after a 10-year period of grace. Thereafter, 1 percent per annum of the principal is to be repaid for 10 years, while in the remaining 30 years of the credit, 3 percent of principal is to be repaid annually. No interest is charged on the credit but a service charge of three-quarters of 1 percent annually is made on amounts disbursed and outstanding in order to provide IDA with funds to meet its administrative costs. The credits are repayable in dollars or other convertible foreign exchange, not in the borrower's own local currency.

You cannot foresee what the situation will be 10 years from now. The dollar may be looked upon possibly as local currency to those people. The way we are depreciating it, it could be just that.

All these terms are on 50 years, with a 10-year grace period?

Mr. HUTCHINSON. These are the IDA terms, not the AID terms.

ELIGIBILITY OF AMERICAN ENTERPRISES FOR DEVELOPMENT LOANS

Mr. PASSMAN. Is it your understanding that under the development credits, or loans, as some people call them, American business enterprises are eligible for loans if they build plants in the underdeveloped countries?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Would you know the limitation that is placed upon American manufacturers as to the total amount they may borrow for a plant or plants?

Mr. HUTCHINSON. In what terms? I do not know of any limitations.

Mr. PASSMAN. If United States Steel should decide they would like to build a plant in one of the underdeveloped countries, they could make an application for the entire amount of the annual request?

Mr. HUTCHINSON. They could. I did not mean to imply we would make them a loan for the entire amount of the request.

Mr. PASSMAN. I did not get that implication. I would not be surprised if someday it was not suggested, but I did not say you did.

I merely asked the question, if, under the present criteria, they should petition for the entire annual appropriation, there is no law limiting what they could request.

Mr. HUTCHINSON. There is no law limiting what they could request.

As a matter of policy, we would certainly not want to make a loan to a corporation covering the entire cost of the project.

Mr. PASSMAN. I would certainly hope not.

I am not speaking about the project. I am speaking about the available funds. They could ask for $250 million if you had that much money available, could they not?

Mr. HUTCHINSON. They could ask for it; I doubt very much——

Mr. PASSMAN. There is no law that would preclude you from considering the application if you had the funds?

Mr. HUTCHINSON. There is no law that precludes; you are right.

Mr. PASSMAN. I wonder if any of you have ever given any thought of placing a limitation upon any segment of American industry as to what loans you would make?

Mr. HUTCHINSON. I think we find our problem has been to try to get American industry to invest. It seems to us this is the very best sort of investment that can be made.

Mr. PASSMAN. I am speaking of Government funds, not industry's funds. I am speaking of the fund we have here available, the development credit money.

Mr. HUTCHINSON. I would say our efforts have been expended much more in the direction of trying to get American industry to invest than they have in anything in terms of the total limitation on the total size of the loan we might make to them.

I do not mean to imply by that that we would loan the entire appropriation, or make commitments that would use up the major portion of our funds, or that sort of thing, but I am not sure that a specific limitation on the size of a loan to an American corporation would be productive of worthwhile results.

Mr. PASSMAN. If United States Steel should petition for a $50 million loan for 50 years, with no interest, the law is broad enough for you to approve it?

Mr. HUTCHINSON. Yes.

LOOSENESS OF PROGRAM NOTED

Mr. PASSMAN. I want the record to show that this examination has had to do not with the merits or demerits of the program, but the looseness in which the program is being handled.

The Congress has less control than it has ever had, and we are getting, I should say, about the vaguest information that we have ever received dealing with specifics. It is certainly no fault of yours, however, that this program is so loose that, under the interpretation of the top echelon witnesses, if a commitment is made, regardless of the findings and feeling of the committee, short of a catastrophe in this country, it is expected the Congress will appropriate funds to carry it out.

The line of questioning is certainly to let the record show that you no longer, speaking of the Agency, can justify requests by specific projects as such.

Mr. HUTCHINSON. I was going to revert back to your statement about the loan for United States Steel and its possibility. The testimony is certainly correct. Certainly there would be no thought in the Agency, however, of making a loan to a private corporation under the terms you have outlined.

Mr. PASSMAN. I understood that perfectly. I use any other segment of American industry.

Mr. HUTCHINSON. I did not want anyone to misunderstand we would be out making loans to segments of American industry, 50-year——

Mr. PASSMAN. They are eligible under the present legislation.

Mr. HUTCHINSON. Yes, but our present policy is to charge commercial terms on loans to private industry.

Mr. PASSMAN. Our policy changes rather rapidly, soft currency to hard currency. It is not unusual for our policy to be changed, is it?

Mr. HUTCHINSON. I have not seen it changed in this particular respect.

Mr. PASSMAN. We have only been in here since 1 o'clock. I would not expect it to be changed on such short notice.

PROJECTS IN INDIA FINANCED BY INTERNATIONAL ORGANIZATIONS

In fulfilling our request for a spread for the projects in India, would you also pick up the projects for India out of the international organizations to which we are large contributors?

Mr. TENNANT. We will attempt to do that. We will have to get that from the international organizations.

(The information supplied follows:)

The attached pages numbered 63–74 comprise chapters XV and XVI of the official Government of India report "External Assistance—1961," giving historical and current detail on projects for India out of the international organizations to which the United States is a large contributor.

XV. ASSISTANCE FROM UNITED NATIONS

A. EXPANDED PROGRAM OF TECHNICAL ASSISTANCE

The purpose of this program is to help underdeveloped countries to strengthen their national economy through the development of their industries and agriculture with a view to promoting their economic stability. The technical assistance made available under the program is in the form of (*a*) services of experts, (*b*) equipment ancillary to the experts, and (*c*) training facilities for Indian nationals in foreign countries.

2. The assistance is made available through the following agencies of the United Nations:

(i) United Nations Bureau of Technical Assistance Operation (BTAO).

(ii) Food and Agriculture Organization (FAO).
(iii) United Nations Educational, Scientific, and Cultural Organization (UNESCO).
(iv) World Health Organization (WHO).
(v) International Labor Organization (ILO).
(vi) International Civil Aviation Organization (ICAO).
(vii) International Telecommunication Union (ITU).
(viii) World Meteorological Organization (WMO).
(ix) International Atomic Energy Agency (IAEA).

3. The program is financed through voluntary contributions by member countries. Of the total amount (currently $41.7 million) subscribed by various countries annually, India's contribution from year to year has been as follows:

1951 rupee equivalent of $250,000
1952 rupee equivalent of $275,000
1953 rupee equivalent of $275,000
1954 rupee equivalent of $300,000
1955 rupee equivalent of $400,000
1956 rupee equivalent of $450,000
1957 rupee equivalent of $500,000
1958 rupee equivalent of $525,000
1959 rupee equivalent of $525,000
1960 rupee equivalent of $750,000
1961 rupee equivalent of $750,000

4. The technical assistance provided to India by the United Nations through the country program in terms of dollars has been the following order:

Calendar year:	*Expenditure*	Calendar year—Con.	*Expenditure*
1951	$148,058	1956	$2,679,171
1952	1,045,248	1957	2,344,500
1953	945,696	1958	2,730,571
1954	986,068	1959	2,337,000
1955	934,240	1960	2,150,237

5. Technical assistance under the expanded program is made available to India through the implementation of the Indian requests included in the country program which up to the year 1960 was made on an annual basis. The United Nations authorities have started biennial programing on an experimental basis effective 1961. A program has therefore been presented to the United Nations for 2 years; i.e., for 1961 and 1962. The United Nations have approved the biennial program as under—

Experts	183
Fellowships	144
Equipment	$796,600

The total allocation made for 1961–62 is $4,130,647.

6. From 1963 it is proposed to change the procedure to project programing whereby all projects will be approved for their entire duration subject to a maximum period of 4 years.

So far India has sent out 1,123 trainees and received 1,117 experts and equipment approximately worth $3,896,357.

7. India has been one of the major beneficiaries under the program. At the same time she has also played her part as a donor by contributing a substantial number of experts for service abroad and by providing host facilities for a large number of fellows from other countries. The total number of experts recruited from India under the expanded program from 1951 to 1960 was 791 and the total number of fellowship placements in India was 763.

8. Technical assistance under the expanded program has been received in the following fields:

Agricultural education, extension, research, economics, and statistics
Antibiotics and insecticides
Chemical engineering
Coal and metal mining
Crop production and protection
Dairy development
Hydroelectric transmission
Labor administration
Leather technology
Manufacture of sulfuric acid
Maternity and child welfare
Medical and health education
Nursing education
Pencil manufacturing
Petroleum geology
Photogrammetry
Population studies
Ports and shipping
Electronics
Engineering (civil mechanical, structural highways, etc.)
Fertilizer survey
Forestry and forest industries
Fisheries development
Glass molds
Preventive and social medicine
Productivity
Reinsurance
Rural electrification and rural welfare
Sheep and wool
Statistics
Steel foundry techniques
Soil engineering and soil conservation
TB control
Vocational guidance, etc.

B. SPECIAL FUND

9. The United Nations Special Projects Fund has been established under United Nations General Assembly Resolution No. 1240 adopted on October 14, 1958, with the object of enlarging the scope of the existing technical assistance activities and to finance such special projects, in approved fields, as would contribute to the economic development of recipient countries. The Fund, which started functioning with effect from January 1, 1959, aims at providing systematic and sustained assistance in fields essential to the integrated technical, economic, and social development of the less developed countries and accelerating their economic development, inter alia, by facilitating new capital investment of all types by creating conditions which would make such investments either feasible or more effective. As far as practicable the Fund concentrates on relatively large projects and avoids allocation of its resources over a great number of small projects. Assistance is given mainly in the form of teams of experts with adequate provision for equipment and supplies, to deal with all related aspects of a given problem on a sustained and continued basis so as to pave the way for productive capital investments. The assistance is provided by the Fund primarily in the following fields:

(*a*) Assessment and development of manpower.
(*b*) Industry, including handicrafts and cottage industry.
(*c*) Agriculture.
(*d*) Transport and communications.
(*e*) Building and housing.
(*f*) Health.
(*g*) Education.
(*h*) Statistics.
(*i*) Public administration.

10. The Fund is made up of voluntary contributions from member nations. India has contributed $500,000, $1,750,000, and $1,750,000 (in nonconvertible rupees) for the years 1959, 1960, and 1961, respectively.

11. Up to May 1961, 15 Indian projects had been approved: 1 in May 1959, 3 in December 1959, 5 in May 1960, 4 in December 1960, and 2 in May 1961. The total amount allocated for these projects is $13,742,190. Brief details

showing the amounts allocated to each project as well as the Government of India's counterpart contribution and share of expert costs is given below:

Project and period of assistance	Equipment	Experts fellowships and other costs	Total special fund allocation	Government's counterpart contribution including 15 percent of expert costs	Executing agency
1. Central Training Institute for Industrial Instructors, Calcutta (3 years).	$365,000	$668,250	$1,033,250	$2,327,777	ILO.
2. Power Engineering Research Organization (4 years).	1,755,000	173,800	1,928,800	2,078,300	UNESCO.
3. Mechanical Engineering Research Institute, Durgapur (4 years).	475,000	216,400	691,400	3,773,250	UNESCO.
4. Regional Labor Institute, Kanpur, Calcutta, Madras (3 years).	150,000	231,640	381,640	1,190,046	ILO.
5. The Higher Fisheries Training Institute (3 years).	422,000	188,300	610,300	752,950	FAO.
6. All-India scheme for the investigation of potential hydroelectric sites (6 years).	2,200,000	161,400	2,361,400	5,015,300	United Nations.
7. The Calcutta water supply project (2 years).	----------	324,100	324,100	199,100	WHO.
8. Central Mining Research Station (2 years).	657,000	38,900	695,900	1,473,300	ILO.
9. Central Public Health Engineering Institute, Nagpur (5 years).	525,000	----------	525,000	3,590,000	WHO.
10. Cavitation Research Center, Poona (hydraulic laboratory).	294,000	70,100	364,100	215,400	United Nations.
11. National Aeronautical Laboratory, Bangalore (5 years).	1,240,000	199,700	1,439,700	6,672,000	ICAO.
12. Central Scientific Instruments Organization, New Delhi.	340,000	595,500	935,500	2,269,000	UNESCO.
13. Vocational training scheme for industrial trades, Kanpur (5 years).	292,000	766,800	1,058,800	1,934,500	ILO.
14. Central Instructors Training Institute, Madras (3 years).	292,000	310,000	602,000	1,727,900	ILO.
15. Establishment of training and research wing in the Oil and Natural Gas Commission (Institute for Petroleum Exploration, Debra Dun).	290,000	500,300	790,300	1,097,100	United Nations.
Total	9,297,000	4,445,190	13,742,190	34,315,923	

12. An interregional project for desert locust survey in Africa, Asia, and Middle East was approved in December 1959. The project has been undertaken on behalf of 19 nations, including India. The special fund contribution for the project, the duration of which will be 6 years, will be $2,492,700, and the contribution from the 19 governments will be $1,266,350, of which India will be paying $177,600 (equivalent to approximately Rs. 8,46,000) over a period of 6 years. The executing agency for this project is FAO.

WHO

13. In addition to the technical assistance provided under the expanded program, WHO also gives technical assistance out of its regular budget.

14. The total value of assistance received from WHO regular budget from 1949 to 1960 was $3,050,265, year-wise details of which are as follows:

Year:	Amount	Year—Continued	Amount
1949	$178,208	1956	$293,087
1950	242,447	1957	321,038
1951	234,670	1958	331,992
1952	136,029	1959	328,165
1953	232.389	1960	[1] 454,443
1954	100,436		
1955	197,361	Total	3,050,265

[1] Estimated expenditure.

During 1961 up to the end of September WHO has assisted in 21 projects financed from regular funds. Among those were important programs in the following fields:

Pediatrics

15. WHO has provided technical assistance to the department of pediatrics in the medical colleges of Bombay, Agra, and Hyderabad.

Total expenditure up to September 25, 1961, was $147,673.

Trachoma

16. Technical assistance was provided to trachoma pilot program in six states including Uttar Pradesh, Panjab, Rajasthan, Bihar, Madhya Pradesh, and Gujarat.

Total expenditure up to September 25, 1961, was $83,213.

Public health

17. During the year WHO financed public health programs in community development areas in the states of Assam, Andhra Pradesh, Bihar, Kerala, Madhya Pradesh, Panjab, Uttar Pradesh, and Orissa.

Total expenditure up to September 25, 1961, was $700,120.

Fellowships

18. From July 1960 to July 1961 WHO awarded 22 fellowships from regular funds, 19 from technical assistance funds, and 2 fellowships from malaria eradication special account (MESA). The expenditure involved up to September 25, 1961, was $81,000 (regular funds) and $6,200 (MESA).

Malaria eradication

19. WHO continued to assist the national malaria eradication program by the provision of two advisory teams, and by meeting expenses in connection with the regional organizations and with the holding of annual malaria conferences. In addition, during 1961 WHO provided six international fellowships. The total expenditure up to September 25, 1961, amounted to $2,091,485 under malaria eradication special account.

Tuberculosis

20. The tuberculosis chemotherapy project in Madras and the national tuberculosis program in Bangalore are two of the most important programs receiving assistance from WHO. The total expenditure on these programs up to September 25, 1961, was $149,711.

UNICEF

21. UNICEF gives aid to underdeveloped countries willing to use their own resources to help children and expectant and nursing mothers. It is principally in the form of supplies not available within the assisted countries as well as basic medical equipment for rural health centers and training schools, insecticides, vaccines, and antibiotics to initiate campaign against diseases, powdered milk to combat malnutrition, and equipment for dairy or food processing industries to improve child nutrition. India started receiving aid from the UNICEF from the year 1948 for its various health programs.

22. The total amount of funds allocated by the UNICEF since the inception of the program to June 1961 was $24,832,200 (about Rs. 11.8 crores). This excludes $5,362,200 (about Rs. 2.55 crores) provided for defraying freight charges. The following schemes were covered by the aid:

Name of project	*Allocation up to June 1961*
A. Basic health MCH (including community development):	
(i) Primary health centers	$11,066,200
(ii) Calcutta Training center (All-India Institute of Hygiene and Public Health)	
(iii) Pediatrics training	
(iv) Rehabilitation of handicapped children	
B. Disease control:	
(i) Malaria eradication control	1,229,900
(ii) BCG antituberculosis vaccination and TB control	3,175,800
(iii) Yaws and VD control	140,000
(iv) Other diseases control	1,234,400
C. Nutrition:	
(i) Child feeding	164,500
(ii) Nutrition education and activities (Orissa and Andhra Pradesh and Uttar Pradesh)	502,400
(iii) Milk conservation:	
(*a*) Dairy plants:	
Aarey	4,017,100
Ahmedabad	
Anand	
Hyderabad-Secunderabad	
Vijaywada	
Bangalore	
Bombay	
Calcutta	
Rajkot	
Kanpur	
(*b*) Training of dairy personnel	580,000
(iv) Peanut flour production	109,000
(v) Goiter control	40,000
D. Emergency aid	2,683,900
Total	24,832,200

XVI. Assistance From the World Bank and International Development Association

I. International Bank for Reconstruction and Development

1. The International Bank for Reconstruction and Development provides assistance to underdeveloped countries by making available long-term capital at reasonable rates. Loans for various development projects in India, both in the public and private sector, have been granted by the Bank since 1949.

2. Apart from the aid given by it directly, the Bank has also been making a signal contribution to India's development efforts by convening conferences of friendly countries, under its auspices and invoking international cooperation with a view to insure an adequate and sustained flow of assistance for India's 5-year plans. The number of countries represented at these cnferences has increased since the first conference was held in August 1958. This association of friendly countries which assumed a special significance with the launching of India's third 5-year plan in 1961, has developed into a well recognized Consortium of nations bound by a common desire to enable India to embark on a bold program of development. The aid already committed by the members of the Consortium, including the World Bank, for the first 2 years of the third plan totals over $2,000 million. A brief account of the aid offered by various member countries has been given in annex I.

3. The total amount of loans sanctioned by the World Bank for various projects in the public and private sectors up to October 31, 1961, was $784.27 million (Rs. 373.46 crores). The loans are available for imports from all countries which are members of the International Bank for Reconstruction and Development as well as from Switzerland. The loans sanctioned for the public

sector have been mostly for development programs in the field of transport and communications and power projects. Besides, the agriculture loan of 1949 ($7.20 million) provided for the acquisition of tractors and spares for the Central Tractor Organization. Out of the total amount of $528.82 million (Rs. 251.82 crores) for the public sector, $377.80 million was for the railways, $5.60 million for air India international, $64 million for Calcutta and Madras ports, $49.22 million for DVC and $25 million for Koyna hydroelectric project.

Loans for power projects

D.V.C.: Of the three loans amounting to $49.22 million (Rs. 23.44 crores) granted by the International Bank for Reconstruction and Development for this project, the first loan of $16.72 million was meant to assist in financing the installation of the Bokaro thermal power station with three sets of 50 megawatts each together with transmission system, Konar Dam and Durgapur Barrage. The second loan of $10.5 million was given to assist in erecting three sets of 20 megawatts each at Maithon Hydel Station and one set of 40 megawatts at Panchet. The third loan of $22 million was for the installation of a fourth unit of 75 megawatts at Bokaro and two sets of 75 megawatts each at Durgapur and extension of transmission system. All the units covered by the three loans have been commissioned. The loans have enabled the D.V.C. to augment its capacity by 475 megawatts.

Koyna: The World Bank granted a loan of $25 million for assisting the first stage of the hydroelectric project at Koyna comprising the installation of four units of 60 megawatts each together with the associated transmission lines. The works at Koyna are nearing completion and all the sets are expected to be commissioned during 1962–63.

Loans for the railways

Since 1949, the World Bank has granted loans aggregating $377.8 million or Rs. 179.9 crores to the Indian Railways. While the earlier loans enabled the railways to import fully manufactured rolling stock items like locomotives and wagons, the progress in the indigenous manufacture of railway requirements of rolling stock and other items enabled the railways to utilize subsequent loans for the import of essential components whose indigenous manufacture had not developed sufficiently. The acquisition of assets for the railways with the help of the World Bank loans has enabled the railways to increase their freight-haulage capacity. The items imported in subsequent years mainly consisted of steel for the manufacture of locomotives and wagons, steel products like wheel sets for wagons, track materials like rails, points and crossings, etc., fully manufactured electric locomotives, and components of electric locomotives. These loans have also helped to meet the maintenance requirements of railways, which have to be imported like electrical spare parts, nonferrous metals, and heavy earthmoving machinery.

The amounts utilized up to October 31, 1961, were as follows:

	Millions of dollars	Rs. crores
(i) Before the commencement of the first plan	42.98	20.47
(ii) During the first plan period	17.86	8.50
(iii) During the second plan period	293.07	139.56
iv) During the third plan period (up to Oct. 31, 1961)	37.72	17.96
Total	391.63	186.49

The total amount of $255.45 million (Rs. 121.64 crores) sanctioned for the private sector includes $49.20 million for Indian Iron & Steel Co., $107.50 million for Tata Iron & Steel Co., $40 million for Industrial Credit & Investment Corp., $23.75 million for Trombay thermal station, and $35 million for coal industry. The amounts utilized up to October 31, 1961, were as follows:

	Millions of dollars	Rs. crores
(i) Before the commencement of the first plan		
(ii) During the first plan period	10.19	4.85
(iii) During the second plan period	174.78	83.23
(iv) During the third plan period (up to Oct. 31, 1961)	3.93	1.87
Total	188.90	89.95

5. Particulars of the projects covered by various loans and credits sanctioned up to October 31, 1961, the terms of repayment applicable to each loan and the present status of withdrawals and repayments are given in the following statement.

Statement of International Bank loans to India (as on October 31, 1961)

[In millions of U.S. dollars]

S. number and name of the loan	Date of agreement	Rate of interest (per-cent)	Period of loan (years)	Amount net of cancel-lation	Repayments to begin on	Amount drawn	Amount repaid
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
I.B.R.D. LOANS							
(a) Public sector:							
1. Agriculture	Sept. 29, 1949	3½	7	7.20	June 1, 1952	7.20	7.20
2. Railways I	Aug. 18, 1949	4	15	32.80	Feb. 15, 1950	32.80	24.39
3 to 6. Railways II	July 12, 1957	5⅝	15	90.00	July 1, 1961	90.00	2.84
7. Railways III	Sept. 16, 1958	5¾	20	85.00	Jan. 15, 1963	85.00	----
8. Railways IV	July 15, 1959	6	20	50.00	Jan. 15, 1963	50.00	----
9. Railways V	July 29, 1960	5¾	20	70.00	Jan. 15, 1964	46.98	----
10. Railways VI	Oct. 13, 1961	5¾	20	50.00	Feb. 15, 1965	----	----
11. D.V.C. I	Apr. 18, 1950	4	20	16.72	Apr. 15, 1955	16.72	6.35
12. D.V.C. II	Jan. 23, 1953	4⅛	25	10.50	July 15, 1956	10.50	1.75
13. D.V.C. III	July 23, 1958	5⅝	20	22.00	Aug. 1, 1961	19.04	.42
14. Koyna	Apr. 8, 1959	5¾	25	25.00	May 1, 1965	10.61	----
15. Air India International	Mar. 5, 1957	5½	9	5.60	Oct. 1, 1963	5.60	----
16. Calcutta Port I	June 25, 1958	5½	20	29.00	Apr. 15, 1963	12.43	----
17. Calcutta Port II	Aug. 17, 1961	5¾	25	21.00	May 15, 1966	----	----
18. Madras Port	June 25, 1958	5½	20	14.00	Apr. 1, 1963	4.75	----
Total (a)	----	----	----	528.82	----	391.63	42.95
(b) Private sector:							
19. I.I.S.C.O. I	Dec. 18, 1952	4¾	15	29.20	Apr. 15, 1959	29.20	7.86
20. I.I.S.C.O. II	Dec. 19, 1956	5	11	20.00	Apr. 15, 1960	18.32	4.28
21. T.I.S.C.O. I	June 26, 1956	4¾	15	75.00	Dec. 1, 1959	75.00	9.76
22. T.I.S.C.O. II	Nov. 20, 1957	6	13½	32.50	Oct. 1, 1960	32.50	9.00
23. Trombay I	Nov. 19, 1954	4¾	20	13.95	Oct. 15, 1958	13.10	2.30
24. Trombay II	May 29, 1957	5⅛	18	9.80	Apr. 15, 1960	9.02	.84
25. I.C.I.C.I. I	Mar. 14, 1955	4⅝	15	10.00	July 1, 1961	8.66	.49
26. I.C.I.C.I. II	July 15, 1959	(1)	10	10.00	Oct. 1, 1962	2.29	----
27. I.C.I.C.I. III	Oct. 28, 1960	(1)	10	20.00	Nov. 1, 1963	.61	----
28. Coal industry	Aug. 9, 1961	5¾	15	35.00	May 15, 1966	----	----
Total (b)	----	----	----	255.45	----	188.90	34.53
Total, I.B.R.D. loans	----	----	----	784.27	----	580.53	77.48

[1] Variable.

II. INTERNATIONAL DEVELOPMENT ASSOCIATION

A new financial institution, known as the International Development Association, was established on September 24, 1960, as an affiliate of the International Bank for Reconstruction and Development. The main purpose of the new institution is to promote economic development, increase productivity and thus raise standards of living in the less-developed areas of the world included within its membership. This is sought to be achieved in particular by providing finance to meet their important development requirements on terms which are much more flexible and bear much less heavily on the balance of payments than those if conventional loans. To achieve these objectives, the Association has started giving credits repayable over period ranging up to 50 years with a moratorium of 10 years. No interest is charged on the credits, though a service charge of three-fourths of 1 percent per annum is levied on the amounts which are drawn and which remain outstanding from time to time, to cover the Association's administrative expenses. So far the Association has sanctioned five credits to India for the following projects:

[Dollars in millions]

Date	Amount	Purpose
1. June 21, 1961	60.00	Construction of national highways.
2. Sept. 6, 1961	6.00	U.P. Government's Tubewell irrigation scheme.
3. Nov. 21, 1961	8.00	Salanadi irrigation project in Orissa.
4. Nov. 21, 1961	4.50	Shetrunji irrigation project in Gujarat.
5. Nov. 21, 1961	10.00	Drainage-cum-flood-control project of Panjab Government.
Total	[1] 88.50	

[1] Rs. 42.14 crores.

UNBTAO AND UNESCO

In addition to the technical assistance given under the expanded program the costs of the technical assistance provided by the UNBTAO and UNESCO under other programs for 1961 and 1962 from their own regular annual budget were approved as under:

Organization	Program	Amount
UNBTAO	Regular program	[1] —$96,800
UNESCO	(i) Regular program	[2] —50,000
	(ii) Participation	[3] —37,000
	(iii) UNESCO research center	[1] —97,000
		[4] —97,000

[1] 1961.
[2] Approximately 1961.
[3] 1961 and 1962.
[4] 1962.

Mr. PASSMAN. The committee will stand adjourned until tomorrow.

THURSDAY, JUNE 21, 1962.

Mr. PASSMAN. The committee will come to order.

I think we should have an understanding this morning as to how the hearings should be conducted. We have a very fine American here, Mr. Hutchinson, who, if he does not have the answers, it is all right if he does not know. There are a lot of questions to which he does not have the answers. Therefore, he is willing, in such cases, for this gentleman to answer.

Mr. HUTCHINSON. Mr. Mossler.

Mr. PASSMAN. Is that to be the rule you want to operate by? If you do not have the answers and we ask him the question, let him answer?

Mr. HUTCHINSON. He should feel free to speak.

I want you to proceed, sir, basically as you prefer, because you are running the hearing.

Mr. PASSMAN. That is good enough.

I happened to obeserve in the U.S. News & World Report, which is supposed to be a factual publication, an item which said:

> Some other observers of the Washington scene are saying that President Kennedy and his top aids are trying to manage this Nation's whole economy but haven't had a day's experience in a business job, let alone meeting a payroll or creating jobs.

U.S. News & World Report also says:

"SOPHISTICATION" AS APPLIED TO FOREIGN-AID PROGRAM

> President Kennedy himself is credited by his aids with coming up with the word "sophisticated" to describe the kind of policies he is seeking to apply to the country. "Sophisticated" tends to be the opposite of "simple" or "direct."

I am trying to get actually what a sophisticated program is, so I will know just what deductions to apply.

We wonder whether your projects would fall within the definition of "sophisticated," as this article indicates the President has defined it, and that they tend to be the opposite of simple and direct?

Mr. HUTCHINSON. Sir, I am sure I do not know the context in which the President was using these words or the general purpose of the discussion he was having, so I am not in a position to say just how those remarks apply to this particular program.

Mr. PASSMAN. We discussed sophisticated programs yesterday.

Mr. HUTCHINSON. Sir, I do not recall having applied that adjective to these programs, but we are carrying on programs which are multiple in nature with varying purposes insofar as each individual project is concerned. Some of them reach the people directly and I hope are simple and direct types of programs.

Mr. PASSMAN. That is encouraging.

TREASURY RECEIPTS AND WITHDRAWALS

I do not think we can too often bring to the attention of the witnesses who are testifying the situation with which we are confronted in trying to finance the many programs of foreign aid and domestic commitments. As of June 15, 1962, which covers 11 months and 15 days of the current fiscal year, the withdrawals from the Treasury amounted to $103,351,773,722.04, whereas the net deposits to the U.S. Treasury during that same period amounted to only $92,578,343,615.84. The net deposits establish an alltime record, but the withdrawals also establish an alltime record, in that we have withdrawn from the Treasury $11 billion more than we have deposited to operate for 11½ months.

If we contrast that with the withdrawals for the corresponding period last year, we discover that we have spent $9 billion more operating the Government during this fiscal year, 11½ months, than in the preceding fiscal year.

It is my understanding that the bill which recently passed the Congress increasing the statutory limit on the public debt, which I voted against, does not become effective until July 1. As the public debt stands as of June 15 at $299,831,385,569.94, how will the Government meet its commitments for the last 15 days of the year?

(Off the record.)

TERMINATION OF PROJECTS IN FISCAL YEAR 1963

Mr. PASSMAN. Yesterday we discussed projects that will be terminated during fiscal 1962. Have you any projects that will be terminated during fiscal 1963? If so, please give them to us in the three categories—those that will be discontinued for lack of cooperation on the part of the recipient nation, those that should have been discontinued but are carried in this other category, and those that will be completed. Can you give us any information on that?

Mr. MOSSLER. The way we have operated on this one, Mr. Chairman, is that the projects we submitted to you yesterday were those that we selected for elimination during the current year as a result of our review to date. This selection was based on the grounds that these projects, in our opinion, although having merit, did not have as high a priority as the ones we included in our 1963 request.

DETERMINING HIGH-PRIORITY PROJECTS

We will continue this review next year. At this point we cannot be specific and say, as we get into fiscal year 1963, there will be another group of projects that we will discontinue because of lack of cooperation or because they are later found to have a lower priority. I think it is fair to say, however, that there will be a continuing review process, and there probably will be projects, as we review them from time to time, that will be eliminated. However, I certainly could not be specific at this time and say where those will be and how much they will amount to, sir.

TERMINATION OF PROJECTS FOR LACK OF COOPERATION

Mr. PASSMAN. Would it be fair to say for the record, in addition to the way you stated it, that the 13 projects discussed yesterday were not necessarily being discontinued because of higher priority, but because of the fact that the recipient nations were not cooperating?

Mr. MOSSLER. This is one of the factors, Mr. Chairman, in determining whether or not a project does have high priority or not. In fact, it is an integral part of our entire review process to try to focus our projects in those areas where we are getting most cooperation.

Mr. PASSMAN. I do not blame you for presenting this in the very best light you can, but I think the record shows they were discontinued because they should not have been started, and the nations themselves, where you were building the projects, did not desire to cooperate or make any contribution to them, and therefore they were discontinued.

Mr. HUTCHINSON. I think it is true, sir, that when we find a nation is not cooperating in a particular project in the way we had expected when the project was begun, it is the wise course to terminate it.

Mr. PASSMAN. I am not arguing that point. I would certainly argue the fact that it should never have been started in the beginning. We shall, however, worry along the way as to why you would continue, without exception, so far as you testified yesterday, a project until you had expended all obligations to it.

Mr. MOSSLER. I think the reason for that, Mr. Chairman, is that these are, as you know, bilateral obligations. As you, I think, have mentioned in your own testimony, once the United States does enter into an obligation, we certainly try to live up to it. That is why.

Mr. PASSMAN. Even though the recipient nation is not cooperating, you have to dissipate the amount that you obligated to it, regardless of whether there is anything to be accomplished or any worthwhile accomplishment or not?

Mr. MOSSLER. We do feel the projects have accomplished something, Mr. Chairman, but we would be the first to admit that what a country cooperates on today they may not be cooperating on tomorrow. There will be things like this in the future. I am sure these programs will change as we go along.

Mr. RHODES. Will the chairman yield?

Mr. PASSMAN. As soon as I say for the record that these projects are being terminated maybe because they should not have been started, and because the recipient nations themselves are not making their contribution, and it is by mutual agreement that we discontinue them. I specifically refer to the Libyan construction materials item.

EARLIER TERMINATION OF CONTRACTS WHERE PROJECTS ARE DISCONTINUED

Mr. RHODES. Since most of these projects are being terminated more or less by mutual agreement, I think it is important and interesting that the agreement cannot be put into effect before the funds which have been obligated have been exhausted. Why is it not possible to negotiate an earlier termination for some of these projects?

Mr. MOSSLER. I think the answer to that, Mr. Rhodes, is that although our basic agreement is with the Government, we are normally contracting for commodities from some supplier. It becomes a subobligational arrangement. We are committed to the supplier. It may be textbooks, or he may have put his money into equipment, whatever it was that we were getting, so we actually have to pay the supplier for the goods.

Mr. RHODES. It may be or it may not be. It seems to me as a matter of policy, once you determine to discontinue a project, you should try to discontinue it as soon as possible, with whatever damage payment might be required, and salvage what you can. In other words, begin a salvage operation immediately.

Mr. HUTCHINSON. I would think, sir, this makes sense, and I do not think there is any quarrel between us on this score whatsoever. I hope our testimony has not led you to believe that we are saying that we must disburse the absolute last penny of the amount shown estimated for obligation.

Mr. RHODES. I thought that is what you testified. I thought you testified that you were going to discontinue these projects only at the end of the fiscal year, and that all of the funds obligated would be spent.

Mr. HUTCHINSON. We perhaps did make testimony to that effect.

Mr. RHODES. I am sure you did.

Mr. PASSMAN. That is true. That is the record. I think you supported your position by saying that you had placed orders, maybe, for material that would be delivered and, therefore, you would not have to accept it and pay for it. Of course, somewhere along the line, with this many projects and dealing with millions of dollars, some of these could be terminated and some of it salvaged?

Mr. RHODES. That is right, Mr. Chairman. There is no doubt that other branches of the Government are pretty adept at this business of terminating a contract which is not needed any more, and going into a salvage operation. It seems to me that your testimony indicates you are not doing that.

Mr. HUTCHINSON. I think it fair to say we have not gone into the salvage operation. I would say, sir, we should look at each of these situations in which we are terminating the contract, to see whether or not the benefit we are getting—we have not said we are not getting any benefit at all—is worth the continuation of the project through to the conclusion of the agreement. We would have to examine to see what the political implications would be of terminating it before the completion of the obligation into which we have entered. We would also have to examine to see what the situation actually was with respect to contracts already entered into, and so on.

But in the consideration of all those things, I still agree with your point that to the extent we can and where it is worth while to do so under these kinds of circumstances, we ought to try to do it.

Mr. PASSMAN. There are two other complications. I am just wondering how we could become involved in political considerations if the recipient country, quoting from your statement, is displaying "lack of cooperation by GOL." If they are not cooperating, I do not know why you could not just discontinue it the same day the conclusion is reached that it should not have been started. But that does not make it any less complicated. Notwithstanding the fact that you testified yesterday on one project that you are discontinuing, where you had obligated $699,000, and the expenditure was $362,000, which leaves to be spent $337,000, you are going to finish the contract, even though it is discontinued for lack of cooperation.

FISCAL YEAR 1963 FUNDING REQUESTS FOR TERMINATING PROJECTS

In addition to the fact that you are going to disburse the obligations to the extent that you had obligated, you are also asking, are you not, for an additional $1,242,000 for terminating activities in fiscal 1963?

Mr. MOSSLER. Which page is that on, sir?

Mr. PASSMAN. It is on page 256. It is bad enough to spend the obligation if it is to be a discontinued project, but then when you ask for an additional $1,242,000 for terminating activities, if it is for the same purpose, then that causes us even more concern.

Mr. HUTCHINSON. Sir, in the project list which you have been given of projects terminated in fiscal year 1962, we have not provided for the carry forward of funding into fiscal year 1963.

Mr. PASSMAN. I know you have not, but you have obligations to these projects, and they are funded through 1962. It would appear

from this that you are not going to be satisfied to spend the money that you have obligated on a discontinued project, but you want an additional $1,242,000 to obligate for subsequent fiscal years for terminating activities. We just cannot reconcile that situation.

Mr. HUTCHINSON. For terminating activities?

Mr. PASSMAN. Yes.

Mr. HUTCHINSON. Sir, this indicates that we are asking for this amount of money for activities which will be terminating within fiscal year 1963. It in no sense implies——

Mr. PASSMAN. I asked about that project, and you said you did not know of any, and you indicated you could not project it. Therefore, how did you arrive at this figure of $1,242,000?

Mr. HUTCHINSON. This page clearly indicates, sir, there is in this $117,750,000 this amount of money for activities which are expected to terminate in fiscal year 1963. This is not for projects which are terminated in fiscal year 1962 for which we expect to continue to obligate in fiscal year 1963. I would agree with you entirely, sir, that it would be totally inappropriate to include those projects as having terminated in fiscal year 1962 and then include funds for obligations in connection with them in fiscal year 1963.

TERMINATION OF PROJECTS DURING FISCAL YEAR 1963

Mr. PASSMAN. Will the same criteria be employed in fiscal year 1963 that you used in fiscal year 1962 in dealing with these projects?

Mr. HUTCHINSON. In fiscal year 1963, yes, sir.

Mr. PASSMAN. Then it means, of course, that even though in advance of the fiscal year 1963 funds you are able to determine to some extent that you will have projects which should not have been started or, for reasons other than that, you are discontinuing, yet you are asking for additional funds to obligate to those projects that you will discontinue? Is it that simple?

Mr. HUTCHINSON. No, sir. You will recall, sir, that we indicated to you that there were 49 projects which were being terminated in fiscal year 1962. Of those, the greater number were being terminated for reasons other than the ones that we are now discussing.

The same sort of thing will be occurring in fiscal year 1963. There will be projects in which our objective has been completed and they will be terminated. This is the kind of project we are talking about now. Obviously, we could not forecast for you here today those projects which further review and examination would reveal to us should be terminated and higher priority projects substituted for them. This clearly is not what this money is intended for.

Mr. PASSMAN. But you will have discontinued projects comparable to those we discussed yesterday. If you are following the same criteria in obligating and planning for fiscal year 1963 that you did in fiscal year 1962, then you will discontinue projects in fiscal year 1963.

Mr. HUTCHINSON. Two things. One, we will complete projects in fiscal year 1963——

Mr. PASSMAN. I am not talking about completed.

Mr. HUTCHINSON. All right, but that is what this money is for. Secondly, we are continuing our review of the projects which are now being carried on, to see whether or not they are among those projects

which, on the criteria which we have been discussing, should be terminated. Then there are always situations in the dynamic world, sir, in which priorities change, in which what was once a high-priority project takes a lower priority in relation to something else. We may find ourselves terminating projects on that basis.

This is only responsible administration, sir. We would not, and I am sure you would not want us to, get ourselves frozen into a position which says that once a project is started, we must carry it through, even though the situation changed.

Mr. PASSMAN. That is taking the opposite position. If you would let the committee cooperate with you, there are a lot of these projects you would never have started to begin with. When you came in here yesterday, we finally established that about 33 percent of the number you named would be discontinued for the reasons that you set forth in this report; that is, we find lack of cooperation by GOL. That is $327,000. Another one, lack of cooperation by GOL, which was $1,541,000. Another, lack of cooperation by GOL, for $978,000. Another one, lack of cooperation by GOL, $699,000. Those things cause us concern, because if projects are well planned, then you are not going to discontinue one-third of them, I do not care in what category you are working.

Mr. HUTCHINSON. Sir, the one-third you are talking about is far from one-third of the total projects.

Mr. PASSMAN. One-third of the projects we discussed on yesterday. I qualified my statement. This is the only list of projects on which I qualified my statement. This is the only list of projects which you have given us to interrogate.

Mr. HUTCHINSON. This is the list which you asked for, sir——

Mr. PASSMAN. That is right.

Mr. HUTCHINSON. Of projects which were completed or terminated.

Mr. PASSMAN. Have you given us a similar list——

Mr. HUTCHINSON. We have given you a complete list.

Mr. PASSMAN. The purpose of having you here is to question you on these contracts. We think you are starting a lot of projects, gentlemen, that should not be started. Realizing that in future years, as the witnesses have testified, more and more of the money will go over to the development credits, where the Congress will lose control of it, we just want to go as far into them as we can.

Mr. HUTCHINSON. We do start projects which we should not have started. Humans do err. I think you will agree with us that we should certainly terminate those projects and give you the list of those projects which we do terminate.

Mr. PASSMAN. We appreciate that, gentlemen, but you are terminating them on your basis, and that is, regardless of whether there is any return, you are going to go ahead and expend all the obligations that you have made to the projects. That is the thing that causes us concern. As I stated yesterday, we shall not go into each one, but we did go into this particular one. We did not pick the highest project. You had obligated $699,000, you had expended $362,000, leaving $337,000 that you were going to expend on the project, which would use up every dime of the original obligation. You have given us no assurance that the project would be worth 15 cents.

Mr. GARY. Will the chairman yield?

Mr. PASSMAN. Yes.

ADVISABILITY OF CONTRACT ADJUSTMENT BOARD

Mr. GARY. In that connection, I think the Government has had a great deal of experience in termination of contracts. Following World War I and World War II, I know they terminated a great many war contracts. We set up a contract adjustment board to work out a fair settlement between the contractors and the Government in those cases. Why could not something of that kind be done in connection with your projects?

Mr. HUTCHINSON. I think, sir, we ought to make an examination of terminated projects of the sort that we have been discussing, to see that we can recoup as much as possible in connection with them, and not continue them beyond the point that we do not have to. I cannot quarrel with a sensible position of this sort.

Mr. GARY. I think this ought to be done. I think you should give very careful consideration to some such plan.

Mr. PASSMAN. I want to thank the gentleman from Virginia for his contribution at this point, but we are dealing with something which is not connected with war. It is connected with the economy of the country. We are dealing with very small amounts as compared to some of the war contracts which we terminated. It would appear that these things could be planned better before ever starting them, to be sure that they are sound. That is my only point.

Mr. GARY. I understand that, Mr. Chairman, but I cited the experience with war contracts just to show that the Government does have a great deal of experience in the termination of contracts if one is entered into improperly and it is finally decided to discontinue it. There is available ample experience with which to deal with the situation.

Mr. PASSMAN. The gentleman is absolutely correct. As I say, it was a worthy contribution, and we should consider it. I merely mention that we are dealing with such small amounts here, as compared to the overall mutual security, and because of the type of projects, there is no need to rush into them. You could well afford to plan them.

PROJECT AGREEMENTS BETWEEN UNITED STATES AND RECIPIENT GOVERNMENTS

Mr. RHODES. Could you tell me what steps you take on each project to procure the assent of the recipient country, and what evidence you have in your files to indicate with regard to each project that such assent was procured?

Mr. HUTCHINSON. We have a project agreement in which the project is described in some detail, that is, its purpose, what is expected to be accomplished, the scope of the work, whether it is to be provided for by contract with an institution, and the estimated cost. This agreement is entered into by the host or recipient government and AID. It is usually signed by the mission director and the appropriate official of the recipient country.

Mr. RHODES. And in each case in which cancellation has been or will be effected such an agreement was signed?

Mr. HUTCHINSON. That is right.

DISCONTINUED EDUCATION PROJECT IN LIBYA

Mr. ANDREWS. In connection with the project discontinued, which I believe was in Libya, referring to schoolbooks—who originated that project?

Mr. HUTCHINSON. The project would have been originated in the field.

Mr. ANDREWS. By our people?

Mr. HUTCHINSON. I don't know the specific answer to the question as to whether this one was originated by our people or by the Libyan Government. Fundamentally it can happen either way, although the basic procedure is for the government to propose those things which they feel are worth doing.

Mr. ANDREWS. Originally you had the consent of the Libyan Government for about $365,000 worth of textbooks?

Mr. HUTCHINSON. And other training aids, yes, sir.

Mr. ANDREWS. You went ahead and placed the order for those textbooks?

Mr. HUTCHINSON. Presumably we did that, sir; yes, sir.

Mr. ANDREWS. I would like to get more information about this particular project. It is relatively small, but I want to know at what point the Libyan Government objected, how far you had gone at that time, and why did they object.

Mr. HUTCHINSON. We shall be glad, sir, to give you a complete——

Mr. ANDREWS. Can you do it now?

Mr. HUTCHINSON. No, sir; I cannot give you the details.

Mr. ANDREWS. Can any of the witnesses give us information about that?

Mr. MOSSLER. Not in that kind of detail, Mr. Andrews; I am sorry.

Mr. HUTCHINSON. When we say the Libyan Government is no longer cooperating in connection with this kind of a project, it doesn't mean they are objecting to it. It means we feel they are no longer giving the proper emphasis to this kind of a program.

Mr. ANDREWS. You first thought it was a good program and bought $365,000 worth of books?

Mr. HUTCHINSON. Yes, sir, because we thought——

Mr. ANDREWS. And you are not distributing the books and you have no use for them because the language the books are printed in can be used only in that country.

Mr. HUTCHINSON. We expect to distribute the aids which are on order. This is true. And we expect useful purposes will be accomplished with this distribution, but we do not feel that the Libyan Government is cooperating in this field of training and education to an extent which would make it worth our while to continue a program of this sort in this country.

It is not a question of their saying they no longer want it or want it stopped. It is a question fundamentally of our judgment that we don't feel the interest they are showing in this kind of program is sufficient to justify our continuing to spend money on it.

Mr. ANDREWS. It could not have taken more than a few months for the Government to change their attitude toward that project.

Mr. HUTCHINSON. These things accumulate over time, sir, as to when you reach the judgment as to whether or not the point has been

reached that you might as well go ahead and terminate your activity because you do not think they will actually be cooperative enough to make it worthwhile.

Mr. ALEXANDER. How much money would you say actually has been thrown away because of this project?

Mr. HUTCHINSON. I wouldn't be willing to make an estimate that any of the funds were thrown away, sir. I would say we do not feel a continuation of the project would justify our spending any more money on it, but I wouldn't want to say that the money was a total loss and a waste. We do not think it is the sort of project we should continue to carry on there.

Mr. ALEXANDER. You had spent how much money on it?

Mr. HUTCHINSON. Some $362,000 had been obligated on the project—no, had been spent on the project.

Mr. ANDREWS. Didn't you say you had $362,000 worth of books and you did not plan to distribute them?

Mr. HUTCHINSON. No, sir; I don't remember any testimony to that effect, sir.

Mr. PASSMAN. Perhaps I can shed some light on this. You are talking about a project?

Mr. ANDREWS. That is right.

Mr. PASSMAN. There are projects, not merely a project. We thought we would question on one project. As to those discontinued, there are eight of them. There are five more which should have fallen into that category.

On just this little batch of contracts the obligations to the discontinued projects amount to $4 million plus. Is that a statement of fact?

Mr. MOSSLER. That is right.

Mr. PASSMAN. We are not quarreling over this one little project. There are many of them.

Mr. ANDREWS. I understand that. I want to know why they get into a contract or a project, and within a matter of just a few months—it had to be a few months because it was all in the 1962 program—somebody changed his mind. Who changed his mind and why? If it was good to start with it should have been good within a few months after this time.

Mr. MOSSLER. Mr. Andrews, let me explain this. Last year, when we came before this committee and other committees to testify, we indicated we would go over all of the projects we had and make a deep review of them to be sure that things we were doing really were the things we should be doing.

It was also stated that we wanted to concentrate those funds that we had in what were the most important programs and projects in any given country.

We have done that in the case of Africa. These particular projects at the time we started them, I should point out, were not capital projects.

Mr. ANDREWS. I would like to stick to just this particular project regarding the books.

Mr. MOSSLER. I am leading up to why this sort of thing happens, Mr. Andrews. We made this review and found some projects were not as high a priority as other types of activities which we felt were

required. These projects are technical cooperation-type projects. At the time we started this project we thought we were going to have some cooperation from the country, and that we really would be able to make an impact.

Mr. ANDREWS. Is that the book project you are talking about now?

Mr. MOSSLER. Yes, and this same thing applies to the other projects.

Mr. HUTCHINSON. The whole group. This is a continuing process, sir.

Mr. ANDREWS. Can you tell me what was the substance of the contents of those books?

Mr. MOSSLER. I cannot tell you other than that they were instructional materials.

Mr. ANDREWS. Anything controversial in those books?

Mr. MOSSLER. Not to my knowledge.

Mr. ANDREWS. What was the objection of the Libyan Government to the distribution of those books?

Mr. HUTCHINSON. The Government, sir, did not object to the distribution of the books so far as we are aware. They would be agreeable to our continuing to distribute those books.

Mr. ANDREWS. Why don't you do it, then?

Mr. MOSSLER. We will do it.

Mr. HUTCHINSON. This is the reason the funds shown here are shown as unexpended and might have to be expended, but I am getting crossfire here between one side and——

Mr. PASSMAN. You indicated yesterday you discontinued it because, in all probability, it should not have been started, but you said they may be of some value. However, you actually are disbursing the funds because you had entered into a commitment with the supplier.

Let us not have the record show two different positions. It will be rather fuzzy at the very best.

Please go over your record of yesterday. I think we will get unanimous consent to take one answer out because one day it is one answer and the other day it is another answer.

Give us the spread on the $1,242,000.

Mr. HUTCHINSON. We shall give you that information, sir.

(The information supplied follows:)

Fiscal year 1963, terminating projects

[Dollars in thousands]

Ethiopia:	
Crop production and processing	12
Highway studies	85
Low-cost urban housing	30
Private enterprise promotion	30
Public safety	50
Blue Nile River Basin investment	715
Total, Ethiopia	922
Liberia: Robertsfield Airport	40
Total, Liberia	40
Somali Republic:	
Mogadiscio water supply	100
Mogadiscio port improvement	110
Livestock production, marketing, and processing	70
Total, Somali Republic	280
Grand total	1,242

Mr. PASSMAN. When did you get an indication from the recipient country that they were losing interest in this project? Was it 30 days after the project started, 60 days, 90 days? Can you give us an indication?

Mr. HUTCHINSON. I have no idea, sir. These projects were reviewed as part of our general review when I came into office as to those projects we felt we ought to decide whether we would continue or not.

Mr. PASSMAN. The country could have been uncooperative as far back as 1960, when you started it?

Mr. HUTCHINSON. I would doubt it.

Mr. PASSMAN. Get us some information on it, please.

We were told yesterday regarding the field we were examining that they had no worksheets, no information in Washington on the detail of these projects, and you agreed to wire out in the field to obtain the data. This had to do with commodities. Can you get the cablegram out?

Mr. MOSSLER. I don't know whether it has actually gone out but we talked to our staff about it.

Mr. PASSMAN. It is difficult to approve something that you do not know anything about. We want to deal with this one commodity project, one out of perhaps thousands of them, with $100,000.

Mr. HUTCHINSON. We understand.

AID MISSION RESPONSIBILITIES IN DETERMINING PROJECT COSTS

Mr. PASSMAN. It may be that this type of examination may prompt you in the future to have those worksheets in Washington before you put the stamp of approval on them. Do you not think it would be a good idea?

Mr. HUTCHINSON. If I may speak to that: As you recognize, sir, we have a great number of missions operating in countries of great variety with many projects and with enormous variation in price structures, and so on.

When we get requests for projects, as this one, for a certain amount of agricultural training stations, with certain types of equipment involved, while we want to know to some degree the material, equipment, and commodities that they want to go into it, what their type and purpose is, it does seem to us that the man on the spot is in a better position than we are to know the exact amount and type of material that is to go into each of these projects, and in a position to actually pass a better judgment on the reasonableness of the price of those items going into those projects than we can from this distance.

We have to give some authority to them.

Mr. PASSMAN. You have to give authority, but you would not have Metrecal sent to Vietnam and slingshots sent to Korea.

Mr. HUTCHINSON. Sir, that was an entirely different type of program carried on in Korea and——

Mr. PASSMAN. It doesn't make it any less foolish, does it?

Mr. HUTCHINSON. These were programs where we were giving budget support for general commodity imports. They were not projects of the sort we are talking about here.

Mr. PASSMAN. I will admit that this thing is so diversified and so complicated there is no way to pin it down. Thank you for trying.

Mr. Alexander?

Mr. ALEXANDER. From your statement I gather that people in the field are still continuing to make the decisions in regard to these programs.

Is it the feeling of your Department that policy and decisions of this kind should be made by the local people in each country rather than the top people in Washington?

Mr. HUTCHINSON. We feel, sir, that the man in the field is in a better position than we to know the type of technicians he needs, the number and type of commodities that are needed in particular training institutions, and that sort of thing, than we.

GUIDELINES ON POLICY DETERMINED IN WASHINGTON

We feel, however, that the type of program he is intending to carry on and its relation to the objectives to be accomplished in the country, that the level of program that he is intending to carry on and the general manner in which he intends to carry it on ought to be subject to review in Washington.

We feel that the detailed content, insofar as the commodities which have to be bought for a particular training institution are concerned, or something of that sort, is a better judgment for him to make than for us since he is on the spot.

How can I, in the case cited here, as far away as I am, know whether these six training stations need so many particular types of equipment, this one, that one, or the other? I must trust the judgment of the man in the field.

Mr. ALEXANDER. I realize that if we are to have a good program we need good men in the field. Ordinarily the men in the field in these programs do not have the background and the experience to make policy decisions as to what the overall Government ought to do.

The thing that worries me is that since this program began we have been allowing these pepole way down the ladder to make the policy in regard to what we were doing in this program. I personally think that people in Washington ought to set the guidelines in a very definite policy way, and I do not believe it is being done.

From the statements you make I think these decisions are still coming up through the ranks and when it gets here you stamp it and it goes on out.

Mr. HUTCHINSON. Sir, if my statements have given you that impression, then I have been testifying erroneously. I was testifying here only with regard to detailed knowledge regarding the commodity content of these individual projects. I did not mean to imply in any way that we felt that the man in the field ought to be allowed freedom to decide on his own the nature of the program that ought to be carried on. Certainly he will make his recommendations, and he will be very intimately involved in the process. Those decisions ought to be made here.

Mr. ALEXANDER. I have been in most of the countries in the world in which we have programs, and I found out that in all countries the Americans working there feel that if we do not do this, that, and the other, and do it right now, that country is going Communist, and they think the country in which they are working is the most important one in the world. Therefore, to me it is perfectly ridiculous to let these people make policy decisions. Naturally, they are interested in the country where they are located. If they were not interested they ought not to be there. However, I think overall policy ought very definitely to be made here, where you have all the facts and top officials.

Mr. HUTCHINSON. I agree with you, sir.

Mr. PASSMAN. To my way of thinking, if a member of the AID mission requested Washington to appropriate funds for a commodity program without any list of what it would be, but just said "$100,000, please," or "$1 million, please," not knowing whether it would be Metrecal or some other commodity which they could not or would not use, well, why would there not be a tendency to do the same thing in all other fields?

I think these projects should be planned, and not be brought up here in a series where the percentage of those you abandon is so great.

We want to work with you, and we hope somewhere along the way even you people downtown will advocate repealing the type of legislation you got last year, so we could continue to be partners with you in establishing the need and the amount.

PROJECTS PRESENTED TO COMMITTEE ONLY ILLUSTRATIVE

You mentioned an illustrative project. Do they all fall in that category?

Mr. HUTCHINSON. All the projects here are illustrative in the sense that we cannot give you absolute assurance that there will not be other projects in a particular country where we do not have one, or we might not do another project.

DETAIL OF PROPOSED PROJECTS

I do want to say that these projects have a very great degree of firmness about them. They are not just a list of things that are gleams in the eye. They have proceeded to the point where we do know what purpose is to be accomplished. We know the number of technicians that are expected to be employed on the projects. We know whether or not there are participants involved. We know the contract services that are to be anticipated. We know the amount intended to be spent on commodities in connection with those projects. We know the amounts expected to be expended generally.

You do not do this kind of work, sir, in this detail and in this volume of projects with the idea of not going forward with the projects. These are the projects which under current circumstances we would expect to be carrying out in fiscal year 1963.

We could drop a project here or a project there or we could do a project in a particular country which is not listed here before you.

Mr. PASSMAN. You could justify funds for a series of projects and conceivably drop every one of them and start entirely different new projects?

Mr. HUTCHINSON. This could be done, sir.

This could be done in the technical sense. Administratively, it would be impossible. It would be beyond anyone's ability to do. You just couldn't do this work over again. You wouldn't get anywhere.

Mr. PASSMAN. You could if you wanted to, after justifying one group of projects, substitute some other group? You have that right under the legislation, do you not?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. I do not know, then, why we are even holding hearings.

FISCAL YEAR 1963 REQUEST FOR AFRICA PROGRAM

Mr. ANDREWS. What is the total amount requested for Africa?

Mr. HUTCHINSON. For fiscal year 1963 we are asking for $117,750,000 in development grants. We are asking for $32.5 million in supporting assistance.

RELATION OF FIELD SUBMISSIONS TO BUDGET REQUEST

Mr. ANDREWS. Let us take that last item. Did that request come in from the field for that amount?

Mr. HUTCHINSON. The amount that came in from the field was reviewed here. I don't know whether our figure is the same as the request from the field or not.

Mr. ANDREWS. That is what I want to know. I want to know the request from the field and the final figure.

Mr. HUTCHINSON. I am sure the request was much larger.

Mr. ANDREWS. Put in the record the amount which came from the field and the amount to which it was reduced upon review by Washington.

Mr. HUTCHINSON. I shall be glad to. I assure you it was a substantial reduction.

(The information requested was supplied to the committee.)

DETAILS OF TOTAL FUND REQUEST

Mr. PASSMAN. There are still so many faucets from which you are drawing, please give us your total requests out of these development grants, development credits, supporting assistance, President's contingency——

Mr. HUTCHINSON. You wouldn't get requests for the contingency fund.

Mr. PASSMAN. They are already asking for projects even before you get the money. They are already managing to spend that 1963 contingency fund before they get it.

Mr. HUTCHINSON. I am sure, sir——

Mr. PASSMAN. I am merely asking if it is in there. I am hoping you are correct, that you do not have it, but see if you have planned projects where you might want to tap the contingency fund.

Mr. HUTCHINSON. We have ideas of things that may happen which may require use of the contingency fund.

Mr. PASSMAN. In some departments they are pinning it down, even to the dollar, as to what they want us to agree as to the purposes for which they will spend the 1963 contingency fund.

We shall now take a brief recess in order to answer the rollcall.

CAMEROON

FISCAL YEAR 1963 PROGRAM

Mr. PASSMAN. The estimate for fiscal year 1963 for the Cameroon is———. Is that in all categories?

Mr. HUTCHINSON. This is in all categories, sir. It is conceivable loans might be made in Cameroon. However, we do not break loans down by country.

Mr. PASSMAN. What do you mean, you do not break loans down by country?

Mr. HUTCHINSON. We do not in our request, as you know, submit loan requests on a country basis. The ——— however, is the total amount we are anticipating for development grants in the Cameroon.

Mr. PASSMAN. Is the entire amount of ——— planned for the Cameroon?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. Why is it necessary to say that you did not ask for it on a country basis? Why examine on a country basis if this is the amount of the development grants you want for Cameroon?

Mr. HUTCHINSON. This is what we want for development grants in Cameroon.

Mr. PASSMAN. You may say you are asking for the money, Mr. Hutchinson, on the overall program but before you are through, you are going to tell us how much you anticipate the loans will be in the country, or say that you do not know, so let us have that guideline to go by.

Mr. HUTCHINSON. We will be glad to submit you the list. We have a list right now on the basis of which our estimate of $200 million is based.

Mr. PASSMAN. You just told us, did you not, that you did not ask for it on the basis of a country, but in the total figure?

The development grants are actually economic aid?

Mr. HUTCHINSON. I suppose it is; yes, sir. It is economic aid.

Mr. PASSMAN. Is it economic aid?

Mr. HUTCHINSON. It is economic aid.

Mr. PASSMAN. Thank you.

FISCAL YEAR 1962 PROGRAM FOR CAMEROON

In the fiscal year 1962 program how much did you have for Cameroon?

Mr. HUTCHINSON. In 1962 we had $3 million anticipated as supporting assistance and $0.2 million development grants. We do expect that a development loan will be made in the Cameroon for the Trans-Cameroon Railway.

Mr. PASSMAN. In fiscal year 1962?

Mr. HUTCHINSON. We expect that it will be made; yes, sir. That is about $9 million. I believe the control figure is $8 million.

SUPPORTING ASSISTANCE

Mr. PASSMAN. Of the $3.2 million let us consider first the $3 million for supporting assistance. That is also grant aid, is it not?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. How much have you obligated out of the $3 million?

Mr. MOSSLER. As of May 31, 1962, we had obligated in Cameroon $2,230,000 for project assistance and $700,000 for nonproject assistance.

PROJECTS OBLIGATED IN FISCAL YEAR 1962

Mr. PASSMAN. Could you give us the projects that you obligated the money to, and the estimated cost and the completion date of each one?

How many projects are involved?

Mr. MOSSLER. In our 1962 program?

Mr. PASSMAN. In your Cameroon fiscal year 1962 supporting assistance economic aid.

Mr. MOSSLER. Six projects.

Mr. PASSMAN. What is the aggregate estimated completed cost?

Mr. MOSSLER. As I mentioned yesterday, Mr. Passman, we will have to look at this on a "project by project" basis.

The projects that we have here unfortunately are the fiscal year 1963 projects which we have a completion cost on.

(The information follows:)

Cameroon supporting assistance projects

	May 1962 obligations (thousands)	Estimated year of completion	Estimated costs after fiscal year 1962 to completion
Highway development	$1,772.5	1967	2,000
Farm-market roads	212.5	1964	175
Road surveys	165.0	1963	165
Technical support	80.0	[1] 1962	0
Total	2,230.0		2,340

[1] Technical support project to be carried under "Development grant" appropriation beginning fiscal year 963.

ESTIMATED COST OF COMPLETION OF FISCAL YEAR 1962 PROJECTS

Mr. PASSMAN. Do you have any estimate of the completion cost on fiscal year 1962 projects?

Mr. MOSSLER. We said yesterday we would furnish that for the record. We do not have it in the books with us.

Mr. PASSMAN. Do you happen to have any detail in your brief case that would give us an indication? We have to think in terms now of how much we are obligating ourselves for in subsequent years.

Mr. HUTCHINSON. We do have the amount of continuing cost and we do have the amount——

Mr. PASSMAN. Continuing cost means a slice for one year and the next year?

Mr. HUTCHINSON. Yes, sir. The amount we intend to obligate against continuing projects and we know the amount we intend to obligate against new projects.

Mr. PASSMAN. We want to know, out of this $2.2 million that you have obligated for projects what the completion cost will be.

Mr. MOSSLER. We indicated yesterday we will do that. I am sorry we do not have it with us.

Mr. PASSMAN. But that information is available?

Mr. HUTCHINSON. Yes, sir; it is available and it will take us some time to get it.

Mr. PASSMAN. Do you actually believe we can intelligently recommend funds without knowing?

What will be the project cost at completion? You can get that information for us?

Mr. MOSSLER. Yes, sir. It will, of course, take time, but we agreed yesterday we would supply it, sir.

Mr. HUTCHINSON. We will be glad to supply any of this sort of information in advance if you would let us know what you would like to have. We would be glad to get it together and we could save time that way, perhaps.

Mr. PASSMAN. Now how much out of the $3 million supporting assistance to Cameroon do you anticipate would be unobligated as of June 30?

Of the $3 million in supporting assistance you obligated $2.9 million, and that leaves $100,000. Would that amount be unobligated as of June 30?

Mr. MOSSLER. As I mentioned to you yesterday, Mr. Chairman, I cannot tell you, on a country-by-country basis, the amount that will be unobligated at June 30. We believe the program figures we have shown here will be obligated.

Mr. PASSMAN. Are you not being somewhat vague now? You usually tell us: We anticipate this amount will be unobligated by country.

Now you are telling us that you cannot tell us how much you anticipate. Do you say it will all be obligated?

Mr. MOSSLER. As you know, I have been up here with you before and certainly got caught with some of your questions on unobligated balances but——

Mr. PASSMAN. How much will you have unobligated out of the $3 million on June 30? What is your estimate?

Mr. MOSSLER. Let me say this, I think each time we have talked on unobligated balances we have given you an estimate on a worldwide basis by appropriation count. We have not been able to tell you how much we are going to have unobligated in each country. We just do not know. We can make estimates on a worldwide basis on past experiences——

Mr. PASSMAN. If you could not give it on a country basis, it is a foregone conclusion it is even a bigger guess when you try to give it on a worldwide basis?

Mr. MOSSLER. No, it is really easier——

Mr. PASSMAN. If you cannot tell us how much you are going to have from each country, how could you ever get a total and say, "This is what we are going to have on a worldwide basis"?

Mr. MOSSLER. You have to base it on experience in the past with respect to a particular kind of appropriation. On estimates that are made, we have never been able to say, "In this country it will be so much and in this country so much."

We can do it better for the whole.

Mr. PASSMAN. Is that not like me figuring out how much I owe at the end of the month before adding up the bills?

You could not even give us an estimate, could you?

Mr. MOSSLER. Not by country, no.

Mr. PASSMAN. All right.

Mr. HUTCHINSON. The only way this could be done would be if we had particular projects in each country that we knew were badly lagging and we do not expect we are going to be able to obligate them. This is not the situation with which we are faced. If we had to testify to all of these projects we would have to testify that it is our expectation that each of them will be obligated by the end of the fiscal year.

Now we know and everyone knows that when you get this many projects, that some of them are going to slip. This always happens.

But we do not have any knowledge that there are any of them in a position such as to lead you to believe that they are going to slip. This is why it is impossible to give figures on a country basis, but it is possible on the basis of experience to give a meaningful estimate on a worldwide basis by appropriation because you have a bigger sample.

Mr. PASSMAN. Could you tell us, then, for what purposes you expect to obligate the additional $100,000 in Cameroon out of the supporting assistance fund in the next 2 months?

Mr. MOSSLER. We have a project listing here which shows each of the projects.

Mr. PASSMAN. Projects for which you may obligate funds?

Mr. MOSSLER. For the entire year.

Now there is no way of knowing, without going to the field in each case, those projects for which funds are not obligated. The total program consists of a number of projects. We do not know, as yet, which of those projects and how much of each had been obligated as of May 30.

Mr. PASSMAN. Can you not project how much of the $3 million will be unobligated?

Mr. MOSSLER. Well, part of it wasn't obligated as of May, but we expect that it will be obligated.

Mr. PASSMAN. But you could conceivably not obligate any more of the money?

Mr. MOSSLER. It is conceivable.

Mr. PASSMAN. Thank you. That is encouraging.

OBLIGATION OF FUNDS FOR DEVELOPMENT GRANTS

Now, of the other $200,000 of development grants how much of that have you obligated as of May 31?

Mr. MOSSLER. We have obligated the full amount.

Mr. PASSMAN. For what purposes have you obligated it?

Mr. MOSSLER. Well, I do not have it in my book here with me.

Mr. PASSMAN. You just know that it is obligated?

Mr. MOSSLER. Yes; I do. On a country total I know it is obligated because——

Mr. PASSMAN. If you do not know what it is obligated for you could not tell us whether or not this is one slice against a total cost that will run into much more money?

Mr. HUTCHINSON. That is right, sir. That goes to the same question you asked earlier.

REQUEST FOR DETAILS ON CAMEROON PROJECTS

Mr. PASSMAN. Could you do some research on this one item, since this is the first kickoff by country in Africa? Could you ascertain the projects to which you will obligate the money and the estimated cost at completion?

Mr. HUTCHINSON. For all the countries in Africa?

Mr. PASSMAN. No; just this one.

We are trying to give you something to go by here.

Mr. HUTCHINSON. If you want this information for every country it will take us some time to prepare it.

It is the same question basically that you asked before.

Mr. PASSMAN. That is correct, and we are trying to ask you to pin this one down, because if you have to go to the field for a lot of this stuff it will take time. So let us do it specifically now with Cameroon—that you are going to get us a spread on the projects encompassed in the $3 million, the estimated completion cost, and you are going to do the same thing for the $200,000 in development grants.

Mr. MOSSLER. We will get you the projects and the completion figures.

(NOTE: The information was supplied the committee.)

Mr. PASSMAN. You have no other programs for any other mutual security appropriations other than the $3.2 million we are discussing?

DEVELOPMENT LOAN FOR TRANS-CAMEROON RAILWAY

Mr. HUTCHINSON. I mentioned the loan for the Trans-Cameroon railway which we expect to make.

Mr. PASSMAN. That is not the highway development project?

Mr. HUTCHINSON. This is a railway.

Mr. PASSMAN. This is one of the development credits that we have discussed often. What are the terms? Is this to cover the entire project? Is this our final commitment?

Mr. HUTCHINSON. This is a one-time commitment for the railway. This is a project that is being carried out in cooperation with France and the EEC. It is anticipated that the cost will be shared about a third between the three—with the Cameroon participation——

Mr. PASSMAN. This is a country we plan to go into in the very near future, and we would like to get some information before we go. Can you tell us the terms of this loan?

Mr. HUTCHINSON. The loan has not yet been made, sir.

Mr. PASSMAN. So you cannot tell us the terms?

Mr. HUTCHINSON. I can certainly tell you the terms being proposed for the loan.

Mr. PASSMAN. Could you tell us the terms for any loans made by France and the other arrangements you referred to?

Mr. HUTCHINSON. I think those terms are known, as to what they contemplate, yes, sir. We will be glad to give you what we have on that.

Mr. PASSMAN. You would not get into this consortium without knowing what they are going to do, would you?

Mr. HUTCHINSON. No, sir.

Mr. PASSMAN. That was my question. You said you would try it.

Mr. HUTCHINSON. We will get that for you.

(The information requested follows:)

THE TRANSCAMEROONIAN RAILROAD PROJECT

AID is considering a loan of $9.2 million to the Government of the Federal Republic of the Cameroon to assist in financing the foreign exchange and local costs of the construction of a 205-mile extension to the Cameroon Railway system from its present terminus at Yaounde north to Goyoum. This extension will greatly facilitate the transportation of goods between the north and southern part of the country. Practically all of the north's import and export trade passes through the southern part of Douala, a distance of more than 500 miles. The lack of adequate transport facilities has retarded the development of the area north of the present railway terminus which has considerable economic potential.

The total cost of the rail extension is estimated at $36.85 million and approximately 70 percent will be financed in the form of grants from the European Economic Community (EEC) and France. The sharing of financing for the project is as follows:

	Millions
AID (loan)	$9.20
EEC (grant)	17.25
France (7.2 grant/1.2 loan)	8.40
Cameroon	2.00
Total	36.85

AID and the EEC are cofinancing the cost of the rail line ($26.45 million) on a pro rata basis. This marks the first instance of U.S. and EEC financial participation in a major project. France has agreed to finance separately the final design and specifications; stations; rolling stock; and access roads. Both U.S. and EEC member and associated country firms will be permitted to bid on the project which is expected to require 3 years for completion.

The loan will be subject to the following terms:

(*a*) 40 years with a 10-year period of grace.

(*b*) Three-fourths of 1 percent credit fee.

(*c*) Payment of credit fee and repayment of principal on the loan in U.S. dollars.

HIGHWAY DEVELOPMENT PROJECT IN CAMEROON

Mr. PASSMAN. Do you have a highway development project in Cameroon?

Mr. HUTCHINSON. There is a highway development project. There is a $900,000 highway development project there.

Mr. PASSMAN. Is that confidential information?

Mr. HUTCHINSON. No, sir.

Mr. PASSMAN. I did not think so. Why did you so stamp the book "confidential"?

Mr. HUTCHINSON. I said, "No, sir." I see the book is stamped "confidential."

Mr. MOSSLER. I think Mr. Miller can testify to the classification.

CLASSIFICATION OF MATERIAL

Mr. PASSMAN. You have classified this as confidential. Why is the classification there?

Mr. MILLER. Mr. Passman, in accordance with our general classification policies you will note first that this book is classified "confidential" whereas the books in the past have been classified I believe "secret." And we are endeavoring to the greatest extent possible to reduce the classification wherever it is possible to do so.

In this particular case because the fiscal year 1963 figures are included on the project in the project books, and because of the estimates being included in the volumes 3 and 4 which are also classified for fiscal year 1963, it has been determined in the past that these figures should be classified. The reason for this determination is that if it becomes well known what it is we are planning for countries involved in the AID program, they may take it upon themselves to lobby for such programs. They also may have increased expectations of what they will actually receive. And furthermore, failure to classify it would inhibit us from telling the Congress exactly what its status is so that we give a hard assessment to the project situation.

Mr. PASSMAN. You are keeping it away from them until you get the money? Is that, in effect, what you are saying?

Mr. MILLER. It is for both our benefit and Congress' benefit to keep people——

Mr. PASSMAN. If we could just get this thing operating on a universal basis that way, we might come down some morning and find out that Britain and France are working it out to give us a completely new Pennsylvania Avenue, with a flower garden in the center and big buildings on each side. Let us see if we cannot get this thing operating on a worldwide basis that way.

You are able to go into a country and survey highways, come up with a cost, get an estimate, and the country will not know a thing about it?

Mr. MILLER. Perhaps I didn't make myself clear.

Mr. PASSMAN. You said just what they said yesterday. If you want to correct what they said yesterday, you proceed.

Mr. MILLER. Mr. Chairman, in attempting to give the reasons for the classification of books——

Mr. PASSMAN. You gave the reasons.

Mr. MILLER. What I attempted to show or state was that it is not that some of these projects and programs may not have been discussed in some detail with the country, but that they do not know precisely——

Mr. PASSMAN. You said some of them?

Mr. MILLER. Some of them may have been discussed and some of them may not have been discussed.

In attempting to determine which ones we are planning to go ahead with, at what amounts and also to make the hard assessments of projects' status that should be made—for your benefit and for ours—we are trying to disclose as much information as we possibly can.

Mr. PASSMAN. Which is very meager, I might say.

Mr. MILLER. Therefore, we have classified these books.

Mr. PASSMAN. Thank you for the explanation.

If you can go into these countries and work out these projects and surveys, and come up with a cost, and familiarize yourself with the economy, the terrain and all that, without these people finding out, let me tell you that you are holding down jobs a lot smaller than you are capable of holding down.

Gentlemen, we shall recess until next Tuesday at 10 a.m.

Thank you for your cooperation.

TUESDAY, JUNE 26, 1962.

Mr. PASSMAN. The subcommittee will come to order.

AID BULLETIN SHOWING EXPENDITURES IN VARIOUS STATES

The Agency for International Development, Office of Public Affairs, is getting out a red-topped sheet showing the amount of money which is being spent in the different States, and the towns. I think the aid program has reached out into 44 States. From an AID press release of Tuesday, June 26, 1962, it would appear that Kirkwood, Mo., received $840. According to the AID officials, this program is costing the American taxpayer about $15 per capita per year, and this spread

covers 8 years. So, a correct analysis, as it would apply to these people in Kirkwood, would be that during the 8 years, at $15 per person per year, it has cost them $2,232,000, and they have received back $840, which means they were the recipients of about one-third of 1 percent of the total that they paid in.

So, I presume, they are rejoicing today at this generosity on the part of their Government.

One thing they tend to forget to indicate in these bulletins is that the invoices for the materials shipped out against this foreign aid is paid by the Treasury Department, not by the recipients of the aid program.

PEACE CORPS DEMANDS ON AIR TRANSPORT INDUSTRY

Now, I quote from the Aviation Daily, Volume 140, No. 39, page 328, of Monday, June 25, 1962, captioned "Transport."

Masterpiece of presumption is the letter to U.S. international carriers from Peace Corps Director Sargent Shriver stating, "You are hereby instructed" to file a tariff for Peace Corps personnel at 35 percent below economy-class fares.

Even CAB was horrified at arrogant tone of the demand, which is illegal and out of order.

I want to say that is not much different from many other things that are happening in the Peace Corps, according to information I am receiving, so let us not be too critical.

U.S. DEFICIT SPENDING

I think the committee should also hear this comment, and I quote:

This is the week in which U.S. citizens may take such satisfaction as they can discover in the fact that for the 26th year since 1930, the Government of the United States has lived far beyond its income.

Fiscal year 1962 will end at midnight, Saturday, June 30. It appears that the Treasury will be deeper in the red about $10 billion.

Then the last paragraph:

The spend-beyond-Government-income program under which this enormous debt burden has been accumulated began in a depression year, 1931. It has continued since through depression and boom years alike without much interruption.

FATHER R. GUILBEAULT'S IDEAS ON AID PROGRAM IN AFRICA

Father R. Guilbeault, O.M.I., U.S. address, 45 Rockefeller Plaza, room 2255, New York, president of the University College of Pius XII, out in Basutoland, North Africa, is one of the most intelligent men with whom I have ever had the privilege of discussing this aid program. Never has a man advanced to me any more solid ideas than Father Guilbeault. I have invited him to appear before the committee at the proper time, and he has agreed to do so. He said to me that he indicated very forcefully to the AID people downtown that we were spending far too much money, maybe in some instances 4 or 5 times the amount needed, and in the wrong places, to accomplish our objectives; that we are accepting those people as our equals, intellectually speaking, and believing that they can automatically take money and do the things that the more advanced civilizations have been able to do. He mentioned a $2 million scholarship grant for that

region, and he asked the people downtown, "How can you possibly utilize $2 million for that purpose?" He elaborated briefly by indicating, almost without exception, that when we bring Africans to this country we confuse them. When they go back they are a source of trouble for their own people. It would be far better, in his opinion, if you educated those people in that part of the world. I am sure that the committee will be pleased, at the proper time, to hear from this man, who has been out there for 24 years dealing with these people. He indicates it is quite an experience to have to match the wisdom of those who have received a 90-day training period in Washington and have been out there for 8 weeks.

USE OF CONTINGENCY FUND

With reference to the President's contingency, at one time you had a very small sum. I think it started at $50 million, and they could not even utilize that. They wanted it purely for cases of emergency, if some kind of emergency should arise, even though the President has all the authority he needs in all of the legislation to transfer funds.

Mr. Moscoso, former Ambassador to Venezuela, came to my office, and we had a friendly discussion for about an hour, of the possibility of committing $22 million out of the President's 1963 contingency fund to reimburse the Dominican Republic for $22 million that they had paid into the U.S. Treasury, which I hope they never get back, in connection with the Sugar Act. I suggested to him he had ample time with which to make his case before the Foreign Affairs Committee of the House and the Foreign Relations Committee of the Senate and the Agricultural Committees.

I shall at this time read the first paragraph of his ensuing letter to me and its entirety in the record:

MAY 11, 1962.

DEAR MR. PASSMAN: Since our meeting of May 3 on the problem we face in providing $22 million assistance to the Dominican Republic, we have given a great deal of consideration to your thoughtful suggestion that a separate appropriation be sought to provide the $22 million for the Dominican Republic sugar quota problem. We have concluded that because of the time factor it is feasible only to plan financing this requirement from fiscal 1963 contingency fund.

I replied to the letter, and I shall quote only the last paragraph and insert the entire letter.

More and more Members of Congress are wondering why it is necessary to deal with lightning speed on matters calling for the disbursing of American dollars, on almost any project, whether it is justifiable or not. I again strongly recommend that this matter be handled through appropriate legislative committees.

I shall also include a copy of the memo to the Honorable Wilbur Mills, chairman of the House Committee on Ways and Means:

(The information referred to follows:)

DEPARTMENT OF STATE,
AGENCY FOR INTERNATIONAL DEVELOPMENT,
Washington, D.C., May 11, 1962.

Hon. OTTO E. PASSMAN,
House of Representatives,
Washington, D.C.

DEAR MR. PASSMAN: Since our meeting of May 3 on the problem we face in providing $22 million assistance to the Dominican Republic, we have given a great deal of consideration to your thoughtful suggestion that a separate appropriation be sought to provide the $22 million for the Dominican Republic sugar quota problem. We have concluded that because of the time factor it is feasible only to plan financing this requirement from fiscal year 1963 contingency funds.

We want to report to you on our final decision. The matter of timing is most important and we do not believe that we can seek both authorization and appropriations for this item and meet the urgent political requirement and action necessary to our national interest. It is our view that this item falls within the purposes of the contingency fund. This vital requirement to the success of United States-Dominican relations was not foreseen at the time the fiscal year 1963 supporting assistance appropriation request was developed. The President's contingency fund is designed to cover not only emergency requirements which develop during the year but is also available for needs which may be generally foreseen but may not materialize during the fiscal year or the full nature and details of which are not sufficiently known to be included in the presentation to the Congress.

I welcomed the opportunity to consult with you on this problem and can assure you that we have given a great deal of consideration to the various alternatives. I would hope to be able to continue our discussions with you on this and other problems. It is not, as I am sure you understand, our purpose to hide any activities, particularly programs to be funded under the contingency fund.

Continued warmest good wishes.

Sincerely yours,

TEODORO MOSCOSO.

HOUSE OF REPRESENTATIVES,
Washington, D.C., May 15, 1962.

Hon. TEODORO MOSCOSO,
Agency for International Development,
Washington, D.C.

DEAR MR. MOSCOSO: I acknowledge your letter of May 11, with further reference to our meeting of May 3, relative to the $22 million special assistance program for the Dominican Republic which, in fact, would reimburse them for export tax on sugar under the Marketing Quota Act.

Your conclusion will not be easy to justify in that you state in the last sentence of the first paragraph of your letter, "We have concluded that because of the time factor it is feasible only to plan financing this requirement from fiscal year 1963 contingency funds." I make this statement for the following specific reasons:

At this time the Foreign Affairs Committee of the House is holding hearings on the President's request for foreign aid for fiscal year 1963, including, of course, the contingency fund which you propose to use to finance this program. If the program is sound enough to be financed out of the contingency fund, then quite obviously it would be sound enough to be financed through specific authorization. Could it be that you are reluctant to have this matter aired on the floor of the House because it is a carryback to the Trujillo regime?

I have discussed the subject matter with the Honorable Harold D. Cooley, chairman of the House Agriculture Committee. He is not unsympathetic to a proposal to refund the $22 million, but he concurs with me that this should not be handled out of foreign aid funds.

There is ample time for this matter to be handled by a legislative committee, either the Foreign Affairs Committee or the Agriculture Committee, because, as stated above, you propose to deal with a 1963 fund that is yet to be approved.

I cannot support your proposal, and my conclusion must be that again the State Department is determined to take matters into its own hands, discussing them with Members of Congress only to obtain concurrence, and when they do not get concurrence, they ignore the recommendations of the Members and do things their own way.

More and more Members of Congress are wondering why it is necessary to deal with lightning speed on matters calling for the disbursing of American dollars on almost any project whether it is justifiable or not. I again strongly recommend that this matter be handled through the appropriate legislative committee.

With best wishes.

Sincerely yours,

OTTO E. PASSMAN,
Member of Congress.

COMMITTEE ON WAYS AND MEANS,
HOUSE OF REPRESENTATIVES,
Washington, D.C., May 15, 1962.

Memorandum to: The Honorable Wilbur D. Mills.
From: Alfred R. McCauley.
Subject: Follow-up to conference with the Honorable Otto E. Passman concerning Dominican Republic sugar.

I have checked into the question concerning the treatment of sugar from the Dominican Republic imported during the period beginning with the fall of 1960 and during 1961 and have ascertained that there was a difference in treatment between sugar from the Dominican Republic and that brought in from other countries of the world. The different treatment was not in the form of a duty but involved a fee imposed under the Sugar Act.

As I understand it, the Sugar Act establishes world quotas for shipment of sugar into the United States. It also gives the President the authority to establish conditions under which such sugar may be imported.

In July of 1960, President Eisenhower denied any further sugar quota to Cuba. At that time, President Eisenhower attempted to get the Congress to authorize him not to include the Dominican Republic in his reallocation of the Cuban quota among the other supplying countries. The Sugar Act required him to do this, that is, to reallocate the Cuban quota to all suppliers, including the Dominican Republic.

When he failed to get the Congress to exclude the Dominican Republic from participating in the reallocated Cuban quota, he exercised a provision of the Sugar Act which permitted him to specify conditions under which sugar from any country could be imported. Pursuant to this authority, he specified as a condition for the Dominican Republic sugar that such sugar should be assessed with a fee under the Sugar Act of 2 cents a pound which was approximately equal to the difference between the world price of sugar and the U.S. price. It is my understanding that the result of this was that Dominican Republic sugar sold at a premium in the United States of somewhere in the neighborhood of ¼ to ½ cent per pound over the world price, while sugar from other countries sold at a premium of some 2¼ to 2½ cents per pound. I understand that the net effect, therefore, is that the Dominican Republic sellers of sugar did not receive as high a premium as that received by other world suppliers who participated in the reallocated Cuban quota. However, these Dominican Republic suppliers did receive some premium over the world price.

The fee involved was paid by the U.S. importers of sugar but I understand that if there were no fee, the Dominican Republic suppliers would have received a higher return for their sugar. Just how much of this premium would have been paid to the Dominican Republic suppliers and how much would have been retained by the U.S. importers, I could not ascertain.

The proceeds of the fee were paid to the U.S. Government.

I was not able to verify whether the differential between the premium received by the Dominican Republic and the premium it would have received had it been granted the full premium differential did, in fact, amount to $22 million. However, I did learn that this premium system involves annually a sum in the neighborhood of $200 million.

Mr. PASSMAN. Gentlemen, it is truly alarming when the facts actually reach the surface, that in a great many instances you use the contingency fund for projects with which you are familiar even before you get the authorization, much less the appropriation of the funds. It goes into highly questionable projects, projects that no doubt many of you people feel the Congress would never approve. Therefore, you get the contingency fund and you go overboard. We hope at the proper time you will give us a list of what it is all about.

Mr. HUTCHINSON. I will speak to that now, if I may.

Mr. PASSMAN. We want the list before you speak concerning it. Certainly we are entitled to know whether or not you do have a lot of questionable projects. After you get the contingency fund, then you go ahead and spend the contingency fund for those projects, and later it looks very good on the surface and we just skim over it. This is a clear indication that they do look to the contingency fund to do some things that you normally could present to the committee in advance of getting it. As the contingency fund is worldwide, it might not necessarily apply to your section, so we would like, at the proper time, for the Comptroller General to speak in that connection. If there are any specific projects within your own region for which you expect to use the contingency fund, or which you plan even in advance of getting the fund, we would like you to talk to that point.

Mr. HUTCHINSON. I can tell you, sir, that there are no specific projects for which we plan to use the contingency fund. There are situations that we can foresee which may require the use of the contingency fund. There is a possibility of its use in Ruanda-Urundi. There is a possibility the Congo situation may develop in such a way that the amount of funds we are presently anticipating will not be sufficient, and there is a possibility that we can foresee the use of funds in Algeria. However, we do not have any specific amounts in mind. We do not know what the future may hold so far as these eventualities are concerned.

Mr. PASSMAN. None of the projects are specific in your justifications. They are all illustrative. They may, or may not, be followed. There are no specifics dealing with any of these projects.

AID TO RUANDA-URUNDI

You mentioned Ruanda-Urundi. I have a little note which says:

New African crisis seen in statehood of Ruanda-Urundi. Independence scheduled July 1. U.N. shuns Congo repetition. A piece of African real estate smaller than West Virginia is being split into two nations, and it looks as if the United Nations will have some * * *.

Is that the country you just mentioned?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. You are going to take a little piece of real estate out there smaller than West Virginia and cut it up into two nations and give them independence, and then we are going to rush in with an aid program, including the contingency fund?

Mr. HUTCHINSON. Sir, I am afraid it is not a question of our dividing them up and giving them independence. These are decisions far beyond our control.

Mr. PASSMAN. It is usually left to us to furnish the money after they get the independence.

Mr. HUTCHINSON. It may very well be that a situation will develop there, as the article indicates, which will be quite critical.

Mr. PASSMAN. We support the U.N.'s position on the independence of these countries, do we not?

Mr. HUTCHINSON. Mr. Troxel will have to speak to that.

Mr. TROXEL. That is correct. There is no choice in the matter.

Mr. PASSMAN. So, in effect, we encourage and support the U.N. in the formation of these nations. What we are worried about, sir, is that a little piece of territory out there, smaller than West Virginia, is being cut up and made into two independent nations, and we are going to rush in and help form governments and give them aid money. You have a tentative plan for that section already, have you not?

Mr. HUTCHINSON. A tentative plan of aid for that country?

Mr. PASSMAN. Yes.

Mr. HUTCHINSON. No, we do not. We contemplate that it may be possible we will have to use the contingency fund, but we do not have any plan as such.

AUTHORITY FOR TRANSFERS BETWEEN APPROPRIATIONS

Mr. PASSMAN. Does the President have any access to any other funds which he could transfer in case of emergency, other than the contingency funds?

Mr. MOSSLER. He has the right, under the Foreign Assistance Act, to transfer within certain limits from one appropriation to another.

Mr. PASSMAN. Ten or twenty percent?

Mr. MOSSLER. Ten percent provided the funds increased are not more than 20 percent greater than appropriated.

Mr. PASSMAN. He could do a lot of transferring without getting into the contingency?

Mr. MOSSLER. It is possible to transfer funds; yes, sir.

Mr. TABER. How much money do they expect will be involved in those two nations?

Mr. PASSMAN. I do not know. It all depends on what their national airplanes cost them when they get set up. They have just about enough space to get a good landing strip out there, according to this press article, but they will have a national airline.

Mr. HUTCHINSON. We should point out that this is an area which is very close to the Congo. It is an area which could erupt in considerable violence and could be an extremely unsettling and destabilizing influence right in this particular area.

Mr. TABER. It is a very unstabilizing influence in the United States.

Mr. HUTCHINSON. Yes, sir.

Mr. RHODES. Mr. Chairman, might I ask a question?

Mr. PASSMAN. Surely.

LIMITATION ON AID TO NEWLY INDEPENDENT COUNTRIES

Mr. RHODES. I think I should address this to Mr. Troxel. What do you suppose would happen to the plans for independence for these two countries if we should put in this appropriation bill a limitation against the use of any aid funds in that country?

Mr. TROXEL. There is no question in my mind, sir, that they would receive independence in any event.

Mr. RHODES. I doubt if they would be as eager for it as they are now.

Mr. TROXEL. I believe, sir, they would proceed without any question whatsoever. I would like to add, if I may, that these countries have been two separate countries under a trusteeship for quite a long time. And they date back to the 14th century, actually, or the early 15th century. They have very different traditions. Although all of us regret seeing what has often been called the balkanization of Africa, there is just no choice in this case.

Mr. PASSMAN. If they date back to the 14th and 15th centuries, why could we not let those people gain their independence, let them work out some of their own problems, and then come in with a sound program next year? Why do we have to rush in? I understand you are now figuring on a program for ———. Are our people over there now working it out?

Mr. TROXEL. May I speak off the record on this?

Mr. PASSMAN. Put it on the record. If it is supposed to come off, take it off. Be sure it deals with security, though.

Mr. TROXEL. One of the reasons we would like it not to be on the record is that we do not want to raise the expectations of aid.

Mr. PASSMAN. You had a record the other day that covers 10 or 15 pages dealing with it, so there will be a lot of erasing. I am talking about ———.

Mr. TROXEL. That is right. We have no program for either ———. The reason we have no program is that we are not anxious to rush in. But we feel that in honesty we must——

Mr. PASSMAN. One is being considered even for ——— at this time, is it not?

Mr. TROXEL. We must point out this is a possible contingency.

Mr. PASSMAN. Is it not true that a program is being considered for ——— at this time?

Mr. TROXEL. No program as such is being considered.

Mr. PASSMAN. What is being considered?

Mr. TROXEL. This may be a contingency.

Mr. PASSMAN. At least it is under discussion at this time, is it not?

Mr. TROXEL. We do contingency planning in a general sense.

Mr. PASSMAN. For ———?

Mr. TROXEL. We feel that contingency planning is part of our responsibility, for ——— or any other place in the world.

Mr. PASSMAN. If we should write in the bill that these newly independent nations should at least be independent for 6 months before they are eligible for aid, do you think it would do any harm?

Mr. TROXEL. Yes, sir, we believe that in some situations it might do very great harm.

Mr. PASSMAN. How about 30 days?

Mr. TROXEL. Sir, in many cases we would perhaps suggest, if the situation arose, that we ought to have a program even before independence.

Mr. PASSMAN. I would not want a better record than that.

Mr. TROXEL. Sir, I will be glad to assist on this. We feel in some cases it might be possible to help prevent a situation from arising that is very difficult for our national security.

Mr. ANDREWS. Mr. Chairman, may I ask one question?

Mr. PASSMAN. Yes.

Mr. ANDREWS. When it is divided, will each part of this country have a representative in the United Nations?

Mr. TROXEL. Presumably.

Mr. ANDREWS. They will have about one additional member or two?

Mr. TROXEL. Two additional members.

Mr. PASSMAN. In the U.N.?

Mr. TROXEL. Yes, sir.

NEWSPAPER ARTICLE ON INDIA

Mr. PASSMAN. "Unhappy Mr. Nehru." If we have ever done anything right, it has never been brought to the attention of Mr. Nehru. This is an editorial I wish to insert in the record.

(The information referred to follows:)

[From the Washington Daily News, June 25, 1962]

UNHAPPY MR. NEHRU

Prime Minister Nehru, of India, is woefully disturbed because as he told his Parliament, the United States and Britain consistently adopt "an anti-Indian attitude on almost all matters that have been of passionate interest to us."

Such as—though he didn't mention it—Mr. Nehru's consistency in lining up with the Soviet bloc on United Nations issues.

Still rankling with the Prime Minister is Adlai Stevenson's speech condemning India for its forcible takeover of undefended Goa last year. That speech, said Mr. Nehru, "hurt us, annoyed us, irritated us, and angered us."

We hope no one rushes forward to tell Mr. Nehru now that Adlai didn't mean it—for it was an action by India that brought almost universal criticism from the free world. And if the United States and Britain appear to be lining up against India on the pending Kashmir question, Mr. Nehru may well reflect that it is hardly a coincidence.

Indians of Mr. Nehru's status are known for their spiritual capacity for self-contemplation. We think the Prime Minister would do well to sit down and self-contemplate a bit—along with his Defense Minister Krishna Menon—about some of the things the two of them have been doing to arouse that "anti-Indian attitude" of nations that would genuinely like to be friends of India.

COMMUNIST ECONOMIC STRATEGY AGAINST UNITED STATES

Mr. PASSMAN. Nikolai Lenin, Red boss 1917–24, is supposed to have said, and I quote: "We shall force the United States to spend itself to destruction."

I am just wondering if those people have anticipated one sure way to take us in, and that is just make us spend ourselves into destruction.

AID TO NEWLY INDEPENDENT NATIONS

Mr. ALEXANDER. Mr. Troxel, with reference to the independence of these two small countries, is it the feeling of the State Department that our Government ought to encourage independence of all these small nations?

Mr. TROXEL. No, sir; that is not our feeling. We are confronted with a situation in which the movement for independence is so strong that it does not seem to be sensible to attempt to oppose the aspirations of the people.

Mr. ALEXANDER. If it is so strong, then they are strong enough to pay their own way at least for 6 months, are they not?

Mr. TROXEL. I wish I could agree with you, sir, but in some cases they are determined to become independent, even if they do not have an adequate economic base for independence.

Mr. ALEXANDER. Do they not feel that freedom and plenty go hand in hand, and because we, as a great leader of the free world, have freedom, automatically they have all these other things that come to them if they got independence? Is that not their attitude?

Mr. TROXEL. This has been the attitude of some of the Africans. That is certainly true, sir.

Mr. ALEXANDER. Do you not think we ought to dispel that attitude and let them realize that in order to have freedom they must have responsibilities, and that they must have them from the word "go," rather than for them to wake up later on and realize that they have been deluded into this thing?

Mr. TROXEL. Sir, we have really tried very hard to avoid giving the impression that we are planning to provide aid for these countries. That is one reason we have asked for classifications in the testimony.

Mr. ALEXANDER. Have you made any statements to the press or to the leaders of that country that you were not going to give them aid?

Mr. TROXEL. We have made no statements to the press whether we would or not.

Mr. ALEXANDER. You have not tried very hard to impress them that you are not going to help them, have you?

Mr. TROXEL. Sir, it puts us in a dilemma. If we were to make a public statement for the United States, speaking officially, that we would give them no aid, and if a situation should develop where it would be extremely important in our national interest to provide some kind of assistance in an effort to avoid the sort of situation which has developed in the Congo, we would find the United States apparently speaking out of both sides of its mouth. I am sure none of us would want that.

Mr. ALEXANDER. That would not be too unusual, I do not think.

Mr. PASSMAN. I think we are in 97 nations of the world with a foreign aid program. Some of them are concluding under old contracts, of course. I do not think we are fooling those people, but we may be fooling ourselves, because I do not think the leaders of these two independent nations can find anywhere that there has ever been a new nation created into which we did not go in immediately with an aid program. So, it just follows that it is only natural that they would get it.

Mr. TROXEL. Mr. Passman, in many countries we have an extremely small aid program. It is almost of a nominal character. In a number of nations that were formerly French colonial possessions, our aid is somewhat less than a million dollars. The French are providing a great deal of aid.

Mr. PASSMAN. Maybe for a different reason they are providing the aid, and some of theirs, of course, is loans.

Mr. TROXEL. Some of it is loans, but the French generally have provided their aid on a grant basis.

Mr. PASSMAN. To their possessions and territories.

Mr. TROXEL. To their former possessions, they are providing grant aid.

Mr. PASSMAN. Because they have very strong trade agreements with those possessions and territories.

Mr. TROXEL. That is correct; they have.

Mr. PASSMAN. Let us keep the record as it is. We have gone so far afield with this aid program that we are now, in your own hearings, trying to get into British possessions with our aid program. Is that not true?

Mr. TROXEL. That is correct.

Mr. PASSMAN. I yield to the gentleman.

Mr. TROXEL. May I add one more word to Mr. Alexander?

Mr. PASSMAN. Yes.

Mr. TROXEL. We are trying very hard to get the Belgian Government to continue the kind of assistance that it has in the past, which we would hope would be vastly greater than any assistance which we would provide. We naturally feel that it is to our interest to have the Belgian Government continue the kind of support that it has had in the past. This has been the fundamental thesis in our planning.

PLANNED PROGRAM FOR MAURITANIA

Mr. ALEXANDER. Mr. Troxel, have any independent nations come into being in the last 2 years that we have not come to their assistance?

Mr. TROXEL. I believe Mauritania has received no aid as such. Otherwise, there has been a nominal amount of assistance in virtually every country.

Mr. ALEXANDER. Then we are in effect saying to all of the countries that are not now independent, just as we did to the boys in the service when we called them to chow, "Come and get it." Is that not about what we are holding out to the people of the world by our actions, if not by our words?

Mr. TROXEL. Sir, so many of these countries feel that our aid is of nominal proportions that I doubt if it makes any significant difference in their judgment.

Mr. PASSMAN. Please define that, because you were talking about Mauritania. They recently acquired their independence; is that correct?

Mr. TROXEL. Yes, sir.

Mr. PASSMAN. You do have a program in planning now for Mauritania; have you not?

Mr. TROXEL. Yes, sir.

Mr. PASSMAN. You have also, in your own printed books, for which you have a proposed program for 1963—

Development lending contemplated. Project applications will be considered.

You are already in it. You have it in your books even before the countries have gained their independence.

Mr. TROXEL. Yes, sir; we feel we should inform the members of this committee that we anticipate when the countries become independent we will receive requests for development loans, and we would be quite unfair unless we made this explicit.

Mr. PASSMAN. You could not wait until they gained their independence and let them come to us. As of February 1962, about 4 months ago, you have a printed record where you contemplate a program for these nations before they gain their independence, and state project applications will be considered.

Mr. TROXEL. We are indicating it confidentially to you as Representatives in the Congress.

U.S. PURCHASE OF WEST GERMAN STEEL

Mr. PASSMAN. I quote:

The Navy purchased last week 3,500 tons of steel from West Germany to be used on the construction of three missile frigates at Bremerton, Wash. Had the order not gone abroad, he said, it would have kept more than 300 American steelworkers busy for months. The Navy paid about $357,000 for the West German steel as against $510,000 if bought in this country. American steelworkers would have received about $382,000 in wages and would have paid $76,500 in income tax on it. Federal taxes would have amounted to another $25,500 in addition to State and local taxes, and the increased cost of unemployment would have been saved, he added.

Is it true that they did award that contract?

Mr. TROXEL. I do not know, Mr. Passman.

Mr. PASSMAN. Would you find out for us, Mr. Tennant?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. You have the formula about the cost saving, but if you take into account the amount of taxes, State and Federal, and the amount of compensation you pay to those unemployed, it could very well be this formula should be worked over again.

Mr. FORD. I think the man to give the specific answer on that would be Secretary of Defense McNamara. If General Palmer is returning before the committee, he probably should get an answer from Secretary McNamara.

Mr. PASSMAN. I would rather have someone who is familiar with the contract. Certainly some of you people from the AID Agency could find out. All we want to know is whether or not you awarded Germany the contract for this steel, rather than awarding it to an American contractor.

Mr. HUTCHINSON. Whether we did?

Mr. TENNANT. We would have to determine this from the contract.

Mr. HUTCHINSON. I thought this was the Navy Department. I am puzzled how AID enters into this.

Mr. PASSMAN. It still comes out of the aid program.

If you will, whether it is directly out of military or whether it is out of military assistance, ascertain if the statement is true, because we do know that under the foreign aid program, earlier this year, when they were testifying, they awarded a contract to Japan for trucks, saying that the contract was awarded to Japan simply because the costs were lower. Whether this is out of Defense or out of military assistance, which is also scrambled in the Defense expenditures, we just want to know if the story is true. Would you try to help us?

(Off the record.)

Mr. TENNANT. We will contact the Defense Department and find out.

Mr. HUTCHINSON. On the record in this connection, Mr. Chairman, I would like to say that, under the present procurement policy of AID, West Germany is not an eligible source of procurement.

Mr. PASSMAN. If you will, find out for us. This is the first time it has been denied. You say they are not eligible as a source of supply?

Mr. HUTCHINSON. It requires a waiver of the AID Administrator.

Mr. PASSMAN. Will you please find out for us, Mr. Tennant, if they awarded the contract. If they are not eligible and you awarded the contract, that is even more alarming. Would you agree that is correct, sir?

Mr. HUTCHINSON. No, sir, because I think it is certainly worthwhile to have a procurement policy which excludes countries such as West Germany from AID procurement for the obvious balance-of-payments reason.

Mr. PASSMAN. My point is, if you did award the contract so as to effect a saving, and you bought the steel from West Germany, then have you violated the contract?

Mr. HUTCHINSON. I am only going to say, sir, that there may be an occasion in which it makes some sense to go ahead with a particular procurement, notwithstanding the general policy. Whether this is the case here, whether it is AID procurement, we, of course, do not know.

Mr. PASSMAN. Of course, you made a statement that you cannot do something, and if I had not followed up, the record would have indicated you could not, whereas we want to find out if you did.

Mr. HUTCHINSON. But I do want the record to show that it is not our policy to be procuring in West Germany.

Mr. PASSMAN. It may not be your policy, but if you do it, is is equal to the same thing.

Mr. TABER. Let us find out whether they did it or not, and put the information in the record at this point.

Mr. ANDREWS. I think the Navy bought that steel.

Mr. PASSMAN. The Government did it.

Mr. GARY. The article says the Navy bought it.

(Off the record.)

Mr. PASSMAN. Of course, we know that for the past 5 years we have imported more steel than we have exported, simply because of countries in Europe being able to produce it cheaper than we can produce it in America. I do not know whether these figures would be true of the steel industry, but if you pay 65 cents an hour wages in Italy and $1.03 per hour wages in Germany and pay $2.81 for wages in America, you can understand how we would not be competitive. We want to try to understand just where this thing is taking us.

(The information supplied follows:)

PURCHASE OF GERMAN STEEL FOR U.S. NAVY

The purchase in question was not an AID or MAP purchase but a Department of the Navy transaction. Department of Defense purchases for supplies to be used in the United States are governed by the Buy American Act. Pursuant to the act and implementing Executive Order 10582, bids offering foreign supplies are evaluated by adding both duty and a 6-percent price differential. When the lowest domestic bid is submitted by a labor surplus area or small business concern, a 12-percent differential is added to the foreign bid in lieu of 6 percent.

Invitation for bids 251/239/62, issued by the Puget Sound Naval Shipyard, requested bids on four lots of steel (with a total estimated value of $1,091,266). Domestic suppliers submitted the low bids on three lots and were awarded contracts therefor. On the other lot containing two items, two U.S. dealers offered steel from Western Germany at prices, including transportation costs and duty, 18 to 39 percent lower than the low prices bid on domestic steel. This represented a savings of slightly more than $153,000 and contracts totaling $498,-197.54 were awarded in March 1962 for this foreign steel. The steel is to be used in the construction at the Bremerton, Wash., and San Francisco, Calif., Naval Shipyards of three frigates for the U.S. Navy.

Mr. PASSMAN. I believe we covered Cameroon, did we not, before we adjourned last week?

Mr. MOSSLER. We were discussing that.

TRANS-CAMEROON RAILWAY PROJECT

Mr. HUTCHINSON. You had asked us to give you a statement on the Trans-Cameroonian Railroad project. I have a statement prepared. I will give you the figures.

The total cost of this railroad is $36,850,000. The AID loan is anticipated to be $9,200,000. The EEC financing will be——

Mr. PASSMAN. What is EEC?

Mr. HUTCHINSON. The European Economic Community—$17,250,-000. The French will be providing $8,400,000. The Cameroon will be providing $2 million. The AID funds will be provided on a loan basis. This has not been finally authorized but presumably will be upon the longer term which has been mentioned, of 40 years with a 10-year grace period——

Mr. PASSMAN. The maximum is 50 years, is it not?

Mr. HUTCHINSON. The maximum permitted in the law, but the provision in this loan will be in all probability 40 years.

Mr. PASSMAN. That would be 40 years, with 10 years' grace period, no interest.

Mr. HUTCHINSON. Three-quarters of 1 percent credit fee.

Mr. PASSMAN. That is the closing fee to which we refer, is it not?

Mr. HUTCHINSON. Per year.

Mr. PASSMAN. Three-quarters of 1 percent. Is that what we refer to as the servicing charge of the loan?

Mr. HUTCHINSON. We call it a credit fee. The EEC fund for $17,250,000 will be provided on a grant basis completely.

Mr. PASSMAN. A grant basis by what countries?

Mr. HUTCHINSON. This is an organization of European countries. Most of the funds for this will come from Germany and France.

Mr. PASSMAN. Is this a former possession of either one of those countries?

Mr. HUTCHINSON. The Cameroon is a former U.N. trust territory under French and British administration.

Mr. PASSMAN. In all probability, as we agreed earlier, they have certain close-knit trade agreements, have they not?

Mr. HUTCHINSON. This may well be true.

Mr. PASSMAN. Is that your understanding?

Mr. TROXEL. Yes, indeed.

Mr. PASSMAN. So there would be some reason why they have that type of agreement.

Mr. TROXEL. Yes, sir.

Mr. PASSMAN. How about the $8.4 million from France?

Mr. HUTCHINSON. Of the aid from France itself, $7.2 million will be a grant.

Mr. PASSMAN. For the same reasons, no doubt?

Mr. HUTCHINSON. The remaining $1.2 million will be on a loan basis.

Mr. GARY. Do we contribute any of those EEC funds?

Mr. HUTCHINSON. No, sir, we do not. This is a European fund completely.

The terms of the $1.2 million loan from France will be subject to negotiation. We still have not worked these out. We did ourselves arrange to get the funds provided on this basis. We started back in 1960 working with the European countries to get them to come in on the financing of the project with us. We cut the size of the project back. So, out of the total cost of $36,850,000, our funds are one-fourth, and will be provided on a loan basis. Only $1.2 million of the European funds will be on a loan basis, making almost $25 million provided on a grant basis.

PROVISIONS FOR CANCELLATION OF LOANS

Mr. PASSMAN. The type of loan you are talking about would be a long-term loan, with a 10-year grace period, and then three-quarters of 1 percent simple interest as a service charge, with the right under the law, if reasons are found, that the loan could be canceled?

Mr. HUTCHINSON. There is no provision for cancellation of the loan.

Mr. PASSMAN. The Secretary of State and the Secretary of the Treasury have said that any loan could be canceled if it was in the interest of the United States to do so, whether there was a contract or not.

Mr. HUTCHINSON. I do not want to submit testimony in conflict with anything they have said.

Mr. PASSMAN. I am making the statement. Let the record show what they say. I am not making statements the record will not support.

Mr. HUTCHINSON. I would think you would want to take a look at the provision of the law in this respect, and I see no provision for cancellation, and I can assure you, sir, there is no provision for cancellation in the loan agreement.

Mr. PASSMAN. That may not be, but they said any loan should be canceled.

How much are you asking for fiscal 1963 against this project?

Mr. HUTCHINSON. We expect to make this loan within the next few days, and would be utilizing funds already appropriated for the purpose. This is our expectation.

Mr. PASSMAN. Could you tell the committee whether or not you expect to disburse the funds? Is it one of these propositions whereby you obligate the entire amount at one time?

Mr. HUTCHINSON. We obligate the entire $9.2 million at one time.

Mr. PASSMAN. Have you any idea of the length of time required to construct the project?

Mr. HUTCHINSON. It would be over the construction period. It probably will be 5 years, something of that sort. It will spread over a considerable period of time. The schedule shows completion in

August of 1967. So the disbursements will be spread over something like 5 years.

PROVISIONS FOR U.S. PROCUREMENT

Mr. PASSMAN. Have you a "Buy American" clause in the $9 million that we are giving them?

Mr. HUTCHINSON. Yes, sir. However, about $400,000 of this may be spent for the financing of foreign exchange costs, which could, presumably, eventually not be spent in the United States. There has been an agreement that we will work out a division of the procurement sources among the financial contributors in relation to the amount of their contributions to the project.

Mr. PASSMAN. Then are you testifying that $8.6 million will be used to procure "Buy American" commodities?

Mr. HUTCHINSON. $8.6 million?

Mr. PASSMAN. You are asking for $9 million, and you mentioned $400,000.

Mr. HUTCHINSON. I see. In order to provide some flexibility in this respect, we have made an agreement with these countries that the procurement source of 8 percent of the foreign exchange costs would be determined by the bidder. The U.S. prorated share of this amount ($1,065,000) is $400,000 which could be spent elsewhere. On the other hand, the $665,000 EEC prorated share of the 8 percent untied procurement could be spent in the United States. So, the net effect could be to provide for a total U.S. procurement.

Mr. PASSMAN. Could you use a formula whereby, if the differential were great enough, you could procure the steel and locomotives elsewhere?

Mr. HUTCHINSON. It would require a change in the provisions of the loan agreement, sir, in order to do it, except, as I have testified here, that up to $400,000 could be spent in foreign countries where there are sources of supply.

DOLLAR REPAYMENTS

Mr. PASSMAN. Any payments made on this loan in subsequent years would go back into the program? It would not go back to the Treasury?

Mr. HUTCHINSON. Any repayments on this program would go back into the fund. It is a revolving fund, yes, sir.

Mr. MONTOYA. Will the chairman yield at that point.

Will these repayments be made in local currencies or in dollars?

Mr. HUTCHINSON. In dollars.

Mr. PASSMAN. But it is still plowed back into the program. Nothing ever goes back to the U.S. Treasury.

Mr. GARY. At what interest?

Mr. HUTCHINSON. Three-quarters of 1 percent per annum.

Mr. PASSMAN. In some parts it has been referred to as a service charge.

Mr. HUTCHINSON. We call it a credit fee.

Mr. GARY. We have to borrow that money ourselves and we are paying nearly 4 percent on it now.

Mr. HUTCHINSON. I would point out in this connection, the contrast between this and the grant terms which the other financers are providing for the project.

Mr. PASSMAN. Of course, we do not have access to the contracts or agreements between this former possession of France and their allegiance to France with respect to their trade agreements. Some of the things these nations are doing for their possessions, they have been doing for generations or centuries.

TERMS OF CREDIT FEE PAYMENTS

Mr. MONTOYA. To clarify one point, will the three-quarters of 1 percent interest become assessable after the 10th year, or will it start the first year?

Mr. HUTCHINSON. The credit is payable, I believe, 6 months after the first disbursement. I think this is correct.

Mr. TENNANT. I would have to verify that.

Mr. HUTCHINSON. I would have to verify it, but I am sure it is an annual payment and is not covered by the grace period. I would have to check the exact date, whether it begins 1 year or 6 months after the disbursement.

Mr. PASSMAN. We are not actually talking about interest. You have your right to interpret it any way you want it. You are talking about a service charge. You never talk about interest in the way of three-quarters of 1 percent per annum. I think the record shows that it is a finance or service charge. You really could not call it interest if it is three-quarters of 1 percent.

Mr. MONTOYA. I will amend my question accordingly, Mr. Chairman.

Mr. PASSMAN. Thank you, Governor Montoya.

(The information follows:)

TRANSCAMEROONIAN RAILROAD

The financial terms of the loan are—

(*a*) A credit fee of three-quarters of 1 percent per annum payable semi-annually on all outstanding balances.

(*b*) The loan shall be repaid within 40 years from the date of the first disbursement under the loan, including a grace period of not to exceed 10 years.

Mr. FORD. This loan of approximately $8 million is in fiscal 1962?

Mr. HUTCHINSON. We hope and expect to get it in fiscal 1962. Whether or not we will actually reach that, I am not sure. I have the loan paper here before me. We could use existing funds. It actually will become $9.2 million. We had to put in an allowance for possible cost escalation which will be shared between us and the EEC, by the way, of 15 percent which increases it to $9.2 million.

1962 CAMEROON PROGRAM

Mr. FORD. If you turn to page 75 of the brown justification book, it shows the program for fiscal 1962, which indicates $3 million for supporting assistance, $200,000 for development grants, and $3.2 million for the total, I gather.

Mr. HUTCHINSON. You are speaking of fiscal 1962?

Mr. FORD. I am talking about fiscal 1962.

Mr. HUTCHINSON. Yes.

Mr. FORD. What is the $200,000?

Mr. HUTCHINSON. $200,000 is development grants. I think it is fundamentally the technical support costs for mission, but I could be wrong.

Mr. FORD. The $3.2 million and the $200,000, in effect, are the same thing?

Mr. HUTCHINSON. Yes, sir; the $3.2 million is the total of $3 million supporting assistance, and the $200,000 in grants.

Mr. FORD. The $8 millon loan, which has been discussed here, is in addition?

Mr. HUTCHINSON. It is in addition. This is correct.

Mr. FORD. Is there anything more in addition to that $8 million loan for fiscal 1962 in the works?

Mr. HUTCHINSON. No, sir.

Mr. FORD. Turning to fiscal 1963, you overprojected the development grant program of $1.5 million?

Mr. HUTCHINSON. Right.

FISCAL YEAR 1963 PROGRAM IN CAMEROON

Mr. FORD. Can you tell us at this time what loans, if any, are in the works, so to speak?

Mr. HUTCHINSON. We do not have any specifically in the works in Cameroon but we do have a list of projects which might eventuate that we can check right now and see if there are any that might fall within the Cameroon. The Cameroon is a country where we could put the aid program to a signficant extent on the development loan basis, so we would be receiving applications if they come in. My memory does not serve me as to whether or not there is any on the list.

Mr. FORD. The only reason I asked that question is because I think it is helpful as we go through these country-by-country analyses to see what loan programs are potential or possibly in the works, which gives us a better picture of the total program per country.

Mr. PASSMAN. I asked the specific question before we recessed over the weekend, if the $9.2 million was our total commitment to the completed project on this railroad.

Mr. HUTCHINSON. The answer to that is that it is.

Mr. PASSMAN. You answered that in the affirmative.

Mr. HUTCHINSON. May I answer the gentleman's question about Cameroon?

Mr. PASSMAN. Certainly.

Mr. HUTCHINSON. We show we at least have the possibility of a loan for highway development of $1.5 million and the possibility of a Development Bank loan for $2 million. We have no applications for either of these projects, but there is a possibility that they might very well be received.

Mr. ANDREWS. Mr. Chairman.

Mr. PASSMAN. Mr. Andrews?

PROVISIONS FOR INCREASE IN COST ESTIMATES FOR RAILROAD

Mr. ANDREWS. Most projects the size of this wind up costing more than is expected. Do we have any commitment to increase our $9.2 million loan in the event the total cost of the railroad is more than the anticipated $36,850,000?

Mr. HUTCHINSON. No, sir; we do not.

Mr. ANDREWS. This is final so far as the United States is concerned?

Mr. HUTCHINSON. We write a provision in our loan agreements, as a matter of fact, which says that if the cost estimate is too low, there is an undertaking on the part of the country to complete the project without additional assistance from us.

I would like to point out also, however, that in our cost estimates in the first instance there is a provision for $1,123,000 for contingency because of the fact that there usually is a margin of error.

I would also point out that there is a provision for the possibility of a 15-percent escalation in the cost. We have covered this. This 15 percent escalation is to be shared equally between us and the EEC in the event there is a cost escalation. This agreement has been worked out in advance.

Mr. ANDREWS. But in no event would our part of the cost be more than the $9.2 million grant?

Mr. HUTCHINSON. This is our anticipation.

Mr. PASSMAN. Of the $9.2 million, does that include $1,100,000 contingency, or is that in addition?

Mr. HUTCHINSON. The $36,800,000, of which the $9.2 million is our share——

Mr. PASSMAN. I am speaking of the U.S. funds.

Mr. HUTCHINSON. To say whether the contingency is included in one man's financing or another is difficult to say.

Mr. PASSMAN. I am speaking of the United States only. I am asking you a question about the U.S. contingency fund only. You have $9,200,000.

Mr. HUTCHINSON. We have $9,200,000.

Mr. PASSMAN. Is the contingency included in that amount?

Mr. HUTCHINSON. In the total cost estimate the contingency is included, and the total cost estimate is divided among the four financiers of the project. In that sense, it is included.

Mr. PASSMAN. Could the project conceivably cost us any more than $9,200,000?

Mr. HUTCHINSON. The loan agreement does not provide for that, and there is a provision in the loan agreement that in the event of an overrun this is the responsibility of the country.

Mr. MONTOYA. Do you have any provision in your agreement with respect to proportionate or pro rata funding as the project progress?

Mr. HUTCHINSON. Yes, sir.

FULL VERSUS PARTIAL FINANCING OF CAMEROON RAILROAD

Mr. MONTOYA. So in view of that, if the project is going to continue for 5 years, you do not have an immediate need for these funds during the next fiscal year, do you?

Mr. HUTCHINSON. We do not have the need for expenditure, sir, but we feel we must have an appropriation before we obligate the funds. We do not think it would be responsible administration to obligate only our anticipated expenditures. In that event we would be getting the Congress committed to appropriations without going through the process of appropriation or without the exercise of the section 202(b) type authority. We think it is responsible to commit the entire amount against our appropriation.

Mr. PASSMAN. I think you testified the other day you have never known of any case where this country ever violated an agreement it made with any nation. We have operated this program for 14 or 15 years with an expenditure, in all facets, of about $115 billion without this proposition. You are the gentleman who testified that these nations did not know anything about projects that were being planned until they got the money. Do these people out there know anything about this railroad?

Mr. HUTCHINSON. Of course, sir. We have been working with them better than 2 years in reference to this.

Mr. PASSMAN. Your record stated the other day that these projects were secret and they did not know anything about them at all until you got the money.

Mr. HUTCHINSON. Sir, I think the record will indicate we were talking about the development grant-type project, not the Development Loan-type project for which appropriations have already been made.

Mr. PASSMAN. I want the gentleman to know that this is a departure not only on the foreign aid basis, but also on the projects that we have in this country. We have always operated on a slice basis.

Mr. HUTCHINSON. May I say this, Mr. Chairman?

Mr. PASSMAN. Say whatever you want.

Mr. HUTCHINSON. I cannot testify as to how the Corps of Engineers system has worked, but I can testify that the practice of not entering into a loan agreement with a country until the funds have been appropriated has been the practice ever since the Development Loan Fund was created in 1958.

I will also say, sir, that it seems to me this is most responsible administration. I do not see how we can be criticized for committing ourselves to the entire amount of the funds when we sign a loan agreement instead of signing it over and beyond the amount of funds we have available. I would think we would be playing fast and loose with this committee if we did that.

Mr. PASSMAN. Committing is one thing but obligating the funds for the entire project 7 years in advance, or 5 years in advance, is something else.

Mr. HUTCHINSON. I can only say I will be happy to educate myself on the system, but it seems in all honesty and candor to me, Mr. Chairman, that a system under which you do not undertake an obligation to carry on a project until you have the funds in hand under appropriation to complete that project is responsible administration. In fact, it seems to me that it is more responsible administration than obligating the project in slices.

Mr. PASSMAN. If it is good for a foreign country, would it not be good for America also?

Mr. ANDREWS. I believe you mean the reverse.

Mr. PASSMAN. If it is good for a foreign country on your terms, would it not be good for America?

Mr. HUTCHINSON. I am not testifying whether it would be good for America, but it strikes me that this is a tighter procedure than the procedure used in financing this kind of project in the United States.

Mr. PASSMAN. You are setting yourself up as an expert in this field. You said you did not understand what criteria we employed

in America, to do the same type of work and the same type of projects. I say until such time as you familiarize yourself with how it is done in America, I do not see how you could successfully administer a program in a foreign country.

Mr. MONTOYA. Would you insert in the record the specific provisions in the contracts which assure pro rata progress payments coincident with the similar contributions in a progressive manner by the participating countries?

Mr. HUTCHINSON. I will have to get that provision, sir. I do not have the draft loan agreement with me.

(The information was supplied to the committee.)

Mr. FORD. Would the chairman yield?

Mr. PASSMAN. I yield to the gentleman.

Mr. FORD. It seems to me we are arguing a bit about semantics. What is the difference from the point of view of the expenditure of funds whether they are committed or whether they are obligated?

Furthermore, it was my recollection that we wanted them to commit and/or obligate the funds we made available so that we knew precisely what our potential obligation was over a period of time. If I am wrong in my recollection of what we have wanted done heretofore, I would like to be corrected, but this is my best recollection.

Mr. PASSMAN. We have never had, so far as I know, any statement in the record, with our various aid funds, unless we could think in terms of the Development Loan Fund, whereby they committed all the funds, or obligated all the funds, toward a project. We are out in this new area. As I understand it, you have a project here, let us think in terms of an authorization for a commitment of $9,200,000. Conceivably, it could be 10 years before this project could be brought to completion. Yet they are entering into an obligation. You can see how this thing could pyramid to where you could just have tens of billions of unexpended funds to obligated projects.

We make our case; they obligate these funds; it goes by the board. I do not know of any review that we have in the future. Take the Asian fund as an example. That was given years ago, and they still carry a substantial amount in an obligated status. We do not have any more idea of what that money is obligated for than the man in the moon.

Mr. FORD. May I make this comment, Mr. Chairman?

Mr. PASSMAN. Certainly.

Mr. FORD. In the first place, the situation is not identical, but it is somewhat similar. In the case of military funds, we give them vast sums of procurement money on a full funding basis, believing that it is better for us to know what our total commitment is, even though the expenditures are drawn from it over a period of time.

Mr. PASSMAN. The military assistance program in foreign aid does not operate that way.

Mr. MONTOYA. Will the gentleman from Michigan yield?

Mr. FORD. Surely.

Mr. MONTOYA. It seems to me that in the testimony on the Ryukyus it was developed that there was a long-term commitment made for the construction of a highway, and the Department came in for 1 year's funding of that commitment. This is what has developed on this testimony here, too, whether or not it is wise to fund only for 1 year's commitment.

Mr. PASSMAN. Let us take the military assistance program. Out in the field, as well as in Washington, they said that we have a 5-year planning program. So they projected it for 5 years in advance. Here is what we believe will be needed during the next 5 years, they say, but they make a request for funds covering only 1 fiscal year. That is the way this thing has operated ever since you have had it until you came in with the Development Loan Fund, and then they were much more specific as to the purposes for which the funds would be obligated. If it is the wisdom of the Congress, with friendly persuasion, to turn this thing loose, you are going to permit these people, maybe in subsequent years, to build up perhaps tens of billions of dollars in obligations. When you dispose of this one railroad, never again will you know anything about whether it is a success or failure, because they do not have to ask for any more funds. They are blocking it off in the beginning for $9,200,000, and then we move to another project.

If you had it a slice at a time, as you have had in these aid projects in previous years, you could reshuffle the thing every year. I can see where we will lose control completely if you permit them to obligate it; it goes by the board. Then you have to leave it up to your memory to say, "How about this project that you obligated $9,200,000 for in fiscal 1963?"

Mr. FORD. May I make this one comment?

Mr. PASSMAN. Yes, indeed.

Mr. FORD. I concur that in effect these are aid rather than loan programs.

Secondly, it might be helpful, if this is the practice they are using, to have an annual summary showing the status of the loan programs item by item, with the disbursements against them on an annual basis.

Thirdly, in the military assistance program they come in for obligational authority on an annual basis. A small portion of that, however, is actually expended in the year in which it is made available. A great deal of it is obligated on contracts for which expenditures and deliveries are made in subsequent years, or, in the alternative, the equipment is bought off the shelf in stocks which we currently have.

So it is not fair to say that the obligational authority we get on an annual basis is to be reserved only for that fiscal year because expenditures and deliveries in more cases than not come in subsequent fiscal years.

Mr. PASSMAN. I did not use that analysis at all, Mr. Ford. I stated that these people project a 5-year military program.

Mr. FORD. That is correct.

Mr. PASSMAN. We picked it up all over the field. But they asked for an annual appropriation only. We respected their obligated accounts and the reservation accounts, but they came in and asked for an annual appropriation so as to continue the program.

However, under this plan, even though you have some information in these voluminous books of different colors and captions, in effect they are blocking off as obligated the total cost of a project that could conceivably run into 10 years.

Mr. FORD. I agree.

Mr. PASSMAN. This committee and the Congress are going to lose control.

Mr. FORD. Do we get annual statements showing disbursements against these obligated contracts?

Mr. PASSMAN. After a fashion, we do.

Mr. FORD. I think we ought to do better if we are not getting all we need.

Mr. PASSMAN. This becomes so voluminous that 20 clerks could not keep up with it. I asked the gentleman recently to make me a spread only on one country. We asked for that on India 3 weeks ago, and it has not been forthcoming yet. We tried to pin down one country, India. What have you obligated? What have you expended? What is the remaining commitment? Just a matter of bringing something down in a lot of books does not get the job done unless these things are pinpointed. If these are blocked off behind an obligation, you lose sight of it.

Mr. TABER. That obligation can be cancelled and the money returned to the Treasury.

Mr. PASSMAN. Not a member of this committee could tell us what has been obligated in the development assistance program. You and I know we have obligated the money, but they do not even bring it forward in subsequent years. In the President's Asian fund, we have obligated the money, but they do not bring it forward as to what it has been obligated. The only way we can find out is to ask questions. We are losing control of this program, and make no mistake about it.

STATUS OF PROJECT REPORTS

Mr. HUTCHINSON. I would like to testify that in connection with the gentleman's remarks about getting reports on the status of projects, we agree; I think he is right.

Also I would like to point out that, for each project in these books, there is a report on the status of funds and an indication of problems that might be run into and the delays that have occurred. This may not be what the committee wants. If not, we will be glad to provide whatever we can.

INDIA PROJECT COMMITMENTS THROUGH FISCAL YEAR 1962

Mr. PASSMAN. Mr. Tennant, do you have the list of all the projects in India that we have committed ourselves to in previous years, including fiscal 1962, the amount of expenditures, the amount yet to be expended?

Mr. TENNANT. That insert has been completed, sir. I do not have it with me. I think it has been sent up in the normal course.

Mr. PASSMAN. You recall this is about the third time I have asked about it.

Mr. TENNANT. I only recall one time, and the second time you asked for the add-on of the international agency.

Mr. PASSMAN. You would not have had that information to where you could have answered questions if we had not asked for it. Do you have it readily available? Do you have it up here?

Mr. TENNANT. It is not in my possession.

Mr. PASSMAN. Certainly you do not.

Mr. HUTCHINSON. We do have the information with respect to every development loan project as to the status of the disbursements against the project.

Mr. TABER. When are you going to bring it to the committee?

Mr. HUTCHINSON. It is here in the books.

Mr. PASSMAN. Giving a person a lot of books is never going to get you any money from this committee. We are going to pin that down and not depend on a lot of brown, yellow, and green books, where you have a lot of printed stuff, where neither you nor I understand it too well.

Mr. HUTCHINSON. I think you will recall that we have, on a few occasions, offered to provide you with what information you needed in whatever form you needed it. If you would let us know in advance of the meetings as to what you would want, we would be delighted to prepare it for you in whatever form you want.

Mr. PASSMAN. If I were a lawyer, I would say that is like the man telling the defense the strategy you are going to use on the prosecution.

CONTRACT SERVICES FOR CAMEROON HIGHWAY PROJECT

Now let us refer to page 261 of the Cameroon, the project table. Gentlemen, this may clear up the whole foreign aid program for us on this one page. On page 261 you have contract services, $600,000. What is that for?

Mr. MOSSLER. This is for a consulting engineering firm to assist the Government of Cameroon to organize and staff its highway department and to give on-the-job training to Cameroonians.

Mr. PASSMAN. Where will you find that on page 261?

Mr. MOSSLER. That is not there.

Mr. PASSMAN. Certainly it is not there, and it would not be there if I had not anticipated it. What engineering firms? Do you have the names?

Mr. GARY. Where is that?

Mr. PASSMAN. Page 261. What he is reading is filled in in red pencil and is not in our books. How many firms are involved in this?

Mr. MOSSLER. We say in the "Status of Project" description what it is for. You asked me what the contract was for.

Mr. PASSMAN. You read out of additions, penciled notes on your page, just now, did you not; the information you just gave us is not in the printed pages, is that right?

Mr. MOSSLER. That is right. You asked specifically on the contract form. I had written a little note.

Mr. PASSMAN. We want these specifics. How many engineering firms are involved?

Mr. MOSSLER. This is a new project, which is being started in fiscal year 1962. At this point I doubt that we have appointed the engineering firms.

Mr. PASSMAN. You do not know the firms?

Mr. MOSSLER. No.

Mr. PASSMAN. You do not know what the money will be spent for specifically?

Mr. MOSSLER. I know it will be for the contract, but I do not know at this point who the contractor will be.

Mr. PASSMAN. What are they going to do? What is the contractor going to do?

Mr. HUTCHINSON. The contractor is going to organize the Cameroonian Highway Department, and give training to the Cameroonians in the operation of the department itself, in the maintenance of the highways and operation of the equipment.

Mr. PASSMAN. Let us find out the purpose of this $600,000. You have given us a statement but you have not told us what is was for.

Mr. HUTCHINSON. It is for the cost of a contract.

Mr. PASSMAN. For what does the contract provide?

Mr. HUTCHINSON. The contract calls for the contractor to provide training to the Cameroonians. It provides for him to develop a plan for the organization of the Cameroonian Highway Department. It will provide for the training of people in the operation of the road-building equipment and how to maintain roads, to grade, and this sort of thing.

Mr. PASSMAN. This is a one-time project you are dealing with?

Mr. HUTCHINSON. It is expected to expire in fiscal year 1967.

Mr. PASSMAN. This is the only money you have asked for, the $600,000, for this field?

Mr. HUTCHINSON. I beg your pardon?

Mr. PASSMAN. Is this the only funds you have asked for for this particular project, engineering project?

Mr. HUTCHINSON. This project you will notice, sir, anticipates $900,000 of obligation in fiscal year 1963, and we estimate another $1.1 million to complete the whole job.

Mr. PASSMAN. How about fiscal year 1962?

Mr. HUTCHINSON. We anticipate obligating $1.7 million.

Mr. PASSMAN. Tell us what you have obligated that money for, specifically.

Mr. MOSSLER. A contract also.

Mr. PASSMAN. We are trying to find out how complete they are.

Mr. HUTCHINSON. There is a $500,000 contract for an engineering firm which, as we have indicated, probably has not yet been selected.

Mr. PASSMAN. For when? Why do you need $600,000, if you have obligated $500,000 and have not yet selected an engineering firm?

Mr. HUTCHINSON. Now you are getting into the technical question of what constitutes an obligation.

Mr. PASSMAN. Did you obligate $500,000 to finance the services of a consulting engineering firm to organize and to initially staff the Highway Department of West Cameroon out of fiscal year 1962 funds?

Mr. HUTCHINSON. We cannot testify as to the exact amounts that have been obligated for each purpose. We can tell you how much has been obligated thus far for that project. That is approximately $1,652,500.

Mr. PASSMAN. Tell us the name of the contractors.

Mr. HUTCHINSON. We will tell you the name of the contractors, sir, if they have been selected.

Mr. PASSMAN. You are obligating funds but you have not yet selected a contractor even to receive the funds obligated out of fiscal year 1962?

PROJECT AGREEMENT AS BASIS FOR OBLIGATION OF FUNDS

Mr. HUTCHINSON. This is correct, sir. You obligate your funds, as I testified in connection with Mr. Rhodes' question previously, on a project agreement with the country before selecting the contractor.

Mr. PASSMAN. You have obligated $1,700,000 for this service?

Mr. HUTCHINSON. Not for this contractual service, for this total project.

Mr. PASSMAN. You have obligated $500,000 out of fiscal 1962 funds?

Mr. HUTCHINSON. We have obligated an estimated $1,652,500 so far.

Mr. PASSMAN. Let us go to the $500,000 that you obligated out of fiscal 1962, to finance the services of a consulting engineering firm to organize and initially staff the highway department in West Cameroon. That is something you have already obligated?

Mr. HUTCHINSON. We have entered into a project agreement with the Cameroonian Government for this entire project of highway development. It has a number of items included in it, one of which will be a contract with an engineering firm. I am sure the obligation for such a contract has been incurred.

Mr. PASSMAN. You have obligated the item mentioned on page 261 in the amount of $500,000?

Mr. HUTCHINSON. We have obligated for the entire project in the amount of some $1,652,500.

Mr. PASSMAN. If you cannot answer the question, why put it in this record when you say specifically $500,000? I am dealing with one item that you say here that you did obligate. I am only asking a very simple question.

DETAILS OF THE PROJECT AGREEMENT ON HIGHWAY PROJECT

Mr. HUTCHINSON. Mr. Chairman, as is indicated on the project sheet, this project consists of a number of things.

Mr. PASSMAN. The $500,000?

Mr. HUTCHINSON. This project is not just the contract service. It includes funds for participants, contract services, and so forth. I testified that we have obligated almost the entire amount of the estimated obligation that we expect to make in fiscal year 1962. So we have obligated for this contract, but we have not just obligated $500,000 for this contract.

Mr. PASSMAN. You broke it down. I am going to read it and ask the question again. This project was established late in fiscal 1962, when $1.2 million was approved for equipment, $500,000 for East Cameroon, and $700,000 for West Cameroon, and $500,000 to finance the services of the consulting engineering firm to organize and initially staff the Highway Department in West Cameroon. Am I reading correctly that you did break it down here?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Why is it that you cannot tell us with regard to the $500,000 to finance the services of the consulting engineering firm to organize and initially staff the Highway Department of West Cameroon, to what engineering firm this figure you use was obligated?

Mr. HUTCHINSON. Because, as I have tried to testify, Mr. Chairman, this project does consist of the three things which I have men-

tioned here. We have entered into a project agreement with the country concerned in order to provide assistance in these forms to them. That project agreement constitutes the obligation for the entire amount, some $1,652,500. That is what I am testifying to.

Having entered into that project agreement, there are all kinds of additional steps that have to be taken before the funds actually are spent. Technicians are recruited, contracts are entered into with the engineering firm, and so forth. All kinds of steps take place after the project agreement has been entered into.

Mr. PASSMAN. Give us the name of one contractor to whom you have obligated the $1,700,000 prior to your 1963 request.

Mr. HUTCHINSON. Sir, I think I have testified repeatedly that it is not the obligation with the contractor, that it is the project agreement with the country which is the obligating document.

Mr. PASSMAN. Do you think it is to much for this committee to ask you the name of the contractor?

Mr. HUTCHINSON. It is not too much for you to ask if the contractor has been selected. I am reasonably sure that he has not been selected.

BASIS FOR FISCAL YEAR 1963 REQUEST FOR HIGHWAY PROJECT FUNDING

Mr. PASSMAN. He has not been selected, and you have obligated $1,700,000, and you have not spent one nickel. Yet you load on an additional $600,000 on top of it.

Mr. HUTCHINSON. Because we have to have additional obligations next year for continuing this project.

Mr. PASSMAN. You have $500,000 available for the specific thing to which you are testifying?

Mr. HUTCHINSON. You notice we say for fiscal year 1963 there will be 10 contract technicians and 10 participants and $155,000 for training equipment, which is included in the amount we have next year.

Mr. PASSMAN. Now you have explained that $155,000. So, tell us about the $600,000. Let us break that down and be just as complete.

Mr. HUTCHINSON. As we have testified, this will be for additional cost of the contract.

Mr. PASSMAN. But at the present time you do not know whether or not it is an estimate, or firm. You do not even know who the contractor is going to be.

Mr. HUTCHINSON. We do not know who the contractor is going to be.

Mr. PASSMAN. Because you have not selected the contractor, even to disburse the $1,700,000 of 1962 funds you have obligated.

Mr. HUTCHINSON. We have not yet selected the contractor, sir, but the contractor will have costs in 1 year and in another year, which we have to fund.

Mr. PASSMAN. You are just loading funds on top of funds. You have not even selected a contractor. Yet you blocked off $1,700,000 you do not know anything about other than it is for a contractual service, and you have not selected any contractor. Now you are stacking $600,000 on top of it. I think we finally have established that fact.

Mr. RHODES. Will the gentleman yield?

PROJECT AGREEMENT IS LEGAL OBLIGATING DOCUMENT

Mr. RHODES. Is this not an extension of the already extended definition of obligation of funds? I thought when you obligated funds you were supposed to have obligated them to a particular project or a particular contractor. Now I think you are saying you have obligated the funds because you have obligated them to the country without ever having picked out any individual or any firm to do the work.

Mr. PASSMAN. It is a kitty from which you draw.

Mr. RHODES. Is not this an expansion of the term "obligation of funds"?

Mr. PASSMAN. That is what I think. Of course, the law permits it.

Mr. HUTCHINSON. I do not get your point, sir.

Mr. RHODES. I think Mr. Tennant gets the point.

Mr. TENNANT. This type of obligation is recognized under section 1311 of the Supplemental Appropriation Act of 1959 by the General Accounting Office as a legal obligation. We have used this type obligation for a great number of years.

Mr. PASSMAN. I want to respectfully ask Mr. Tennant, the Comptroller who has to deal with these figures: Could you tell us what you propose to obligate the $600,000 for, and break it down for us?

Mr. TENNANT. I have to yield to Mr. Hutchinson on that point.

Mr. PASSMAN. He cannot answer the question. We are trying to find out, gentlemen, whether or not you are just creating a kitty for each country, where you actually have no project, no programs, no contractors, no demand to draw a check, but you have blocked off $1,700,000 for a plan, but you do not know whether it is to be for a highway, graders, personnel. You load $600,000 on top of it. The $900,000 and $600,000 makes a total of $1.5 million.

Mr. HUTCHINSON. I do not see how you can take the position that we are required to have selected the contractors before we set up the funds to obligate the contract.

Mr. PASSMAN. We could forgive you on the first part, fiscal 1962. That would be bad enough, however, to give you money for a purpose that you do not know what you are going to spend it for. It is a plan, a highway department, there are no contractors. It is bad enough to do that. But, gentlemen, when you ask us now to add to that kitty an additional $600,000, when you do not know any more about it than the man in the moon, it just appears to me that before we get through with these questions we shall finally be unanimous that none of us knows anything about it.

PARTICIPANT TRAINING PROJECT IN WEST CAMEROON

Let us go to one other project to see how well you understand the program. Let us go to West Cameroon and get down to a smaller item. How many participants will receive training in the United States for the $30,000 you are requesting for West Cameroon?

Mr. HUTCHINSON. Is this the one, the education project? Four, sir.

Mr. PASSMAN. How many participants will you bring over for that?

Mr. HUTCHINSON. Four.

Mr. PASSMAN. That is $7,500 each to bring them. How long will you keep them here?

Mr. HUTCHINSON. These people can stay up to as much as 2 years, as a normal thing.

Mr. PASSMAN. Let us get these four now. How long do you intend to keep these four? Is this a slice toward maybe a larger amount, maybe?

Mr. HUTCHINSON. We do not know how long these four participants will be here.

Mr. PASSMAN. You do not know how long they are going to be here, yet you are asking for $30,000 for financing. Is this $30,000 going to pay for the total cost of the four participants stay here?

Mr. HUTCHINSON. We could get that detail from the project descriptions we have back in the office. I do not have it with me here.

Mr. PASSMAN. I do not see how we can ever mark the bill up.

CONTRACT TECHNICIAN COSTS

Let us get to the contract service for $50,000.

Mr. HUTCHINSON. We expect to contract with three contract personnel who will be conducting training services in the Cameroon itself as opposed to bringing people to the United States.

Mr. PASSMAN. That is $16,000 apiece there. What kind of training are they going to do?

Mr. HUTCHINSON. $16,000 is a relatively low estimate on the usual cost of contract technicians.

Mr. PASSMAN. I do not agree with that, the way we give away money. That is chickenfeed but, nevertheless, let us find out how long they are going to be out there. Does that cover the total cost?

Mr. HUTCHINSON. If you want that kind of project detail submitted to the committee, you will have to let us know in advance so that we can get it.

Mr. PASSMAN. You are not going to tell us that we have to supply you in advance what we are going to ask you. If you say you do not have it, we will make the decision as to whether we want it brought down. We want this information brought down.

Mr. HUTCHINSON. All we say is that you have to let us know.

Mr. PASSMAN. We are going to be fair, but we are not going to bring our case out and let you study it and come down with a lot of answers.

Mr. HUTCHINSON. May I respectfully ask this question?

Mr. PASSMAN. Yes.

Mr. HUTCHINSON. Is it your intention to give us the opportunity to provide you with the information we have so we can present it to you, or is it your intention to have some sort of tactic here?

Mr. PASSMAN. I will ask a question, and if you do not have the answer, as you say you do not, but you have it downtown, it is obvious we want the information; so bring it up to the committee.

COMMODITIES FOR WEST CAMEROON

You are asking for $85,000, West Cameroon, for commodities. A few days ago you said specifically that you did not know what kind of commodities; that people out in the field decided what commodities they wanted, and all you did, in effect, was block off the money. We

asked you to send a telegram or cablegram to one of the countries to ascertain from their worksheet what kind of commodities they had requested against the $100,000. Have you received a reply?

Mr. HUTCHINSON. Yes, sir; we have it. I will be glad to submit it and read it into the record.

Mr. PASSMAN. You have copies for the committee?

Mr. MOSSLER. We provided those in the normal insert form. We have an additional copy here.

Mr. PASSMAN. Does this fall in the same category as the other information? That is, that this is a field worksheet by which you block off the money and you do not know what the commodities are until you ascertain from the field?

Mr. HUTCHINSON. We do now know the commodities.

Mr. PASSMAN. This is the same category?

Mr. HUTCHINSON. This is correct, sir. The same testimony I made with respect to the necessity for that policy stands. I will be glad to read the breakdown to you, sir.

Mr. PASSMAN. Insert it in the record. All we want is to have it indicated for the record that you people do not know what you obligated money for, that you had to wire the people to find out what they wanted against the money.

Mr. HUTCHINSON. May I read it into the record?

Mr. PASSMAN. Yes, you may.

DETAILS OF COMMODITY PROCUREMENT IN MALAGASY

Mr. HUTCHINSON. The $100,000 for equipment in the Malagasy training project, for which we were asked to submit information, is broken down into 8 16-millimeter film projectors and spare parts, $4,400; 150 agricultural training films, $16,500; 8 slide projectors with spare parts, $900; 100 35-millimeter slide sets, $3,000; 100 35-millimeter filmstrips, $3,500; 8 cinema screens, $800; 8 loudspeaker systems, $1,600,000.

Mr. PASSMAN. What kind of screen for a hundred dollars?

Mr. HUTCHINSON. I cannot testify.

Mr. PASSMAN. How many screens?

Mr. HUTCHINSON. Eight screens.

Mr. PASSMAN. How much?

Mr. HUTCHINSON. $800.

Mr. PASSMAN. Would you send out another cablegram and find out what kind of screens? It helps us to understand the program. It looks like some fellow got jammed up and started to put down figures. It could be a screen for a barn or a window.

Mr. HUTCHINSON. I said cinema screens. They are for a training project, using all kinds of training aids. They need screens on which to project the pictures.

Mr. PASSMAN. Is that not rather expensive, $800?

Mr. HUTCHINSON. In Malagasy, this far away, I would doubt it, sir.

Mr. PASSMAN. Go ahead.

Mr. RHODES. What did you say the public address system cost?

Mr. HUTCHINSON. $1,600,000. I am sorry. $1,600. I put three zeros on it.

Mr. PASSMAN. How many speakers?

Mr. HUTCHINSON. Eight systems. Eight portable generators, $2,800; four projectors, $1,000; eight voltage regulators, $800; 2 audiovisual units, $15,000; 8 transformers, $400,000; agricultural periodicals, $5,000; translation, local printing services, $5,000; 6 demonstration units (sets), $7,000; 200 plows, $4,000; 40 cultivators, $800; 1,560 threshers and weeders, $18,600, for a total of $91,100 and an estimated freight cost of $8,900.

Mr. ROONEY. You mentioned the figure $400,000. That cannot be correct.

Mr. HUTCHINSON. It is $400.

Mr. PASSMAN. You say $5,000 for agricultural periodicals?

Mr. HUTCHINSON. Yes, sir.

Mr. ALEXANDER. What was the number and amount for the cultivators?

Mr. HUTCHINSON. Forty cultivators for $800, which would be $20 apiece.

Mr. PASSMAN. Where do the cultivators go?

Mr. HUTCHINSON. They go to the farmers there in the program.

Mr. PASSMAN. Are those periodicals published in English?

Mr. HUTCHINSON. These would probably be French publications since this is Malagasy.

Mr. PASSMAN. That is a sizable subscription cost there, is it not?

Mr. HUTCHINSON. $5,000, yes.

Mr. PASSMAN. The policy is that these people make the request, you do not know what it is for, you enter into the obligation, and without a request of this committee you would never have known what they obligated the money for, would you?

Mr. HUTCHINSON. Yes, sir, we would have known when the requests for procurement were received. We would receive these things in advance.

Mr. PASSMAN. What if you found out that they had overestimated the need by 50 percent? Would it not be better to establish this in advance of obligating the money, rather than entering into an obligation and then finding out what they spent it for?

Mr. HUTCHINSON. Sir, I think that there is an obvious limitation on the detail in which any request can be reviewed.

(The complete tabulation follows:)

MALAGASY AGRICULTURAL EXTENSION EQUIPMENT

The information requested concerning the projected $100,000 in fiscal year 1963 for demonstration and training equipment for the Malagasy agricultural extension project follows:

No.	Item	Cost
8	16 mm. film projectors, spare parts	$4,400
150	Agricultural training films	16,500
8	Slide projectors, spare parts	900
100	35 mm. slides sets	3,000
100	35 mm. film strips	3,500
8	Cinema screens	800
8	Loudspeaker systems	1,600
8	Portable generators	2,800
4	Projectors	1,000
8	Voltage regulators	800
2	Audiovisual units	15,000
8	Transformers	400
-------	Agricultural periodicals	5,000
-------	Translation, local printing	5,000
6	Demonstration units (sets)	7,000
200	Plows	4,000
40	Cultivators	800
1,560	Threshers, weeders	18,600
	Total	91,100
-------	Freight estimate	8,900
	Total	100,000

Mr. PASSMAN. Could you tell us just one little item here. We are dealing in some small figures. I think you have unobligated from fiscal 1962, $35,000. For what purpose was that obligated? Do any of your supporting witnesses have any information?

Mr. HUTCHINSON. I am not sure of the figure.

Mr. PASSMAN. Page 262, $35,000 carried as unliquidated. The obligation is $40,000. You have expended $5,000. Could you tell us what the carryover represents?

Mr. HUTCHINSON. I could not. I do not think we show it by cost component.

Mr. PASSMAN. Thank you very much, gentlemen. We shall notify you of the next meeting.

JUNE 27, 1962.

Mr. PASSMAN. The subcommittee will come to order.

Let me say that, in my opinion, we have too many experts in Government, and too few people of commonsense.

We are always trying to make two and two add to five, or make two wrongs add to one right.

TREASURY RECEIPTS AND WITHDRAWALS

I have read somewhere about the "myth" of the public debt. I did not think too much about that until I received the Treasury statement on June 15. Deposits had been $92,578,343,615.84. We had withdrawn $103,351,773,722.04. We operated the Government for 5 days, from June 15 to June 20, and the net deposits on June 20, during this fiscal year, amounted to $95,417,197,002.56 but the total withdrawals on June 20 amounted to $103,102,381,342.83.

So, it would appear that we have worked out a new system whereby the older a fiscal year gets, the less it takes to operate the Government.

We had spent more money on June 15 by nearly a quarter of a billion dollars than we had spent on June 20, according to the Treasury statement.

I hope there is some explanation of this matter, gentlemen, and that it is not attributable to any such a thing as holding up bills and canceling vouchers.

HIGHWAY DEVELOPMENT PROJECT IN CAMEROON

Yesterday morning we were discussing the highway development project in Cameroon. Mr. Hutchinson, I believe you testified that $1.7 million had been obligated in late fiscal year 1962 for the project, but you could not give the committee any details as to the subobligations under the project, according to the project book, are: $500,000 for road equipment in East Cameroon; $700,000 for road equipment in West Cameroon; $500,000 for a contract with a consulting engineering firm.

On what date was the $1.7 million contract entered on the books as an obligation?

Mr. HUTCHINSON. I do not have that information; do you?

Mr. MOSSLER. I do not have the exact information but I can be pretty sure of the month that it took place.

Mr. PASSMAN. Have a guess. What is it?

Mr. MOSSLER. I would say that it was obligated in the month of May.

Mr. PASSMAN. What did you say, about 1 month ago?

Mr. MOSSLER. Yes, sir.

Mr. PASSMAN. Have you subobligated any of the funds as of this date?

Mr. MOSSLER. The documentation, at the time we entered into the obligation in the field, was done by the Mission Director. It normally would meet the purposes of subobligation as well. As of this point, the contract has not been signed for this particular project.

Mr. PASSMAN. The money is obligated, but you obligated it in May to a project?

Mr. MOSSLER. Yes, sir.

Mr. PASSMAN. You did not break it apart so far as the subcontracts are concerned?

DETAILS OF CONTRACT SERVICES

Mr. HUTCHINSON. We can give you, sir, so far as the contract services are concerned, the purposes for which this obligation will be expended. This project breaks down into two phases; the initial phase being to provide for the contract services of a chief highway engineer or project manager, two location engineers, a structural design engineer, and an economist to provide technical help in the selection of routes, road construction methods, bridge and culvert design, and for the construction of feeder roads by a voluntary labor force in the West Cameroon.

There will be an additional item also in this contract which will be a separate, detailed, engineering survey of a road in the West Cameroon.

Mr. PASSMAN. Where you are going to have four people, why do you need one economist?

Mr. HUTCHINSON. Sir, there are economic judgments involved. These include questions as to where roads should be put, whether or not it is worthwhile to build this type of road, as opposed to another type of road, or whether or not the area to which a road is likely to go is going to open up areas for development. It seems to us that the economic considerations in deciding to build roads are just as important as the matter of technical knowledge.

Mr. PASSMAN. That is just like hitching a horse to the back of a wagon. You go ahead and obligate the money before you even employ an economist to ascertain whether or not the project is feasible, or whether or not it is profitable.

Mr. HUTCHINSON. No, sir.

Mr. PASSMAN. You have an economist, who is yet to be employed, do you not?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. This economist is going to determine whether or not it is feasible, where it should be located, and then no doubt you will have some idea as to the element of cost? It would appear to me that the economist should be employed first to ascertain whether or not they need a road and, if so, where to build it and who would use it.

You have not hired the engineers, have you?

Mr. HUTCHINSON. No, sir.

Mr. PASSMAN. All this is in the future?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Is this an illustrative program?

Mr. HUTCHINSON. No, sir. This is a project we intend to carry out and funds will be obligated, or have already been obligated for this initial phase.

PURPOSE OF HIGHWAY PROJECT

As we have indicated, the first phase of this project is to provide training and assistance to the Cameroonian Highway Department which needs engineers in order to assist them in their work in connection with the roads. They need the economist to help them in deciding which particular roads it would make sense to build, what type of roads it makes sense to build from an economic point of view, and that is what this phase of the project is. It is not the construction of a road.

The second part of this first phase is to conduct a detailed engineering survey of a particular road. Under these circumstances, it is quite appropriate that we provide them with engineers and economists in order to make these kinds of studies and to train them how to make them themselves, and how to operate their highway department in the future.

DETERMINING FEASIBILITY OF ROAD PROJECT

Mr. PASSMAN. Even a man with my limited ability would know that you would need an engineer before you could design a highway. You have an economist out there to decide whether or not you are going to need the highway that the engineers are going to design, but

what do you do if the economist should say that this is not feasible, and there is no record to indicate that it could be justified?

Mr. HUTCHINSON. Sir, he might very well come up with a judgment that a particular road was not feasible.

Mr. PASSMAN. I am talking about this particular item and we are going to stay on this one item, if we may, $1.7 million.

Mr. HUTCHINSON. Sir, it is not the function of this economist to tell us whether this project is economically feasible.

Mr. PASSMAN. What if he says it is not?

Mr. HUTCHINSON. The project is not that sort of thing. The project is to advise the Cameroonian Government on whether or not roads——

Mr. PASSMAN. What if he says it is not feasible or desirable?

Mr. HUTCHINSON. This particular project?

Mr. PASSMAN. Yes.

Mr. HUTCHINSON. If they say this project is not feasible, we could cancel out the agreement.

Mr. PASSMAN. Is this not just like having the druggist fill a prescription before the doctor diagnoses the case?

Mr. HUTCHINSON. No, sir; you are not getting my point——

Mr. PASSMAN. I am getting it better than you think I am.

Mr. HUTCHINSON. As to what the nature of the project is.

Mr. PASSMAN. You do not know yourself, because you said this is something you have not pinned down to specifics. You have not employed the engineers. You have not employed the economist, and without the economists and the engineers, how can you explain the project?

Mr. HUTCHINSON. The project is for the employment of the engineers and the economist to work with the Cameroonian Government to teach them how to approach the construction of roads, how to decide where roads should be built, what types of roads should be built, and what kind of an analysis should be made. Finally, in this first phase, it includes a specific survey on a specific road.

ESTIMATED COST OF ROAD SURVEY

Mr. PASSMAN. What did the survey cost?

Mr. HUTCHINSON. It is estimated the survey will cost $200,000.

Mr. PASSMAN. The survey has not yet been made?

Mr. HUTCHINSON. The survey has not yet been made.

Mr. PASSMAN. Again, it is an estimate?

Mr. HUTCHINSON. Yes, sir; it is an estimate.

Mr. PASSMAN. To me, this is a pie-in-the-sky proposition. You have blocked off a certain amount of money for a project that may, or may not, come into being at some subsequent date and then you will make a survey?

Mr. HUTCHINSON. No, sir.

Mr. PASSMAN. How can you determine what the cost is going to be prior to a survey?

Mr. HUTCHINSON. We have not testified, sir, that we know what the cost of the road is going to be.

COST OF TECHNICIAN SERVICES

Mr. PASSMAN. For what purposes is the other $300,000 going to be used?

Mr. HUTCHINSON. The other $300,000 is for the services of a chief highway engineer and project manager, two location engineers, a structural design engineer, and an economist. This is what the additional $300,000 is for.

Mr. PASSMAN. For how long a period are you employing them?

Mr. HUTCHINSON. This is for 2 years.

Mr. PASSMAN. That is 10 people for $300,000 or $30,000 a year?

Mr. HUTCHINSON. This is an average of about $30,000 a technician, which is well within the range of the cost of contract technicians working overseas.

Mr. PASSMAN. I think if it were $60,000 it would be within the range, the way you people do things down there.

Mr. HUTCHINSON. Sir, this is well within the range of costs we have had to incur in the past in getting this kind of specialist to work overseas.

Mr. PASSMAN. Ten technicians at $30,000 a year.

What other benefits do they get?

Mr. HUTCHINSON. This includes other——

Mr. PASSMAN. Take one person and break down the $30,000.

Mr. HUTCHINSON. The contract has not yet been let so I cannot tell you the details per individual.

Mr. PASSMAN. I realize it must be embarrassing not to have any information on this.

Mr. TABER. How long is this going to be?

Mr. PASSMAN. That is the 1963 estimate for $600,000?

Mr. TABER. You do not know?

Mr. HUTCHINSON. No, sir. We do not yet know the length of the road that is to be surveyed. This will be determined as the survey proceeds.

Mr. TABER. Is it a 10-mile road, a 20-mile road, a 100-mile road, or what?

Mr. HUTCHISON. It is much longer than a 10- or 20-mile road. I would have to look at the map to see the exact length.

Mr. PASSMAN. You do not know the width, you do not know the length, the cost, who the constractors will be, or the subcontractors, or the economist, or the engineers, and the survey is to be made later?

Mr. HUTCHINSON. This is what the $200,000 is being spent to find out, sir. We are not financing the road.

JUSTIFICATION FOR FISCAL YEAR 1963 FUNDS

Mr. PASSMAN. Will you please tell the committee why, at this stage, you are asking for additional funds for a project for which you have had no survey and no engineering data, and you do not know the width, the length, or what it is going to cost?

Mr. HUTCHINSON. We are not asking for additional money for a project not surveyed. We are asking for the money as a part of the project to survey a particular road, in addition to the other things.

Mr. PASSMAN. You said you were not asking for money and nothing had been surveyed, that there has been no survey, and you do not know

the width, and length. If there has been no survey and you do not know the width and the length of the road, who the contractors will be, then what do you need additional money for out of 1963 funds?

Mr. HUTCHINSON. We do not need additional money in fiscal year 1963.

Mr. PASSMAN. Are you going to obligate——

Mr. HUTCHINSON. This is not what we are asking money for in fiscal year 1963.

Mr. PASSMAN. For what purposes do you want $900,000?

Mr. HUTCHINSON. The $600,000 for this particular contract——

Mr. PASSMAN. I am asking about the $900,000.

Mr. HUTCHINSON. Of the $900,000, there is $600,000 for contract services on this particular project we are now discussing.

This is two-thirds of the total.

What we are asking for here is a new phase of this assistance that we have just been discussing which will emphasize training and maintenance operation.

Mr. PASSMAN. New phase?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Would we get the same answers if I should examine you on the item we just mentioned, as I would on the others, that there is no survey, and there has been no firm estimate, no employment of engineers, or——

Mr. HUTCHINSON. You would get the answer that there has been no survey because this is not the sort of project that you survey.

Mr. PASSMAN. How do you know? You have been talking about surveys.

There has been no engineering firm, or contractors, or subcontractors, yet employed?

Mr. HUTCHINSON. That is correct.

Mr. PASSMAN. This is nothing more than an obligated amount, in the hope that it can be utilized if and when such a project reaches a planning board?

Mr. HUTCHINSON. It has reached the planning board, sir. The scope of work has been worked out, as has the number of people required and the sort of work they are expected to do.

Mr. PASSMAN. You are speaking of preliminaries and we are speaking of positives.

Mr. HUTCHINSON. I am speaking of positives, also.

Mr. PASSMAN. How could you get it on the planning board when you do not have an economist or engineer? You are dealing with those later?

Mr. HUTCHINSON. Sir. I am unable to make myself clear on the subject that this project is——

Mr. PASSMAN. I agree with you.

TECHNICAL ASSISTANCE PROJECT FOR HIGHWAY DEVELOPMENT

Mr. HUTCHINSON. This is a project for providing engineerings and economists to train these people in this country as to how to approach their problems. This is in connection with road construction and it is a project for financing a survey of a particular road.

Mr. PASSMAN. Is the $600,000 to be used for additional money to the 10 contract technicians?

Mr. HUTCHINSON. No, sir.

Mr. PASSMAN. For what purpose is the $600,000 to be used?

Mr. HUTCHINSON. The $600,000 is to expand the program into the maintenance field and provide assistance in the direction of an overall highway development program in the West Cameroon.

Mr. PASSMAN. This $600,000 is to expand it?

Mr. HUTCHINSON. Into the road maintenance sector.

Mr. PASSMAN. That is yet to be set up?

Mr. HUTCHINSON. They have roads now.

Mr. PASSMAN. We know they have roads. I am talking about the prior project we have discussed.

Mr. HUTCHINSON. It is not yet in the maintenance field.

Mr. PASSMAN. This will be in the same general direction as the other?

Mr. HUTCHINSON. Yes, it is included in the same project.

Mr. PASSMAN. Specifically, for what purposes will you spend the $600,000?

COST OF TECHNICIANS

Mr. HUTCHINSON. We will spend the $600,000 for 10 additional technicians, including a road designer.

Mr. PASSMAN. For how long will you have them?

Mr. HUTCHINSON. For 2 additional years.

Mr. PASSMAN. What is the cost?

Mr. HUTCHINSON. Ten people for 2 years at $600,000 is $30,000 per technician.

Mr. PASSMAN. A technician will get $60,000 for 2 years' service?

Mr. HUTCHINSON. It will cost us $60,000 to get him over there, to pay the overhead on the contract with the firm, and $30,000 per technician is about the average that contract technicians have been costing us over the past few years.

Mr. PASSMAN. Are you going to pay $60,000 per technician for 2 years, and all the incidentals will be built into the $60,000

Mr. HUTCHINSON. That is correct.

Mr. GARY. Is his maintenance included in that while he is over there?

Mr. HUTCHINSON. Yes, sir.

Mr. GARY. That is the entire cost?

Mr. HUTCHINSON. The entire cost to us of the technicians being maintained, getting there, getting home.

Mr. GARY. And his maintenance while he is there?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Could you give us a breakdown of the wage scale of these five personnel?

Mr. HUTCHINSON. We have a chief engineer-project manager, two location engineers, a structural design engineer, and an economist.

Mr. PASSMAN. As these people are yet to be selected for a project that has not yet been surveyed or designed, it would take the economist to decide whether or not the project should be developed.

Will you give us a breakdown as to the salary scale of the five? They will be employed no doubt in different salary ranges. They will not all get the same salary?

Mr. HUTCHINSON. They probably will not. We do not have information as to the salaries they will be paid because the contract has not been entered into.

Mr. PASSMAN. I do not see how you ever arrive at the costs. It is hard to pin something down that has not been surveyed or designed. You do not know the length of the road or the width of the road.

Mr. HUTCHINSON. I would like to say in that connection, as I testified before repeatedly, this is not a project to build a road.

Mr. PASSMAN. I know it is not a project to build a road. I heard you answer Mr. Taber's question specifically, that you did not know the width of the road, the length of the road, and the road would be longer than 10 miles. I do not know how you can reconcile something you said would be longer than 10 miles with no road.

FEASIBILITY SURVEY

Mr. HUTCHINSON. This is not a project to build a road. There is included in this project a survey of the possibility of construction of a road. This survey is to cost $200,000.

I do not know at this point how long the road will be whenever the survey is conducted. I would have to get a man to see the approximate distance.

Mr. PASSMAN. It would be the economist who would decide it should not be built at all?

Mr. HUTCHINSON. The feasibility survey might conclude it should not be built.

Mr. PASSMAN. But you have obligated money for it?

Mr. HUTCHINSON. To make a study, not to build a road.

Mr. PASSMAN. $1.7 million in this category of projects?

Mr. HUTCHINSON. In this category of projects.

Mr. MILLER. I might put this somewhat more in context.

This is a project to assist the Government of the Cameroons. The Cameroons have one of the lower numbers of miles of improved roads in Africa. They have about 36 miles of improved roads per 1,000 square miles. In the United States, we have approximately 1,000. It is important that the transportation system in this country be augmented and upgraded.

This project is for the purpose of assisting the Government to establish a highway department and not produce any specific road.

It might have somehow or other become the impression here that the project is for a road. It is not. It includes a survey for a possible road at some time in the future.

Mr. PASSMAN. In your justification you say:

The firm is undertaking a detailed engineering survey related to a proposed loan application for the Kumbe-Mamfe.

Mr. HUTCHINSON. That is what I testified. There is $200,000 to conduct the feasibility survey. There is nothing in here for the construction of the road itself.

DETAILS OF PROJECT COST IN FISCAL YEAR 1962

Mr. PASSMAN. $200,000 is for a survey. Then, what is the other $1.5 million for? Will you give us a complete explanation on that amount?

Mr. HUTCHINSON. The other $1.5 million is indicated at the top of the page. There is $1.2 million which is broken down. It is for the contract that we have been discussing, $500,000. Another $500,000 is for highway equipment for East Cameroon and $700,000 for West Cameroon.

Mr. PASSMAN. All of these contracts are to be entered into at a subsequent date—firm contracts?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. At this time, there has been nothing but an entry made, just to get the project going?

Mr. HUTCHINSON. There has been a project agreement entered into with the country in which there is a description of the work to be done and of the equipment to be provided. That agreement has been entered into between us and the Cameroon Government.

AWARENESS OF RECIPIENT COUNTRIES OF AID PLANNED

Mr. PASSMAN. This does not fall in the same category as the items we were discussing the other day, where you kept it a strict secret from the Government until you got the appropriation, and after you got the appropriation you would let them in on the secret of what we have been planning for them?

Mr. HUTCHINSON. I was testifying as to fiscal year 1962 on the obligations already incurred.

Mr. PASSMAN. This falls in a different category?

Mr. MOSSLER. I think we were talking of a fiscal year 1963 project.

Mr. HUTCHINSON. And the question you asked me was directed toward fiscal year 1962, and the figures I have given you have been directed toward fiscal year 1962.

Mr. PASSMAN. I assume you have the same policy in 1963 as in 1962.

Mr. HUTCHINSON. The funds have already been appropriated in fiscal year 1962 and are available for obligation.

Mr. PASSMAN. The development credits, or loans, are in a different category than the type of aid we were talking about the other day, where we did not let the country know what we had planned until you got the appropriation?

Mr. HUTCHINSON. We would not let the country know what we are asking for obligation against any project in fiscal year 1963, sir.

ADDITIONAL FUNDS FOR EQUIPMENT

Mr. PASSMAN. Why is an additional $155,000 necessary for equipment?

Mr. HUTCHINSON. As the project proceeds, sir, we expect we will need additional equipment to assist in the maintenance phases of the operation.

Mr. PASSMAN. But you are getting an additional $155,000 prior to the purchasing and use of any of the equipment; is that correct?

Mr. HUTCHINSON. Yes, that is correct.

Mr. PASSMAN. What brought this about, an underestimate of what the equipment would cost originally?

Mr. HUTCHINSON. It would be for basically different types of equipment. We are asking for equipment in fiscal year 1962 basically related to the types of activity required for construction and operation of a highway department. This is more than maintenance type of equipment. We are asking for that in fiscal year 1963.

I also would hasten to add this project has been delayed longer than we expected it to be. As a result there might be some changes in the requirements for equipment when we get into fiscal year 1962 over the figure which is shown here for fiscal year 1963 as a result of this delay. That is a possibility.

Mr. PASSMAN. Inasmuch as the $155,000 is also for equipment, could you ascertain from the field what type of equipment the $1.2 million would procure and what type of equipment the $155,000 would procure?

Mr. HUTCHINSON. I am sure we could.

Mr. PASSMAN. You will have to inquire from the field?

Mr. HUTCHINSON. We will.

(The information supplied follows:)

BREAKDOWN OF COMMODITIES—HIGHWAY DEVELOPMENT PROJECT—CAMEROONS

In fiscal year 1962, a total of $1,112,500 for highway equipment has been obligated for the following:

(1) $41,000 for two sets of laboratory equipment ($20,500 per set) to provide needed information on the use of materials in the maintenance and betterment of Cameroon's roads and highways through the establishment of laboratories at Yaounde (East Cameroon) and Victoria (West Cameroon) capable of analysis of the relevant properties of soils, asphalt, and concrete. Each set of laboratory equipment will contain the following:

Quantity:	*Description*
1 each	Sample splitter, ½ inch.
1 each	Sample splitter, 1 inch.
1 each	Motorized dynamic sieve shaker.
1 each	Single-wall oven (19 by 18 by 15).
1 each	L. A. abrasion.
1 each	Laboratory crusher.
6 each	Pans, galvanized (24-by-24-by-4-inch).
4 each	Soil mortar.
4 each	Soil pestle.
1 each	Soil mixer, electric.
1 each	Mixing paddle for CL 272.
1 each	Dispersion cup for CL 272.
1 each	Soil hydrometer (—0.5/60).
1 each	Soil hydrometer (0.995/1.038).
6 each	Hydrometer jar.
1 each	Jars of sodium silicate solution in polyethylene flash.
1 each	Hydrometer jar bath.
3 each	Thermometer (10 to 110c).
1 each	Pychometer top and jar.
1 each	Specific gravity bottle.
1 each	Air meter.
1 each	Density basket.
1 each	Concrete mixer.
10 each	Cylinder molds, 6-inch heavy duty.
1 each	Cylinder capping set.
2 packages	Capping compound.
1 each	Tension compression tester.
1 each	Flexure attachment for beams up to 6 by 6 inches.
1 each	2-inch cube set.

Quantity:	*Description*
1 each	20,000-pound capacity gage for use in flexure or 2-inch cube testing.
1 each	6-inch cube set.
1 each	Tension grip for ⅝-inch rod.
1 each	Tension grip for 1-inch rod.
2 each	Slump cones.
4 each	Tamping rods.
4 each	Folding rules.
1 each	Measure 0.10 cubic feet.
1 each	Measure 0.50 cubic feet.
1 each	Measure 1.00 cubic feet.
1 each	Scales, triple beam (2610/0.1 gram).
1 each	Scales solution (2069/1 gram).
1 each	Scales, triple beam (201/0.01 gram).
1 each	Scales, analytical (2009/0.10 milligram).
1 each	Scales, platform beam (202/01 pound).
1 each	Sieves, 8-inch diameter U.A. Std.: (2 each) 4-, 3½-, 3-, 2½-, 2-, 1½-, 1-, ¾-, ½-, ⅜- and ¼-inch; (2 each) Nos. 8, 16, 30, 50, 60, 80, 100, and 120; (4 each) Nos. 4, 10, and 40; (6 each) No. 200; (4 each) brass pan; (4 each) brass pan lid.
2 each	Standard compaction mold.
1 each	Standard compaction hammer.
1 each	Modified compaction mold.
1 each	Modified compaction hammer.
20 cans	Aluminum moisture can.
4 each	Straight edge, 12-inch.
4 each	Mixing trowel, 4½-inch.
6 each	Mixing pane, 5- by 16- by 5-inch.
1 each	Sample ejector, hydraulic.
12 each	Utility bucket 10.
6 each	Post spade, 6- by 14-inch blade.
24 each	Shovels, square point long blade handle.
24 each	Shovels, round point D. handle.
24 each	Large picks.
6 each	Auger blade, 4-inch.
2 each	Auger blade, 6-inch.
24 each	Extensions, 3 foot, for DR 4 and DR 6.
6 each	Auger wrenches, 14-inch.
4 each	Prospectors pick.
4 each	Scoop.
4 each	Rubber mallet.
2 each	Steel chisel.
24 each	Field cans, 1-gallon.
12 each	Spoon, 12-inch.
1 each	Saw, wire, open-type.
4 each	Spatula, trimming.
4 each	Table brush, 8-inch.
6 each	Cleaning brush.
1 each	Calipers, English and metric.
4 each	Battery filler.
6 each	Beaker, 100-milliliter.
6 each	Beaker, 250-milliliter.
8 each	Graduate cylinder, 25-milliliter.
8 each	Graduate cylinder, 100-milliliter.
4 each	Graduate cylinder, 250-milliliter.
4 each	Graduate cylinder, 500-milliliter.
8 each	Beaker, glass, 250-milliliter.
8 each	Beaker, aluminum, 250-milliliter.
1 each	Volumetric flask, 50-milliliter.
1 each	Sand absorption cane and tamper.
1 each	Liquid limit device/tool.
1 each	Extra grooving tool for CL 207.
2 each	Plastic limit plate.
2 each	Monel shrinkage disk.
2 each	Crystallizing dish.

Quantity:	Description
1 each	Shrinkage prong plate.
1 each	Bar shrinkage mold.
1 each	Mixing dish.
1 each	Volumeasure.
2 dozen	Density balloons for CN 980.
2 each	Graduate cylinder for CN 980.
2 each	Gasket set for CN 980.
1 each	Rubber assembly for CN 980.
1 set	CBR apparatus, hydraulic.
1 each	Dial gauge.
4 each	Cutting edge for CBR mold.
8 each	CBR mold.
2 each	Laboratory tongs.
2 dozen	Pencil, glass marking.
4 pair	Rubber gloves.
4 pair	Asbestos gloves.
2 each	Armored thermometer.
2 each	Cement mold brush.
4 each	Mixing bowls.
1 each	Asphalt and bituminous laboratory.

(2) $25,000 for a mobile laboratory to be made available for use in the northern part of the Federated State of East Cameroon consisting of the following:

Quantity:	Description
1 each	Mobile laboratory truck mounted, soiltest; ML–3 truck laboratory van or equal consisting of—
	(*a*) Truck, International model 164–4WD or later model:
	Wheel base: 171 inches.
	Body type: Conventional cab.
	Frame: Heavy duty reinforced.
	Axle: 4,600 pounds capacity front, 1,300 pounds capacity rear.
	Springs: Heavy duty with auxiliary in rear.
	Tires: 7, 8.25 x 20, 12-ply nondirectional mud tread.
	7 heavy duty puncture sealing tubes. General Tire Co. or equal.
	Windshield: Tinted with dual windshield wipers.
	Fuel tank: 2, 30-gallon tanks with baffles. 1 tank each side of truck, mounted on frame under electric generator set. Connected to 3-way valve within easy reach from driver's seat.
	Tow hooks: 2 tow hooks on front and tow ring on rear of truck.
	Color: Color body except top of van body green.
	Lighting: To conform to U.S. regulations.
	Winch: Ramsey low mount 16,000 pounds 150 feet 7/16-inch chain with hook on end of cable. Control from cab.
	Hubs: Warren or equal, to disengage front wheels 4, WD.

Quantity:	Description
1 each	(*b*) Laboratory van, soiltest custom van panel body, or equal—
	Inside dimensions: 12 feet long, 88 inches wide, 80 inches high.
	Doors: Rear and right side.
	Color: Body green, top silver.
	Floor: ⅛-inch steel grid over basic hardwood flooring.
	Walls: Exterior, 18-gage cold finish steel with formed joints.
	Roof: Welded 18-gauge cold finish steel.
	Understructure: Undercoated and sealed.
	Insulation: Full fiberglass insulation 2 inches on sides and 1 inch on roof.
	Lining: Composition plywood lining on the inside walls.
	Lighting: Exterior in accordance with U.S. regulations. Interior, fluorescent.
	Wiring: Six double outlets for equipment.
	Locks: Doors equipped with locks that can be unlatched from both inside and outside. Padlocking on outside.
	Steps: Folding, under doors.
	Windows: 12 by 18 inches each door. Right, 2 windows 15 by 28 inches, left, 2 windows 15 by 26 inches. (All windows approximately 9 inches down from top.) Sliding windows to have fasteners to prevent opening while vehicle is in motion.
	Screens: Aluminum frame screen doors; windows to be screened.
	(*c*) ML–5; utility equipment for truck laboratory, consisting of—
	1 5-kilowatt remote control electric generator set, 220 volt, 50 cycle.
	1 Utility housing.
	1 Soiltest LT 404 laboratory air compressor.
	1 Air conditioner and controls.
	2 Laboratory stools.
	1 80-gallon water storage tank and controls.
	1 Waste container.
	1 Toolkit including tools, rubber and plastic tubing, fittings, cutter, and flaring tool.
	1 Light side cabinet and bench section with drawers and storage cabinets.
	1 Stainless steel sink and drain mounted on right side cabinet.
	1 Front cabinet and bench section with corner closet having storage compartments.
	1 Left side cabinet and bench section with compartment for storage.
	1 Overhead sieve storage cabinet.

ADDITIONAL LABORATORY EQUIPMENT—MOBILE UNIT

Quantity	*Description*
1 set	General laboratory set.
1 set	Soil laboratory.
10 cartons	Aluminum moisture cans.
2 each	Straightedge, 12-inch.
4 each	Mixing trowel, 4½-inch.
6 each	Mixing pans 5 inch by 16 inch by 5 inch.
12 each	Utility bucket, 10-foot.
3 each	Post spade 6 inch x 14 inch blade.
24 each	Shovels, square point, long handle.

Quantity:	*Description*
24 each	Shovels, round point, D handle.
24 each	Large picks.
3 each	Auger, blade, 4-inch.
2 each	Auger, blade, 6-inch.
12 each	Extensions, 3-foot, for DR 4 and DR 6.
3 each	Auger wrenches, 14-inch.
4 each	Prospector's pick.
4 each	Scoop.
4 each	Rubber mallet.
2 each	Steel chisel.
24 each	Field cans, 1 gallon.
6 each	Spoon 12-inch.
1 each	Sample splitter ½-inch.
1 each	Sample splitter 1-inch.
6 each	Pans galvanized 24 inch x 24 inch x 4 inch.
2 each	Soil mortar.
2 each	Soil pestle.
6 each	Spatula, 4-inch blade.
6 each	Knife, 6-inch blade.
2 each	Saw, wire, open type.
4 each	Spatula, trimming.
4 each	Table brush, 8-inch.
3 each	Cleaning brush.
1 each	Calipers English and metric.
1 each	Stop watch 30-minute, ⅕-second.
1 each	Volumeasure.
2 doz.	Density balloons for CN 980.
2 each	Graduate cylinder for CN 980.
2 each	Gasket set for CN 980.
2 each	Rubber assembly for CN 980.
1 each	Slump cones.
2 each	Tamping rods.
4 each	Folding rules.
1 each	Measure 0.10 cubic feet.
1 each	Measure 0.50 cubic feet.
1 each	Measure 1.00 cubic feet.

(3) $970,000 for equipment for two road betterment groups for the two Federated States of East Cameroon and West Cameroon, each to contain an equal amount of equipment. There is no federal ministry of public works. A list of the equipment for each road betterment group follows:

Quantity:	*Description*
2 each	Tractor: 160 horsepower, Caterpillar D–7, series E or equal.
	Trucks: 78 inch gage, 6 roller track frames.
	Starting: Direct electric for starting engine.
	Air cleaner: Dry type.
	Oil bath steering clutch and brakes.
	"Lifetime" lubricated track rollers and idlers.
	Hydraulic track adjusters.
	Heavy duty radiator guard and crankcase.
	Oscillating track frame.
	Full power shift transmission
	Blower type fan.
	Decelerator.
2 each	Bulldozer: 7S straight blade, hydraulic control with full tilt cylinder.
2 each	Ripper: Rear mounted, one tooth, hydraulic control.
2 each	Tractor: 93 horsepower, Caterpillar D–6 or equal.
	Gage: 74 inches, 6 roller track frames.
	Direct electric starting for starting engine.
	Hydraulic track adjusters.
	Heavy duty equalizer spring.
	Dry type air cleaner.
	"Lifetime" lubricated rollers and idlers.
	Oil type steering clutch and brakes.
	Blower type fan.

Quantity:	*Description*
2 each	Bulldozer: Straight blade 6S, with single valve hydraulic control.
2 each	Tractor: Farm type, 65 horsepower, International model 660 or equal.
	Diesel engine.
	Torque amplifier.
	Foot decelerator.
	Pneumatic tires.
	Foot operater clutch.
2 each	Front-end loader: Caterpillar model 944 wheel loader, series A or equal without cab or canopy.
	Hydraulic system.
	Engine: Caterpillar D–330 diesel turbocharged 105 horsepower.
	Direct electric starting for engine.
	Power shift transmission.
	Brakes: 4-wheel hydraulic, air boosted mechanical on front drive shaft.
	Tires: 16.00 x 24, 12 ply rating.
	Steering: Through rear wheels, hydraulic boosted.
	Bucket: Quarry-type bucket with reinforcing metal plate along the entire underside.
	9 teeth welded to plate.
	2-cubic-yard capacity.
	Counterweights.
5 each	Motor grader: 115 horsepower Caterpillar No. 12E or equal.
	Tandem drive.
	12 foot blade.
	Tires: 9.00 x 25, 12 ply tubeless tires rear.
	Gasoline starting engine with 12 volt starting motor. Electric system, 12 volt.
	Lighting system for use without cab.
	Scarifier: V-type, 11 teeth.
	Oil type fly wheel clutch.
	Leaning front wheels.
	Tire pump.
	Transmission: Constant mesh with helical gears.
10 each	Truck: Rear end dump, 2 x 4, International model B–164 or later model, or equal.
	Right hand steering.
	Reinforced frame.
	Cab protector.
	5 cubic yards capacity, hydraulic operated body.
	Dual stoplight, tail lights, and turn signals.
	Engine: Diesel.
	Electrical system: 12 volt.
	Generator: 60 amp charge at idle.
	Heavy duty full flow oil filter.
	Heavy duty large size oil bath air cleaner.
	Transmission: Five speed syncromesh.
	Tires: 9.00 x 20, 12 ply with nondirectional all traction tread.
	Two front tow hooks and rear towing ring.
	Tools: 5-ton hydraulic jack, lug wrench and engine air pump, other tools normally furnished.
	Speedometer: In miles.
1 each	Low bed trailer: 50,000 pounds capacity.
	Hyster model RF 25 TD or equal.
	Motor grader ramp.
	22-foot platform.
	8-foot wide folding gooseneck.
	Tandem rear axle.
	Tires: 8–10.00 x 20–14 ply tires.

Quantity:	*Description*
1 each	Engine: International diesel model Rf15[illegible] or equal to pull above trailer, Hyster model RF 25 TD.
	200 horsepower.
	Wheel base: 170 inches.
	Tandem rear axle.
	High mounted winch 30,000 pounds capacity with forward and reverse power takeoff with cab control.
	Air brakes.
2 each	Pneumatic tire roller, 11 tires, pull type.
	Steel body to accommodate additional ballast.
2 each	Air compressor, portable.
	4 wheels, pneumatic tires.
	Diesel engine.
	Capacity: 210 cubic feet air.
	Normal operating capacity 100 pounds per squared inch.
	Clutch between engine and compressor.
4 each	Hand-held rock drills, Ingersoll-Rand.
	1 inch chuck, model J–58–A, or equal.
	Assorted supply of drill steel and drill bits.
1 each	Portable crushing and screening plant.
	Capacity: 70 to 100 cubic yards per hour.
	Multiple deck screens capable of producing specification materials.
	Diesel-powered unit.
	Loading hopper and grizzly.
	Delivery conveyor and sand conveyor.

(4) $44,000 for approximately 800 metric tons of bituminous asphalt, MC–5, for use in West Cameroon.

Quantity:	*Description*
800 Metric tons	Bituminous asphalt, MC–5.

(5) $31,600 for household effects for the American contract technicians on the highway development project as follows:

Quantity:	*Description*
8 each	Beige rug.
8 each	Household furnishing units.
16 each	Bedroom furniture units.
8 each	Floor lamps.
16 each	Table lamps.
8 each	Range, gas, 4-burner, oven.
8 each	Washing machines.
8 each	Refrigerators, 13 cubic feet.
16 each	Dehumidifier, Westinghouse model ECD–6001, 220-volt, 50 cycles.
16 each	Air conditioner, Westinghouse model MD–1425, 1 horse power 10,000 Btu per hour, 220 volts, 50 cycle a.c., adjustable-type thermostat, overload devices to protect compressor motor and fan motor against abnormal electrical conditions and overheating.
8 each	Water filters.
8 each	Window screening, gray, plastic covered fiberglass in rolls of 100 feet by 42 inches.

In fiscal year 1963 a total of $155,000 is for expendable parts to rehabilitate and salvage existing highway equipment. This work under the direction of the American equipment specialist will provide on-the-job training for Cameroonians in the repair and rehabilitation of equipment. The parts to be provided are as follows:

D7 Caterpillar parts:
- 3 crankshafts with bearings.
- 10 sets crankshaft bearings.
- 5 radiator cores with accessories.
- 10 fan belts.
- 5 water pumps.
- 1 engine block.
- 20 liners, pistons with rings, and connecting rods.
- 4 cylinder heads complete with valves and rocker arms.
- 3 camshafts.
- 3 governor assemblies.
- 8 fuel injector pumps.
- 8 fuel injectors.
- 5 oil cooler assemblies.
- 3 transmission bearing sets.
- 3 transmission and starter pinion groups.
- 1 set steering clutches, complete.
- 1 set final drive bearings, gaskets, and seals.
- 2 sets front idlers complete with bearings.
- 10 track sprockets.
- 5 angle dozer blades.
- 4 cable controls.
- 4 sets tracks, 20-inch pad.
- 48 track rollers.
- 16 end bits for bulldozer blade.
- 16 cutting bits.
- 20 pistons with rings and connecting rods.
- 4 hydraulic cylinders.
- 30 sets lube oil and fuel oil filter elements.

D6 Caterpillar parts:
- 6 crankshafts with bearings.
- 20 sets crankshaft bearings.
- 5 radiator cores with accessories.
- 10 fan belts.
- 10 water pumps.
- 2 engine blocks.
- 40 liners, pistons with rings, and connecting rods.
- 6 cylinder heads complete with valves and rocker arms.
- 5 camshafts.
- 5 governor assemblies.
- 10 fuel injector pumps.
- 10 fuel injectors.
- 8 oil cooler assemblies.
- 5 transmission bearing sets.
- 5 transmission and starter pinion groups.
- 2 sets steering clutches, complete.
- 2 sets final drive bearings, baskets, and seals.
- 4 sets front idlers complete with bearings.
- 20 track sprockets.
- 8 angle dozer blades.
- 8 cable controls.
- 8 sets tracks.
- 96 track rollers.
- 32 end bits for bulldozer blade.
- 32 cutting bits.
- 40 piston rings and connecting rods.
- 8 hydraulic cylinders.
- 50 sets lube oil and fuel oil filter elements.

Parts for Caterpillar motor grader:
- 5 radiator cores and accessories.
- 5 water pumps.
- 6 cylinder heads with valves and rocker arms.
- 12 fan belts.
- 4 crankshafts with bearings.
- 30 connecting rod, piston ring, and liner groups.
- 3 fuel pumps, complete.

Parts for Caterpillar motor grader—Continued
3 governors.
6 fuel transfer pumps.
24 each fuel and lube oil filter elements.
6 injectors.
1 starting motor complete.
6 generators with regulators.
1 transmission repair kit.
2 rear axles with bearings, seals and washers for gaskets.
30 lined brake shoes.
20 tires—1300 x 24.
1 blade complete, 12 feet.
10 end bits.
20 cutting edges with plow bolts.
1 repair kit for power control group.
1 complete scarifier, B type.
50 scarifier teeth.
Parts for B–164 International dump truck:
80 tires, 900 x 20—12 ply.
3 radiators.
2 transmissions.
2 rear ends.
100 brake shoes, lined.
2 cylinders, hydraulic hoist.
4 pumps.
5 sets pistons with rings, connecting rods and bearings.
Parts for Cedar Rapids rock crusher:
2 sets double deck screws for portable jaw crusher.
6 sets replacement jaws.
2 conveyor belts.
2 mobile machine shops, 1 for East Cameroon, 1 for West Cameroon.
4 portable lubricators.

DEFINITION OF COMMODITIES

Mr. PASSMAN. Do you have any way of identifying the actual equipment, in what you refer to as "commodity aid"?

You have in Malagasy agricultural extension equipment, but in the justifications it is listed as "commodities."

I have been corrected two or three times when I referred to "commodities." I thought it was cornbread, molasses, and a little meat thrown in occasionally, and now we find out that commodities covers a rather wide category.

As we go through the book and we see you have listed commodities, does that mean in every case it is for something other than food?

Mr. MOSSLER. No. It could be food.

Let me give you an example where "commodities" might be food.

We might have a nonproject program in Morocco, for example. We might have food under that and it might be listed under commodities.

Mr. PASSMAN. But the only way to determine whether it is actually food or equipment would be to get a list?

Mr. MOSSLER. We would have to get an item-by-item breakdown. Let's take the food item.

If, for example, surplus agricultural commodities will do the job, we do try to use food as an import into the country as opposed to some other type of commodity or equipment.

Mr. PASSMAN. We are trying to ascertain whether or not, when you list commodities, how we would ever know whether it was food exports or exports such as the list you gave us for Malagasy.

Mr. HUTCHINSON. I think we can say this—when you look at project assistance under development grants and see a commodity element, you can be almost sure that these are commodities other than food. In supporting assistance programs, where you are basically supporting certain countries' balance-of-payments positions for political and other reasons, those programs might very well have some food included in the commodity component.

Mr. PASSMAN. A few days ago we requested you to wire your field people to ascertain why and for what you obligated $100,000. They were rather accommodating and came back with the list. I want to ask a question about the list.

ESTIMATED COST OF AUDIOVISUAL UNITS FOR MALAGASY

Two audiovisual units, $15,000. Could you give us a little description of those two units, whether that is just a guess cost, or whether you have anything on which to base such an estimate?

Mr. HUTCHINSON. We did not have the estimate here in the first instance.

Mr. PASSMAN. Then there is no use to pursue it if you do not know. So we may be at least able to answer one question on the floor of the House with respect to commodities, would you just write the field—let's save a little money—and ask them to give you some explanation as to how they rounded out the figures on every bit of this stuff, and how they arrived at $15,000 for these two audiovisual units?

Mr. HUTCHINSON. I think you will recognize insofar as the rounding-out is concerned, it would be customary in making this kind of an estimate to round down. We have carried this down to the nearest $100.

Mr. PASSMAN. I am talking about rounding out $15,000. We want an explanation.

Mr. ROONEY. He said "rounded down."

Mr. HUTCHINSON. I meant to say rounded out.

Mr. PASSMAN. I hope you can justify that statement.

Mr. HUTCHINSON. We can ask for a description.

Mr. PASSMAN. From the manufacturer?

Mr. HUTCHINSON. I doubt if they went to the manufacturer.

Mr. PASSMAN. In all probability, this is an estimate of what they will need so far as the actual bids are concerned, and they will come at some later date.

Mr. HUTCHINSON. That is true. We have testified with respect to that.

Mr. CONTE. To what country is this equipment going?

Mr. HUTCHINSON. Malagasy.

Mr. CONTE. How many people are in Malagasy?

Mr. HUTCHINSON. Five and six-tenths million estimated in 1961. That is the figure I have in front of me.

Mr. CONTE. Could we also find out what they are using this audiovisual equipment for? Is it education?

Mr. HUTCHINSON. It is for their agricultural training centers. There are six of them.

Mr. PASSMAN. You have only two listed.

Mr. HUTCHINSON. There are six centers. There are only two of these units.

Mr. PASSMAN. You have two here?

Mr. HUTCHINSON. Yes.

Mr. CONTE. What makes up a unit? Is it a projector and screen and movie film?

Mr. HUTCHINSON. I would think so.

Mr. CONTE. I think we ought to have that information.

Mr. PASSMAN. I have specifically requested they give us information on this.

I would like to say to the gentleman from Massachusetts there has been no invitation for bids. They do not know the make or the actual cost. This is an estimate. Any contracts will be awarded at some subsequent date.

Is that correct?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. This figure could be up or down.

Mr. FORD. Is this for a 1962 or 1963 program?

Mr. HUTCHINSON. A fiscal year 1963 program. We could not have awarded contracts for it.

Mr. ROONEY. As I recall the testimony yesterday, there are items in connection with the use of this equipment which are listed separately in the sheets. I recall we discussed the screens.

Mr. HUTCHINSON. Yes.

Mr. ROONEY. These are cinema screens?

Mr. HUTCHINSON. Yes.

Mr. ROONEY. I expect they would have something to do with these units.

Mr. HUTCHINSON. Yes.

Mr. ROONEY. Is that correct?

Mr. HUTCHINSON. Yes, I would think so.

Mr. PASSMAN. We will put an itemized list in the record.

(The information supplied follows:)

MALAGASY REPUBLIC AUDIOVISUAL UNITS

The four-by-four audiovisual units are four-wheel-drive vehicles useful for mobile communication in the hinterland. The self-contained unit provides a practical means of field communication in less populated areas where audiovisual activities are vital, but permanent installations would not be justified. The vehicle, usually operated by a driver and a technician, is equipped with—

(*a*) a 16-millimeter optical and magnetic film projector;
(*b*) a slide film projector;
(*c*) a film strip projector;
(*d*) a tape recorder;
(*e*) a public address system with microphone, amplifier, and other accessories;
(*f*) a generator to provide its own current;
(*g*) other accessories as floodlights, extension cords, and a cinema screen;
(*h*) spare parts, repair equipment, and tools.

Mr. ROONEY. I was addressing Mr. Conte in connection with his question.

Mr. CONTE. This $15,000 is separate and apart from all the incidentals.

Mr. ROONEY. That is true.

Mr. PASSMAN. They wired the field. That is complete within itself.

Mr. FORD. This confuses me.

Mr. Hutchinson testified this was a 1963 program, and I get the inference it is a 1962 program.

Mr. PASSMAN. 1963.

Mr. FORD. If it is a 1963 program, why would they have taken the steps to issue invitation to bid and so forth?

CAMEROON HIGHWAY PROJECT

Mr. PASSMAN. For the 1962 funds they have not made any surveys, awarded any contracts, for the highway project mentioned in Cameroon. You would have thought that out of 1962 funds they would have, in all probability, advanced a little bit further rather than to wait within about 30 days, while we have been conducting the hearings, and make the obligation.

There has been no survey. They have employed no personnel. They have extended no invitation for contracts to bid.

Mr. FORD. Are you talking about the highway program?

Mr. PASSMAN. I am talking about the highway.

The purpose of the questions on 1963 was to find out on what basis they enter an obligation here in Washington. They had to go to the field to ascertain for what purpose $100,000 they had obligated had been obligated.

You would think before you could ever just put down a figure you would not award a contract, but you certainly would get some general idea of what this stuff would cost.

Mr. HUTCHINSON. May I speak to this?

These are our fiscal year 1963 fund estimates. We have not been asked to obligate the funds, and the field has not obligated the funds as yet. This is a list in support of the project which is expected to be carried out in fiscal year 1963, and certainly there will be information before the obligation is entered into.

AVAILABILITY OF ENGINEERS IN CAMEROON

Mr. ALEXANDER. Mr. Hutchinson, on this road project for Cameroon, how many engineers do they have in Cameroon?

Mr. HUTCHINSON. I do not know, sir.

Mr. ALEXANDER. Do they have any?

Mr. HUTCHINSON. They have some engineers, yes, sir. The number I would not know. But the shortage of engineers is one of the reasons, sir, that we are sending these people out to train some Cameroonians in the operation of the highway department as such. They are quite deficient in these specialties, and it seems to us this is a very significant thing to do because we do consider transportation is one of the high priority requirements for development in this country.

Mr. ALEXANDER. How many colleges do they have in Cameroon?

Mr. HUTCHINSON. I am not aware they have any at all.

Mr. MOSSLER. I do not believe there are any. There is a school, a sort of advanced secretarial school.

NEED FOR TRAINING PROGRAM

Mr. MILLER. In this regard, I might point out the Cameroonians have a literacy rate estimated at about 5 to 10 percent in the primary

and secondary school. They have about 331,000 students total. The primary school teachers are of a small amount as far as African country is concerned. We have a manpower training program which I believe is being proposed for fiscal year 1963. That is an attempt to upgrade the technical training and long-term college level training of individual Cameroonian students.

Mr. ALEXANDER. Would it be possible for you to give us the information on the record as to how many engineers they have in their country that would be capable of proceeding with this type of work?

Mr. HUTCHINSON. This type of training?

Mr. ALEXANDER. Of advising their government how to put down a road and carry it through to completion.

Mr. HUTCHINSON. This is the point of our program, sir. We do not feel they have engineers competent to do that, and that is why we are sending this group out.

Mr. ALEXANDER. I understand that.

All you would be doing in building this road would be just to build the road. Unless you have some engineers over there that they could train, or unless you send some of their people somewhere for schooling, you are not going to be any further along after you complete your road except to have the road?

Mr. HUTCHINSON. Sir, that is the point I have been trying to make. This is not a project for building a road. It is a project for doing exactly the sort of training that you are indicating—to do two things——

PARTICIPANT TRAINING IN UNITED STATES

Mr. ALEXANDER. How many people are you going to send back here from Cameroon to take training in engineering under this fund that you have asked for in 1963?

Mr. HUTCHINSON. We are trying basically in this program to train them over there. That is the reason we are entering into this contract.

Mr. ALEXANDER. You do not train engineers by putting them out working on a road doing manual labor.

Mr. HUTCHINSON. But you do train people, sir, in the techniques of roadbuilding and in the techniques of road maintenance and so on.

To answer your question directly, we plan to bring 10 to the United States for training.

Mr. ALEXANDER. Are you going to build this road with cement or asphalt?

Mr. HUTCHINSON. We are not going to build a road.

Mr. ALEXANDER. You are not going to build a road at all?

Mr. HUTCHINSON. There is nothing in this project——

Mr. ALEXANDER. What have we been talking about for 3 hours?

Mr. HUTCHINSON. I am not sure.

Mr. PASSMAN. I agree with the gentleman 100 percent.

You say on page 261:

In addition to the performing the normal activities of the highway department, and so forth, the firm is undertaking a detailed engineering survey related to a proposed loan application for the Kumbe-Mamfe Road.

Mr. HUTCHINSON. May I try again?

Mr. PASSMAN. You told Mr. Taber you did not know the width and length of the road, but it would be longer than 10 miles, and then you say there will be no road.

Mr. TABER. The justification says the road runs between two different places. How can you come up here and not know how long that road is?

Mr. HUTCHINSON. Can I say this, sir: This project involves training of the sort that the gentleman has mentioned in the construction of roads. This includes assistance in training the highway department in how to go about building roads, the sorts of decisions that must be considered and made, such as the economics of building roads. It involves sending people over there in the numbers to which we have testified to give this kind of training. It involves bringing 10 people to the United States to train them in this sort of thing.

ROAD FEASIBILITY SURVEY

This is the first $500,000 that I am talking about. There is $300,000 for this kind of training. There is an additional $200,000 in this $500,000 which is to be used to conduct a feasibility survey of a particular road on the basis of which a decision can subsequently be made as to whether a road makes sense to build, what kind of a road it makes sense to build, how much it should cost, and so on.

There is nothing in this project itself related to the building of the road. No funds available from this project are to be used for the construction of any road.

Mr. ALEXANDER. One other question and I yield back to the chairman.

TRAINING OF PERSONNEL

If you are not going to build a road, and you do not have any colleges in Cameroon, how are you going to train the people over there to build roads?

Mr. HUTCHINSON. Sir, they do have roads there now. You can train them in the techniques of approach in this sort of thing.

The Cameroonians will be building individual feeder roads and that sort of thing which we can use as the device for training the people. We are not financing the construction of those roads. We might, at some subsequent date, finance the one road referred to here on a loan basis if the feasibility survey turns out to indicate it is appropriate to do so. But no funds included in this project are for the construction of the road.

Mr. MILLER. There are 10 participants proposed for training in the United States next year under this project. So, you will have both on-the-job training and help to the highway department in the Cameroons, plus the kind of training that you have suggested would be needed in the United States to upgrade and generally produce a higher level of talent in roadbuilding in a country that needs it desperately.

Mr. PASSMAN. It still remains that this is a plan, but it is not yet a reality. All of the detail is to be worked out at a subsequent date; is that correct?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. There is nothing firm yet with respect to the engineers, the managers, or designers?

Mr. HUTCHINSON. There is nothing definite yet.

Mr. PASSMAN. You have not awarded any contracts yet?

Mr. HUTCHINSON. You are speaking about plans and designs. There are no plans and designs.

Mr. PASSMAN. The thing we are talking about is something to take place later as far as the employment of the engineers is concerned, and also the economist and the surveys?

Mr. HUTCHINSON. The actual orders are in the future.

Mr. PASSMAN. And the actual projects to which this may lead?

Mr. HUTCHINSON. Any road we might finance would be in the future and is not included here.

Mr. PASSMAN. Specifically, what are you referring to when you say:

The firm is undertaking a detailed engineering survey related to a proposed loan application for the Kumbe-Mamfe Road.

What firm?

Mr. HUTCHINSON. The firm with which we will contract.

Mr. PASSMAN. You speak as though it has already taken place—the firm is undertaking a detailed engineering survey.

Mr. HUTCHINSON. The tense of the verbs is wrong here.

Mr. PASSMAN. You had not read your own paper here, or you would not have been giving us those answers.

Mr. MOSSLER. Mr. Chairman, as you know, we prepared these books in January and February. It was our estimate that we would actually have the contractor by the end of this year.

Mr. PASSMAN. What you are actually doing is projecting, and if this committee had not gone into detail and reached this very point, whoever read this book would certainly be under the impression that you had already employed a firm?

Mr. MOSSLER. It was not our intention.

Mr. PASSMAN. Nevertheless, that would have been the implication from this book?

Mr. MOSSLER. Mr. Chairman, what we try to do here is to give you our best estimate at the time we prepare the books.

Mr. PASSMAN. Even to guessing you will have an engineering firm by the time we ask the questions, so you say, "The firm is undertaking."

Mr. HUTCHINSON. I think the verb was incorrect at the time that this was prepared.

Mr. PASSMAN. You were predicting by the time you came before this committee to justify this, you would have already employed an engineering firm; is that correct?

Mr. HUTCHINSON. We had certainly expected that.

Mr. PASSMAN. You stated the firm is doing thus and so.

Mr. HUTCHINSON. I do not think we would want to testify that while we anticipated the firm would have been employed that we were trying to mislead the committee by saying it is on the job.

Mr. PASSMAN. Would this not be misleading when you say what is in the justifications?

Mr. HUTCHINSON. Yes.

PROPOSED FEASIBILITY STUDIES IN AFRICA

Mr. PASSMAN. How much money do you have in the 1962 program and proposed for 1963 for feasibility surveys and studies which can lead to development loan requests at some subsequent date?

Mr. HUTCHINSON. We will have to break that out project by project and submit it for the record.

(The information referred to follows:)

Feasibility surveys—Africa

[Dollars in thousands]

Country	Title	Fiscal year 1962	Fiscal year 1963
Cameroon	Highway development (part of project)	$200	0
	Assistance to development institutions	10	$50
Central African Republic	Food and agriculture feasibility study	0	7.5
	Forestry feasibility study	0	7.5
	Manufacturing feasibility study	0	5
	Transportation survey	25	0
Chad	Feasibility study (agriculture)	45	0
	Feasibility study (engineering const.)	10	0
Congo (Leo)	Education and manpower survey	0	75
Congo (Braz)	Agricultural development study	10	0
	Transportation survey	10	0
Dahomey	Feasibility studies for roads and industry	100	300
Ethiopia	Zula plains survey	24	0
	Highway economic and feasibility studies	60	85
Gabon	Kinguele Dam study	0	95
Ghana	Survey Volta development	0	500
Ivory Coast	Regional development feasibility survey	100	250
Kenya	Agriculture feasibility study	0	50
	Secondary school expansion feasibility study	0	50
Liberia	Transportation survey	80	0
Malagasy Republic	do	0	25
Mali	Feasibility surveys	210	60
Morocco	Industry feasibility study	137	229
Niger	Feasibility studies for regional economic development programs.	250	90
Nigeria	Calabar-Ikom road survey	510	0
Rhodesia and Nyasaland	Rural industry feasibility survey (Nyasaland).	0	90
	Rural Transportation feasibility survey (Nyasaland).	100	90
	Survey of rural industry, commerce, and credit (Nyasaland).	45	160
Senegal	Feasibility surveys	0	100
Sierra Leone	Transportation survey	75	0
	Power survey	0	200
Somali Republic	Highway development (part of project)	0	300
	Fisheries development (part of project)	0	155
	Mogadiscio water system (part of project)	0	54
	Port improvement-Mogadiscio (part of project).	0	50
Sudan	Transportation and public utility feasibility studies.	1,430	515
	Industrial feasibility studies	65	40
Tanganyika	Water development feasibility study	0	75
	Road improvement feasibility survey	0	50
	Industrial development feasibility survey	0	75
Togo	Feasibility study for highway construction	50	0
Tunisia	Water resources development (part of project).	74	150
	Industrial production (part of project)	95	250
Uganda	Livestock development feasibility survey	0	50
	Housing feasibility survey	0	50
Total		3,715	4,333

Mr. PASSMAN. How many times are we going to run into in these hearings, in subsequent weeks, where you anticipated in January that you had awarded a contract, and you state the firm is undertaking a detailed survey?

Do you think it would be well to let you people take a recess, and get your house in order, so when we ask these questions we will not get into all this fuzzy record?

Mr. MILLER. In preparing these books, the preparation of which begins in early February, it is necessary to make estimates of various kinds.

Mr. PASSMAN. We are not quarreling about the estimates. You state in your book that the firm is undertaking a detailed engineering survey.

Now you say it is in error.

Is this type of situation going to be repeated all the way through?

Mr. HUTCHINSON. I would certainly hope that this kind of an error is at a minimum in these books.

Mr. PASSMAN. Let us hope so, but I question it. This just gives you an idea of what happens.

PROPOSED PROGRAM OF EDUCATION

Let us consider the West Cameroon education program, on page 262.

You obligated in fiscal year 1962, $40,000 to that specific project in West Cameroon.

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. What type of project is it?

Mr. HUTCHINSON. This is basically to provide training grants for prospective teachers, and for educational type of equipment. We expect to provide 66 man-years of teacher training over the 5-year period, and we are going to have some general training grants for people to come to the United States, or to go to third countries.

Mr. PASSMAN. You say you are going to have?

Mr. HUTCHINSON. Some of this is underway.

Mr. PASSMAN. You have obligated $40,000?

Mr. HUTCHINSON. $40,000 is this year's obligation estimate.

Mr. PASSMAN. You have spent $5,000 already for what?

Mr. HUTCHINSON. Again, sir, if you want the detail on what the obligations have been liquidated for——

Mr. PASSMAN. We are asking the same type of questions we have been asking in the committee for 15 years.

We ask the questions and we want the answers, and if you do not have them, we are going to leave it up to you to get them.

For what purpose did you spend the $5,000?

Mr. MOSSLER. I do not believe you have in the past, Mr. Chairman——

Mr. PASSMAN. Can you tell us what you spent the $5,000 for?

Mr. HUTCHINSON. In the past, you asked us for our best estimates on projects as to what the expenditures will be and what the unliquidated obligations will be as of the end of the year. At no time in my memory have you asked us what the detailed composition of that unliquidated obligation would be.

These reports that we get in Washington come on a project-by-project basis, four times a year. Only after we receive these quarterly reports can we find out what cost components the expenditures and unliquidated obligations are for.

Mr. PASSMAN. When we ask about what you have spent it for, we will let the records of prior years speak for themselves.

Will you find out whether this is one of the pie-in-the-sky markoffs, or whether you have spent $5,000?

Mr. HUTCHINSON. We will have to find out.

Mr. PASSMAN. Specifically, you do not know what it is spent for at this time?

Mr. MOSSLER. At this time, that is correct.

Mr. PASSMAN. Will you tell us what you will spend the other $35,000 for, specifically?

Mr. HUTCHINSON. We could not give you a breakdown.

Mr. PASSMAN. Can you tell us, specifically, what you plan to spend the $205,000 for, that you are adding to the original $40,000?

Mr. HUTCHINSON. As indicated in the book, we expect to have the services of two noncontract and three contract personnel on the roll. We expect to have four participants in the United States and we intend to provide some demonstration equipment and materials, and we also would expect some Cameroonians may go to third countries.

Mr. PASSMAN. You can tell us for what you are going to spend the $205,000 for fiscal year 1963, but you cannot tell us for what you are going to spend the $40,000 that you obligated for fiscal year 1962?

Mr. HUTCHINSON. It is going to be spent for these same purposes.

Mr. PASSMAN. We want specifics. You do not know specifically, I believe you said, what you are going to spend the $40,000 for.

Mr. HUTCHINSON. We do not know the number of technicians and that sort of thing.

Mr. PASSMAN. Would the same thing apply to fiscal year 1963?

Mr. HUTCHINSON. I do know, as I have testified, that we intend to spend it for these contract technicians.

Mr. PASSMAN. Why would you not have the answer for fiscal year 1962?

Mr. HUTCHINSON. Because we do not, as has been testified, get this material except on a quarterly basis.

Mr. PASSMAN. You do not have it on the $40,000 you obligated in fiscal year 1962, but you do have it on something you anticipate obligating in fiscal year 1963. Is that what the record is going to show?

Mr. HUTCHINSON. We know what we plan to spend the money for in fiscal year 1963. We do not yet have the report of the details for fiscal year 1962.

Mr. PASSMAN. That is what I have been trying to get you to tell us.

CONSTRUCTION OF EXISTING FACILITIES

Mr. FORD. May I ask a question there?

Who constructed these facilities which are designated "excellent physical facilities of modern equipment"?

Mr. HUTCHINSON. It must have been the French. I am sure we have not financed the construction of these facilities.

Mr. FORD. Apparently, as I read the description, the facilities are good, but the type of training or education, at least in our estimation, is not suitable for the future utilization of these facilities.

Mr. HUTCHINSON. Right.

Mr. FORD. It is a little incongruous they would build good facilities and not properly use them for programs.

Mr. HUTCHINSON. I agree with you, sir, it is incongruous, but this happens in African countries.

I think you will recognize that we also sometimes get better facilities than we do staff to operate them, and so on. We do feel there is a very definite need for upgrading of the training in instruction given.

Mr. FORD. How long have we been in on this program?

Mr. HUTCHINSON. It just started in fiscal year 1962, and we estimate obligations of $40,000. We do not know what we have actually obligated. This project is just beginning in fiscal year 1962.

Mr. GARY. You say these facilities were evidently built by the French?

Mr. HUTCHINSON. Yes.

Mr. GARY. Have the French been using these facilities?

Mr. HUTCHINSON. The Africans would have been using the facilities for instruction. There probably was a French technician or two in them over the past year.

Mr. GARY. Is this one of the countries from which France is withdrawing?

Mr. HUTCHINSON. It is an ex-French territory. They are still providing substantial volumes of assistance. The French are providing in fiscal year 1961 an estimate of $35 million in assistance to the Cameroons.

Mr. GARY. And we are contributing how much?

Mr. HUTCHINSON. For the entire program for the Cameroons?

Mr. GARY. Yes.

Mr. HUTCHINSON. For fiscal year 1962, $3.2 million, and we estimate—in fiscal year 1963, plus any loans we might make.

Mr. GARY. Are we with this fund supplanting any services that the French previously rendered in training?

Mr. HUTCHINSON. No, sir. We are trying to improve the nature of the African training that is being given. We are very careful not to get in a position of displacing the French, and not only are we very careful in this respect, when you get in these fields, the French are very jealous as well. We do not go in and supplant the French in their educational efforts.

Mr. GARY. Thank you, Mr. Chairman.

PREVIOUS REQUESTS FOR DETAILED INFORMATION

Mr. PASSMAN. I say, Mr. Mossler, if you would refer to the hearings for fiscal year 1961, beginning at about page 1470, and read on through until your eyes get tired, you will discover we tried just as hard in previous years to get detailed information on these projects as we are trying this year.

Mr. MOSSLER. Thank you very much. I did not mean to imply that you were not trying.

Mr. PASSMAN. You said that in previous years we had not examined in detail. We tried just as hard in previous years to find out what you are going to spend this money for, only to find out you are either outguessing the committee, or you had no project.

VIEWS OF FATHER GUILBEAULT ON EDUCATION OF AFRICANS

I want to say this before getting into the next project. One of the most intelligent men that it has ever been my privilege and pleasure to discuss this aid program with, was on yesterday morning, Father R. Guilbeault-Omi, 45 Rockefeller Plaza, room 225, New York. He is president of the University College of Pius XII, Basutoland.

He left Canada 24 years ago to go to Africa to live with those people and educate them. This man was very disturbed when he discussed the tremendous blunders we are making out there. He said these people want an education, and that we should help them. He suggested it would be preferable to educate them out there, with our technicians, in their own environment, until they have gained some degree of intelligence. But no, we rush them to Washington or some other place, bring them into an entirely new environment, with which they are not acquainted, where it is almost impossible for them to acquire an education, and just about the time they decide they do not want to go back to their country, you take them back and they are disgruntled.

He was pleading for a program with AID, trying to prevail upon you people, rather than spending a quarter of a million in this one section for grants and scholarships, to keep these people over there and educate them with our technicians we are sending over.

Those of you who want an education on this, you should get in touch with Father Guilbeault. He is a very intelligent man. He has almost begged you down there not to bring these people over here, but to keep them over there and educate them. After you educate them, bring them over here.

Mr. CONTE. I have been recommending an AID program for 2 years to this good Father for a school down there. He said unless something is done quickly in Basutoland, Communists are going to take over. I hope before long we will get some programs started in Basutoland.

Mr. PASSMAN. This man has been living with these people 24 years. These 90-day experts go out there, and before they unpack their bag they are trying to hustle these Africans back to America to be educated. He says it is not the intelligent way to do it.

Mr. FORD. Is there a proposition submitted, and have they approved or disapproved of the suggestions you are discussing?

Mr. PASSMAN. I do not know.

He said we were spending many times more money than is necessary, that the people do not know what it is all about. He is interested in the educational field. He said the AID people told him specifically that bringing these people over on these scholarships is our policy, period. They just turned a deaf ear.

POSITION OF AID ON TRAINING AFRICANS

Mr. HUTCHINSON. May I speak to that for a moment?

Mr. PASSMAN. We expect you to do so.

Mr. HUTCHINSON. Let me say that the bringing of students from foreign countries to the United States, educating them here and giving them special courses of training certainly does have problems

associated with it. There is no question but that there are many problems associated with it.

There are, however, notwithstanding those problems, occasions for bringing such men here, giving them some exposure to the United States and its way of life, also to give them specialized training courses which we can provide which it would be impossible for us to get provided throughout the foreign countries concerned. So we feel there is a necessity for training people in the United States.

This does not mean, however, that we are not keenly aware of the problems, nor does it mean we are trying to train all the people in the United States. In fact, most of the appropriation requests which are before you for development grants for fiscal year 1963 are for training of one sort or another, by far the large majority of it in Africa.

We are assisting in connection with secondary education in Africa. We are assisting in connection with technical education in Africa, and to some degree higher education. The higher education aspect of it is one that has problems associated with it too, however, because you are not sure just what the educational requirements of developing countries of the sort in Africa actually are, and we have a feeling the more critical requirements may be the technical education requirements, and on this we are trying to concentrate to the maximum extent possible.

I could cite you a number of technical schools that we are helping throughout Africa for training of Africans in Africa.

Now, insofar as the specific proposal for this one university is concerned, we have been working on this, as the gentleman indicated, for quite some while. Possibly too long, as a matter of fact. There have been a number of problems associated with the question of providing assistance to this particular institution. In the first place, its location in Basutoland.

This is a very small British territory, the like of which there must be quite a number throughout the world, and it would seem to us we ought to at least think twice about getting involved in every one of these little enclaves. This has given us some problems.

The second is the rather obvious problem, the question of whether or not this is a religious institution, and the extent to which it is, and if it is, whether this causes a problem in view of our historic position in the United States.

This has caused us problems. However, I think I should say for the benefit of the people here at the moment that the good father has convinced us that he has an institution which can be put to worthwhile purposes for the education of Africans in Africa.

It is our understanding that the organizational setup and charter of the institution is now such, or will be such, that the religious question can be overcome. We have been working with other countries to see if there is a possibility they would go in with us in support of this institution.

Just within the last 2 weeks we have held discussions with the ——— whereby we and they might perform joint support to the institution, because we do think it has a very worthwhile program.

Mr. Passman. I want the gentleman to understand that I am not talking about the father's university. I am talking about Africa, where he has lived and traveled for 24 years. He is one of the fairest,

most intelligent men that I have ever listened to. I was so impressed with his tremendous knowledge of the situation in Africa that I extended an invitation for him to come before this committee.

I yield to the gentleman from Virginia.

UTILIZATION OF LOCAL FACILITIES FOR EDUCATIONAL TRAINING

Mr. GARY. Just how do you handle this educational training in Africa?

Mr. HUTCHINSON. We handle it, sir, in quite a number of ways. We do what has been discussed here. We bring participants to the United States to be trained——

Mr. GARY. What I mean is, how do you handle it within Africa? Do you conduct your own schools or do you use state schools or do you use private schools or how do you conduct this educational training in Africa?

Mr. HUTCHINSON. We use both state and private schools. We do not have our own schools at all. We support education in a number of ways. First, we give scholarships that permit students to go from their country to another country that has a medical school, an agricultural school, or something of that sort.

We provide assistance for the establishment of teacher training institutes, the one at Zorzor in Liberia being a good example. This happens to be a contract with Tuskegee University where they bring Americans into this institute and train people who will go out as teachers within the Liberian environment. We do this in a number of instances.

We also provide in East Africa some people who are actually teaching in the secondary schools. This is providing first some education and also some demonstration of teaching methods.

We provide assistance for the establishment of technical training institutes, some of them approaching the college level and some of them below the college level. The assistance to these institutions may take the form of assisting them with the capital cost of the construction and it may very well, and in most cases does, provide them with assistance in giving the faculty training.

We may support the agricultural college of a particular university or we may provide assistance to the medical school of a particular university.

We establish small training institutes through which we try to reach people further down in the economic scales. We have some training in shopwork and so on. These are usually shorter term courses than the more formalized courses we were talking about. We provide the training equipment that will be used in these institutes and the technicians to actually conduct training.

U.S. POLICY REGARDING ASSISTANCE TO RELIGIOUS INSTITUTIONS

Mr. GARY. What is your policy with reference to religious schools or schools operated by religious organizations?

Mr. HUTCHINSON. First let me say this policy is now under intensive review and consideration, the outcome of which I cannot say at this moment.

The policy, as I understand it, as of this moment and in the past, has been that we will not provide assistance in connection with religious instruction as such; that we will not provide assistance if the person assisted or if all students are required to take religious training in the institution. But, by reason of the situation that exists in Africa, where so many of the educational institutions have been established by religious groups, both Catholic and Protestant, we cannot rule these out as institutions in which these programs are carried on.

Mr. GARY. You do not prohibit prayers in these schools? Will you change that policy because of the Supreme Court decision of yesterday?

Mr. HUTCHINSON. I have not analyzed the Supreme Court decision in that detail, sir.

Mr. PASSMAN. Will the gentleman yield?

I hope the record will show the committee is fair in what we are doing in the educational field. I think the record will show this committee has consistently reported these bills out with funds for educational facilities.

You said you were considering this religious question; did you not?

Mr. HUTCHINSON. I did.

Mr. GARY. In Basutoland.

Mr. PASSMAN. You left the impression it was because of the religious question.

Mr. HUTCHINSON. This was one question that was being investigated.

Mr. PASSMAN. I did not want the record to show we are not doing that in the other parts of the world, when I know that we are.

Off the record.

(Discussion off the record.)

Mr. PASSMAN. We will now recess until tomorrow morning at 10 o'clock.

THURSDAY, JUNE 28, 1962.

PARTICIPANT TRAINING COSTS

Mr. PASSMAN. The committee will come to order.

We had one other item yesterday about which we wanted to ask some questions: the number of participants being brought from Africa to the United States for training. I believe you indicated there would be 10, or was it 20?

Mr. HUTCHINSON. You are referring to a specific project?

Mr. FORD. On what page are you, Mr. Chairman?

Mr. PASSMAN. Page 261.

At the bottom of the page it says:

> It is anticipated that fiscal 1963 funds will finance the services of 10 contract technicians and 10 participants for training in the United States, in addition to providing $155,000 for training equipment.

Will all that cost come within the $155,000, or is the $155,000 for training equipment only?

Mr. HUTCHINSON. The $155,000 is for training equipment only.

Mr. PASSMAN. The cost of the 10 contract technicians——

Mr. HUTCHINSON. Is $45,000, Mr. Chairman. Not the contract technicians. The cost of the participants is $45,000.

Mr. PASSMAN. That is for 10?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. For how long a period?

Mr. HUTCHINSON. We have that data here. We have it for a 2-year period, if my memory serves me right.

I guess I do not have that. I had it for the other project. I do not have it for this one.

Mr. PASSMAN. Does that include all of the cost?

Mr. MOSSLER. All of the cost that the U.S. Government will pay for the participants.

Mr. PASSMAN. Which is about $2,200 per year per participant.

Mr. HUTCHINSON. Yes, sir. These are clearly fairly short-term participants to be able to get by with that kind of cost, because our costs for participants on an annual basis are considerably higher.

Mr. PASSMAN. That is what we are trying to find out—how long a period?

Mr. HUTCHINSON. As I say, I do not have that.

Mr. PASSMAN. You do not have the answer. All right, sir.

(The information subsequently supplied follows:)

PERIOD OF TRAINING FOR 10 PARTICIPANTS FROM CAMEROON TO STUDY HIGHWAY DEVELOPMENT IN UNITED STATES

The period of training for the 10 participants is based on an average cost of $5,000 per year for study in the United States, to include international and domestic travel, per diem, tuition, and books. This would average slightly less than 12 months of training per participant for the fiscal year 1963 funds requested for training.

ESTIMATED PROJECT COMPLETION COSTS IN CAMEROON

Mr. PASSMAN. Could you tell the committee the completion cost of each one of the projects which we have discussed for Cameroon?

Mr. HUTCHINSON. The cost to completion?

Mr. PASSMAN. Yes.

Mr. HUTCHINSON. Yes, sir, I think we could.

Mr. PASSMAN. Starting, if we may, on page 261.

Mr. HUTCHINSON. The estimated total cost to completion of the highway development project is approximately ———.

Mr. PASSMAN. Would you reconcile that with the answer you gave the other day? We believe it is correct that you said it would be ———. Now you say ———.

Mr. HUTCHINSON. The estimated ———, sir, is the cost to complete this project after the obligations that are indicated in the table below. The ——— is the estimated total for the life of the project.

Mr. PASSMAN. All this is to organize a highway department. Thus far we have not reached any construction. We are still dealing with the organization of the highway department.

Mr. HUTCHINSON. Yes, the organization and training of the highway department. We have not reached any construction phase; $200,000 of it is for the feasibility survey, which might eventually result in construction of a road.

Mr. PASSMAN. We are still dealing entirely with setting up an organization, to the extent of ———.

Mr. HUTCHINSON. Yes, sir; less the $200,000.

Mr. PASSMAN. With this type of expenditure, we are establishing an organization later to be staffed which could call for very large sums of money, in subsequent years, for the construction itself?

Mr. HUTCHINSON. The surveys and the work of the department could call for expenditures in the future for construction purposes; yes, sir.

Mr. PASSMAN. This is a lot of money to set up an organization, and it is speculative. There is nothing firm. We are dealing entirely with estimates. Like the participants, "it is anticipated." It leaves doubt whether you will need more or less. The number could be greater or it could be less. We are dealing in a speculative field altogether.

Mr. HUTCHINSON. Not in a speculative field altogether, Mr. Chairman. This is our expectation now, and we are sure that these figures are of a reasonable order of magnitude. It could be 12 or it could be 8.

Mr. PASSMAN. Gentlemen, we are so accustomed to doing business on a business basis and dealing with the realities of life, we certainly will not charge any one individual downtown with preparing these justifications, but there are so many irregularities that would not be permitted in any other bill which the Congress handles. It is rather difficult for us to determine what a fair figure would be. You printed these books, I believe, back in February, did you not?

Mr. HUTCHINSON. Yes, sir; that is right.

Mr. MILLER. I believe the books were actually printed in March, Mr. Chairman.

ESTIMATED FISCAL YEAR 1962 OBLIGATIONS

Mr. PASSMAN. It is running true to order. It follows, nevertheless, that you printed these books back in March, and you did not enter into this obligation until May, did you? You did not obligate the $900,000 until May?

Mr. HUTCHINSON. The $900,000 is the estimate for fiscal year 1963 funds.

Mr. PASSMAN. Gentlemen, this is really important. You printed your books in either February or March, before you had obligated one dime for this project?

Mr. HUTCHINSON. That is correct.

Mr. PASSMAN. Get the significance of this, gentlemen. You printed the books in either February or March; is that correct?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. At that time you had not obligated one dime of the $1.7 million, had you?

Mr. HUTCHINSON. That is correct.

Mr. PASSMAN. Yet you print in the book that you had obligated $1.7 million.

Mr. HUTCHINSON. No, sir. This says estimate for fiscal year 1962 obligations, $1.7 million.

Mr. PASSMAN. Is it obligated?

Mr. HUTCHINSON. It is now obligated.

Mr. PASSMAN. When did you obligate it?

Mr. HUTCHINSON. We obligated it in May, as we testified yesterday.

Mr. PASSMAN. But you set it up in the books as having been obli-

gated. Even before you printed the books, you had to have the obligation set up.

Mr. HUTCHINSON. Sir, this is the total amount of estimated obligations for fiscal year 1962. We are required to estimate what we will obligate.

Mr. PASSMAN. These inconsistencies exist throughout the entire book? I quote.

The firm is undertaking a detailed engineering survey related to a proposed loan application for the Kumba-Manfe Road.

That was in anticipation you would employ a contractor and have him operating before you came before the committee. Is that a statement of fact?

Mr. HUTCHINSON. We anticipated that we would have this done before the end of the year, not necessarily before we came before the Congress with the books, sir.

Mr. PASSMAN. Where have you intended to go with the books? At least you indicate that the firm is a going organization. You say, "The firm is undertaking a detailed engineering survey." Was this printed, this mythical firm that we are talking about, in February or March of this year?

Mr. MILLER. Mr. Chairman, I might speak to that. I think——

Mr. PASSMAN. Was the data with relation to this mythical firm printed in February or March of this year?

Mr. MILLER. The presentation books were printed in March.

Mr. PASSMAN. At that time you had no firm carrying on the engineering studies that your book says are being carried on. Is that a statement of fact?

Mr. HUTCHINSON. Sir, I testified yesterday——

Mr. PASSMAN. Will you answer my question?

Mr. HUTCHINSON. I will testify to the same thing this morning——

Mr. PASSMAN. Will you answer my question?

Mr. HUTCHINSON. As I did yesterday, that the tense of this verb is incorrect. It should not have said that the firm "is undertaking." Sir, I assure you there was no intent when this was printed and there is no intent now to mislead the committee.

Mr. PASSMAN. What was the purpose of putting it in the book, then?

Mr. HUTCHINSON. It was just a plain mistake in putting this in this tense.

Mr. PASSMAN. That is what I have been trying to establish, that it was a mistake.

Mr. RHODES. Mr. Hutchinson, in this category of estimate for fiscal year 1962, you have obligations and unliquidated as of the end of the fiscal year, in two subdivisions.

Mr. HUTCHINSON. Right.

Mr. RHODES. In all cases as we go through each country on these projects, will you indicate what differences there are between the actualities of the obligations and the unliquidated amounts as between the figure in the book and the figure which is the true figure with the end of the fiscal year rapidly approaching?

Mr. HUTCHINSON. Sir, we will not know the actual unliquidated obligations until after the end of the fiscal year. We get on a "flash" estimate basis, as I recall, sometime in July.

Mr. RHODES. It will soon be July.

Mr. TENNANT. The "flash report" is not broken down by individual project.

Mr. HUTCHINSON. We do not get that, as I understand it, until we get the section 1311 review report.

Mr. TENNANT. That would be around the 1st of August.

Mr. RHODES. You would be able to indicate as we go through each project whether the estimated obligations set forth in the book are actually valid as compared with the actual obligations which you will have made.

Mr. HUTCHINSON. I cannot do this by project, sir. It so happens we can give it to you for the projects in the Cameroon because the Chairman requested that we go to the field and get the obligation break by project as of the end of May, which we did. We can give you a break by country of the extent to which the fiscal year 1962 funds have been obligated, but we cannot give it to you as of the end of May. We cannot give you a project breakdown except for the Cameroon, for which, in accordance with the Chairman's request, we got the information on a special basis.

Mr. RHODES. The obligation is actually made here in Washington, is it not?

Mr. HUTCHINSON. No, sir.

Mr. RHODES. You do not know whether these funds are obligated or not, then.

Mr. HUTCHINSON. I know that these particular funds are obligated, because we got the information. I know the extent to which the total program has been obligated as of the end of May, by country, but I do not know the extent to which each individual project within a country program has been obligated.

Mr. PASSMAN. Yours is more or less a book operation, is it not? The field arrives at the estimates and notifies you as to the amount needed for the project. Then you block it off?

EXPLANATION OF PROGRAM BUDGET CYCLE

Mr. HUTCHINSON. May I let Mr. Mossler explain the process?

Mr. PASSMAN. Certainly. Is that the process?

Mr. MOSSLER. Each year, Mr. Chairman, beginning usually in September, we get field estimates of what the missions think they should be doing for the year to commence the following July 1. These figures are reviewed in Washington and subsequently cleared with the Bureau of the Budget. At this time some reduction is usually made in the request from the field.

You asked us the other day, for example, what we did with respect to the supporting assistance request. We provided an insert which indicated that we had reduced substantially the supporting assistance requests from the field.

Mr. RHODES. Before you go further, could I clarify one thing. You say you get this estimate in September. Is this for funds to be expended from the appropriations for the fiscal year in which you are now operating?

Mr. MOSSLER. No, sir. This is the first stage of the program cycle.

Mr. RHODES. Of preparing the budget request for the following fiscal year?

Mr. MOSSLER. That is correct.

WASHINGTON REVIEW

After the President's budget had been determined, we work further on these figures and prepare these congressional documents which you have before you. Then after the Congress makes the appropriations available to us, we have to take a look at all of these country programs again and reestablish our priorities. We try at this stage to keep some communication between the field and ourselves so we are really reviewing any departure we have from the original presentation. Some changes are made at this time.

We in Washington then approve the scope and the nature of various projects which will subsequently be implemented by the field. We have what is called a program approval process, which sets forth the estimated cost of these projects and the total amount for the sum of the projects in a particular country.

After the program approval has been signed, an allotment is made to the field, and then the project agreements are negotiated by our mission personel in the field with the host country. In the course of negotiation, we sometimes find changes in costs. In some cases perhaps a project which we approved here in Washington never gets obligated in the field.

Mr. RHODES. In what month would this ordinarily be done?

Mr. MOSSLER. This varies, Mr. Rhodes. This year it was quite late because of the lateness of the session.

Mr. HUTCHINSON. Reorganization and changes in personnel also entered into the delay.

Mr. RHODES. Is it usually 1 or 2 months after the money becomes available for the fiscal year?

Mr. MOSSLER. We thought we got off to a very bad start in fiscal year 1962. We wanted to look at it in more depth this year, but we hope to start our fiscal year 1963 program review just as soon as we can at the beginning of the coming fiscal year.

FISCAL YEAR 1963 PROGRAM REVIEW

Mr. HUTCHINSON. We hope to begin this program review possibly in July. Even if funds were not appropriated, we feel we could still start this review and move forward, giving us more time to examine the proposed programs, and not find ourselves, hopefully, in the situation we are in this year in which most of the fiscal year 1962 project obligations were made in May, as a matter of fact. I found myself, when I came in on December 18, immediately caught up in the process of having to start this program review for the use of our fiscal year 1962 funds. This carried on over into January, which is obviously much too late.

QUESTION OF FIRMING UP PROJECT EXPENSES BEFORE REQUESTING ADDITIONAL FUNDS

Mr. PASSMAN. All of this dovetails in—your estimate, the mythical firm which is making the undertaking. Yet, the record indicates that you have not expended a dime yet, you have not selected the participants, you have not selected the engineers, you have not selected the economists, you have not bought a nickel's worth of material. Yet, you are asking for an additional appropriation. Would it not be good business, as there is a high degree of uncertainty as to whether you will need even the $1.7 million that you have previously obligated, to move along on a sensible basis as we do in this country, and obligate up to the $1.7 million if you can find a fair reason to do so?

Mr. HUTCHINSON. This has already been done, sir. It has been obligated.

Mr. PASSMAN. All you do is make a transfer of figures on your books. Let us be realistic about that. You have no contractors. You have no commodities purchased. You have no technicians. You have no engineers. You have not done a thing but just transfer over on the books $1.7 million. So, why would you not utilize the $1.7 million on the project before asking for a 1963 appropriation to fall on top of that? How do you know you could utilize a double year's allocation wisely, when you have not even hired as much as one person, or bought as much as one grader? Why could you not first get the project going, and then in a subsequent year come in for additional funds?

Mr. HUTCHINSON. Sir, as has been indicated, this funding process requires considerable leadtime. It is certainly true that we are much further behind than we had hoped and expected to be when this appropriation request was made. It is not quite true, however, that we have done nothing but transfer funds on the books. We have entered into an agreement with the Cameroon as to the nature of the project, in which it is described in detail. So, we do know what the project is to be; we know the scope, the content, and so on. We have made this much progress.

I would also submit that you are right, that before we obligate this $900,000, which we are requesting in the appropriation, we ought to make an appraisal of how we are coming in connection with the project that we obligated funds for in fiscal year 1962. This is certainly true. However, sir, we would hope that just because we were late in being able to get our program approval process moving forward this year as quickly as we hoped, we do not delay the carrying forward of the second stage of the project if it is working out well for an entire fiscal year. We do have to enter into the obligation for the second phase next year, it seems to us, if the project is working out well. If the experience with the obligations under the $1.7 million shows that we should not, then I would agree with you, sir, we should not go forward with that obligation.

Mr. PASSMAN. We would then be making funds available entirely on faith, would we not? So far, your accomplishment has been paperwork and discussions with the people out there. You have entered into no contracts whatsoever.

Mr. HUTCHINSON. I think it is fair to say, sir, that you would be making funds available on this project on the faith that we were going to administer it responsibly, yes, sir.

PROJECT OBLIGATION PROCEDURE

Mr. ANDREWS. I wanted to ask, in line with what Mr. Rhodes was asking: The initial request is made in the field.

Mr. HUTCHINSON. Yes, sir.

Mr. ANDREWS. Then the obligation is made in the field.

Mr. HUTCHINSON. Yes, sir. This is the regular practice.

Mr. ANDREWS. When do you first know specifically for what the obligation was made?

Mr. HUTCHINSON. For the particular project?

Mr. ANDREWS. I do not mean the overall project. I mean the contractor and the type of equipment that was bought. It is after the obligation has been made, is that right?

Mr. MOSSLER. Yes, after the obligation is made.

Mr. ANDREWS. Then you in Washington really do not have too much to do with this program, do you?

Mr. HUTCHINSON. I think, sir, we should point out that these obligations cannot be incurred without our approval of the project in the first instance.

Mr. ANDREWS. I understand that. You are talking about the overall project. I am talking about specifics, the itemized statement of the obligation.

Mr. HUTCHINSON. We do not know the itemized statement of exactly what commodities are to be bought, in what amounts, and so on, until the obligation is entered into. This is true.

Mr. ANDREWS. How long after the obligation has been made, is it before you receive the information?

Mr. HUTCHINSON. This would be shown in the quarterly reports we receive.

Mr. MILLER. If I could comment just a moment in response to your question, Mr. Andrews.

Mr. ANDREWS. Yes, I would like to know more about this.

RESPONSIBILITY OF FIELD IN PROJECT IMPLEMENTATION

Mr. MILLER. There is no question that this is a very large program, involving a great many countries, for the vital national security interests of the United States. In order to carry out this program, it is necessary to give a reasonable amount of control to the field so they can implement the programs and projects we wish to undertake. The Washington office, therefore, can operate through a review process which keeps close tabs on the general nature of the projects, how they fit into the country planning, how they fit into the funds that the Congress makes available, and how they fit in with the national policy of the United States. In this fiscal year, 1962, we participated in a deep review of the program, as we told the committee last year we were going to do..

This review process is a continuous process. On the other hand, just the communications time between Washington and the field in some of the more remote countries is considerable. It is clear the

same amount of detail that might be sent into Washington on a domestic project in the United States, just as a physical matter cannot be transmitted as promptly from a remote country where we are giving aid.

Mr. ANDREWS. If there is any waste in the program—I am sure there is not, but if there is any waste in the program, then Washington has nothing to do with it, and you do not know about it until after the waste has occurred and the money has been spent. Is that about right?

Mr. HUTCHINSON. May I make a comment here, sir?

Mr. ANDREWS. Would you answer my question?

Mr. HUTCHINSON. If there is waste in the sense of procuring particular items that should not have been procured, we would not know it until after the fact; yes, sir.

Mr. ANDREWS. That is what I wanted to know. I am glad to hear, if there is any waste, you in Washington have nothing to do with it because you have no control over how the money is spent after it gets out in the field.

Mr. HUTCHINSON. I do not want to testify, sir, that we do not have any responsibility if there is waste in the program. If there is waste in the program, it is our responsibility, because we ought to do whatever is necessary to eliminate that waste.

Mr. ANDREWS. But you do not come into the picture, as I understand it, until after the money has been spent.

Mr. HUTCHINSON. We do not for these individual specific items.

Mr. ANDREWS. That answers my question.

Mr. HUTCHINSON. Let me comment, sir, if I may. I do not think this is markedly different from the normal practice of any agency with decentralized operations, which is required to make a review of the program that is being carried on in the field and make allotments to the field. I have seen allotments made in this way. You make an allotment to the field before the obligation is made, and you make it without the detailed break in minutia as to the exact items for which the funds are to be spent. We are not doing anything different in this respect.

Mr. PASSMAN. Would you cite for the record just one instance where such a procedure as that is applicable to any project in America?

Mr. HUTCHINSON. Sir, I am sure that any budget office makes an allotment to its constituent units for obligations without having in its hands a detailed commodity list of the items for which the funds are to be expended.

REVISIONS TO INITIAL PROGRAM APPROVALS

Mr. PASSMAN. Only after it has been justified in minute detail can you make such an allocation. You made a statement a moment ago to that effect, and we hope the record is correct on that. You said that many times the country team does not approve a Washington allocation. Maybe AID-Washington allocates funds but the field then does not approve the Washington allocation.

What do you do in that instance?

Mr. HUTCHINSON. If they do not agree with the program approval and want to use the funds for other projects, they come back and request a revision of the program approval.

Mr. PASSMAN. But they have the right to refuse any allocation that you may make in Washington?

Mr. HUTCHINSON. Well, they certainly have the right to request a revision of the program approval that has been given.

Mr. PASSMAN. Is that an answer to the question?

Can the field reject a Washington allocation? Certainly you would have to review it, but who has the final say as to whether the Washington allocation sticks or whether it is canceled?

Mr. HUTCHINSON. The final say as to the program to be carried out and whether particular projects are to be carried out rests with Washington.

FIELD VISITS BY WASHINGTON PERSONNEL

Mr. PASSMAN. Do you people in Washington make frequent visits? When was the last time you were out in this section of the world?

Mr. HUTCHINSON. I returned, I believe, the 28th of March, but I would have to check.

Mr. PASSMAN. How many countries did you visit?

Mr. HUTCHINSON. I visited Liberia, Nigeria, Niger, and Dahomey.

Mr. PASSMAN. Have you been to the Cameroon?

Mr. HUTCHINSON. No, sir.

Mr. PASSMAN. Have you ever been to the Cameroon?

Mr. HUTCHINSON. My deputy has.

Mr. PASSMAN. Have you?

Mr. HUTCHINSON. My deputy has.

Mr. PASSMAN. Who is your deputy?

Mr. HUTCHINSON. Mr. Arthur McGlauflin.

Mr. MILLER. Mr. Chairman, could I comment partly on Mr. Andrew's question and the colloquy that ensued?

Mr. PASSMAN. Yes.

Mr. MILLER. First, I want to point out that we are talking about development grants here which are, as you know, approximately 10 to 15 percent of the total funds requested for fiscal year 1963. Although I do not personally have any knowledge, since I have not been with the program a very great amount of time, from my private practice of law I do have some acquaintanceship with private industry. I know that several large corporations do have a decentralized type of operation in which individual units away from the central office do have the right to make expenditures on their own volition, and report such matters to the central office after the expenditures are made.

In connection with frequent visits of personnel, it is my understanding that it is a tenet of Mr. Hamilton's administration that he would like to encourage more frequent visits from Washington and from the field—an interchange that is regarded as being extremely important.

I know there will be more testimony on this at the time we consider the "Administrative expenses" appropriation.

Mr. PASSMAN. How long have you been with this Agency?

Mr. MILLER. A little over a year.

Mr. RHODES. Mr. Chairman?

Mr. PASSMAN. Yes.

FIELD ACCESS TO SURPLUS PROPERTY

Mr. RHODES. Along the lines of Mr. Andrews' line of questioning, if the procurement of items is handled by the field, is there any way that the people in the field can know, or are they apprised of the existence of similar items in surplus in other governmental agencies which could be procured?

Mr. HUTCHINSON. Yes, sir. The AID Office of Materials Resources has facilities for making this information available to them.

Mr. RHODES. Is there a formal certification that you ask your responsible officers in the field to sign, before they procure items stating that they have determined that such items are not available in Government surplus?

Mr. MOSSLER. I think one thing I might be able to add here, Mr. Rhodes——

Mr. RHODES. Wait. I want an answer to the question.

Mr. HUTCHINSON. After the obligation is entered into, through the project agreement, we have what are called subobligational documents. These subobligational documents are presented to Washington for processing. In other words, we act as an agent for procurement and when those documents come in, if we have surplus commodities, we try to use surplus commodities. In fact, during the past few months, there has been much more emphasis on the use of surplus commodities.

PROJECT OBLIGATING PROCEDURE

Mr. RHODES. I think you are changing the answer that you gave Mr. Andrews. As I understood the testimony which his questions elicited, the procurement is done in the field and now you are saying that the ordering is done in the field and you do the procurement in Washington?

Mr. HUTCHINSON. We said the obligation was entered into in the field. The actual——

Mr. ANDREWS. Would the gentleman yield?

Mr. RHODES. Yes.

CLARIFICATION OF TERM "OBLIGATION"

Mr. ANDREWS. I understood you to mean that obligating is the same as purchasing.

Mr. RHODES. That was my understanding.

Mr. ANDREWS. It means spending money.

Mr. RHODES. No; this agency is allowed to use a different definition of "obligation." We always have much trouble with it.

Mr. HUTCHINSON. It is the signing of the project agreement.

Mr. RHODES. The shopping list is prepared at the same time in the field and sent to Washington for procurement?

Mr. ANDREWS. Washington did not know what the shopping list was until after the obligation was made.

Mr. HUTCHINSON. After the obligation was made——

Mr. RHODES. The word "obligation" must be defined. Define it—what do you mean by "obligation" in this particular instance?

Mr. HUTCHINSON. We are talking about the agreement with the country in which the project is described and we set forth what we intend to accomplish in the provision of technicians, training, et cetera, et cetera.

ISSUANCE OF SUBOBLIGATING DOCUMENTS FOR COMMODITY PROCUREMENT

As Mr. Mossler has indicated, the next step is the issuance of the subobligational documents on which procurement will take place. Under present procedures, these are reviewed in Washington before the procurement is made.

Mr. PASSMAN. That is a strange bowl of fish, because I hold here in my hand a document that shows the field notified AID-Washington they wanted $100,000 blocked off for commodities.

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Washington did not know whether it was sweet potatoes, rutabagas, or garden seed. They had to wire out to the field to get the field to tell them for what purpose Washington had obligated the $100,000. That is what I said you did not know. You said you sent a cablegram out; is that correct?

Mr. HUTCHINSON. That is correct.

Mr. PASSMAN. You did not know and you sent a cablegram out to find out.

At what stage do you correspond with the proper agencies as to whether or not they may have these commodities, which covers anything other than something you eat, whether they had it in surplus?

Mr. MOSSLER. After we obligate the money. The project you are referring to was a project we had proposed for fiscal year 1963. We would not know the details normally on this until after we got the appropriation, until after we obligated the project, and until after the subobligational document was issued.

Mr. PASSMAN. The field and Washington, each has a veto power over the other? You allocate the funds and the field may disapprove and ask for reconsideration or cancellation; is that correct?

Mr. HUTCHINSON. They may ask for reconsideration and cancellation and we may agree. We do not have to agree.

DETERMINATION OF PROJECT PRIORITIES

Mr. PASSMAN. Certainly you may or may not agree. Who establishes the priority on these projects?

Mr. HUTCHINSON. The priorities within the countries?

Mr. PASSMAN. Yes.

Mr. HUTCHINSON. Basically, the Mission Director establishes the priorities and we review this, but basically this is his decision.

CAUTION SUGGESTED IN MAKING DEVELOPMENT GRANTS EFFECTING SUBSEQUENT LARGE EXPENDITURES

Mr. PASSMAN. Even though it is out of development grants, great caution should be exercised because this may lead to requests for hundreds of millions of dollars in subsequent years for the actual construction of what is being planned; is that true?

Mr. HUTCHINSON. Sir, the specific thing here which might lead to a request for subsequent appropriations for construction is the feasibility survey. This would likely not be a road costing hundreds of millions of dollars.

Mr. PASSMAN. I am speaking of this worldwide program, but you put it in any terms you want to in answering.

Let us talk about the Cambodia road project.

I do not know how many prosecutions there will be and how many times over the original estimate the road is going to cost, but this will be brought out later.

Last year they came along and said, in effect, "A terrible mistake, but we will not repeat on this. For $2.7 million we can completely repair this buffalo-used highway and this is firm."

Now we find out that, just to get started, they allocated $7 million out of the President's contingency fund for this Cambodia road.

Is it not at this point, since you are setting up a Highway Commission and making feasibility surveys, that we should exercise great caution to be sure we get the foundation by which subsequent construction can be carried on?

Mr. HUTCHINSON. I think it is very important and fundamentally this is the purpose of this project, to be able to train people and these considerations must enter into this.

Mr. PASSMAN. You can read the story on practically every highway built, especially the Cambodia Highway, and the Vietnam Highway, and see if we cannot justify every question we have been asking here, because Washington does not know what the field is doing. The field does not know what Washington is doing except by correspondence and it is very important that this thing be checked out.

Mr. RHODES. Will you yield?

Mr. PASSMAN. Yes.

RECEIPT OF COMMODITY LIST IN WASHINGTON OFFICE

Mr. RHODES. Then you will get this list which was obtained from the Malagasy Republic mission as a shopping list later in the year, presumably?

Mr. HUTCHINSON. Presumably this will come forward whenever we are ready to——

Mr. RHODES. You said "presumably" and I agree "presumably" because apparently this is not tied down any firmer than anything else we now contemplate happening in fiscal year 1963, is it?

Mr. HUTCHINSON. To answer that question; yes.

No, it is not.

Mr. PASSMAN. In final summation——

Mr. RHODES. The situation is fluid, to say the very least.

Mr. PASSMAN. In final summation on the Cameroon, we make funds available by fiscal year?

Mr. HUTCHINSON. For development grants.

Mr. ANDREWS. May I go off the record and make a statement, Mr. Chairman?

Mr. PASSMAN. All right.

(Discussion off the record.)

ANNUAL APPROPRIATIONS FOR DEVELOPMENT GRANTS

Mr. PASSMAN. Is it your understanding that on development grants, the matter we are presently discussing, the appropriation is made on an annual basis, with the fiscal year beginning July 1?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. The $1.7 million covering this highway development project No. 694–F–31–AB, on the first day of the fiscal year, beginning July 1, next Sunday, you will not have made any subobligations out of this $1.7 million allocation; is that correct?

Mr. HUTCHINSON. I would not know this for a fact, but this would be my estimate of what the situation would be.

Mr. PASSMAN. Do you concur that that is in all probability the correct status, that there has been no subobligation made out of the $1.7 million, and it will still be available at the beginning of fiscal 1963, which will be July 1, 3 days hence?

Mr. MOSSLER. I agree with Mr. Hutchinson.

Mr. PASSMAN. Does the Comptroller agree?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. If that be true, here you are in fiscal year 1963, with all of the funds you allocated out of fiscal 1962 still intact, and based upon the answers to those questions, I shall recommend specifically that funds for 1963 for projects and programs of this type be denied. It could conceivably be that you will come back when we are entering into fiscal year 1964 and you would still have this uncertain category of markoffs, blockoffs, still on hand, unappropriated.

Mr. MILLER. Mr. Chairman——

Mr. PASSMAN. I meant with funds you had obligated applicable to 1962, and we are already coming into fiscal year 1963, with them still on hand, intact.

UTILIZATION OF EXCESS PROPERTY

Mr. MILLER. Mr. Chairman, could I answer one question of Mr. Rhodes' that was not answered on the use of excess property?

He asked whether or not it was used in our program and I might state that in fiscal year 1961, $59.3 million of the original value of the property was used in ICA programs.

It is expected that approximately $70 million, as originally valued, will be used in fiscal year 1962 and in 1963, it is estimated approximately $100 million, original acquisition value, will be used.

You may recall last year a new section allows us somewhat greater flexibility in obtaining property, refurbishing and using it in the program.

We have great hopes this can be used effectively in our program in the future.

Mr. RHODES. I appreciate your explanation but now will you tell me how you charged this equipment to the recipient country? You take it on your books, and I presume a certain figure is established at that time. Then you refurbish it, at what figure do you charge it out to the program?

Mr. MILLER. The applicable section is section 608 of the Foreign Assistance Act. That provides that we may obtain up to a certain limited amount of original acquisition costs and then those properties are held in a pool, if it is acquired under this particular section. Then it is used in the program and, if it is a grant program, there is no charge for the articles to be used.

Mr. RHODES. That just cannot be. Your bookkeeping has to be more precise than that, whether you get the material from the Government or from the outside. You have a certain value entered on your books

representing that equipment and I am now asking whether this figure is changed as a result of storage, transportation, refurbishment, repair, or for any other reason.

At what figure do you bring it in, and at what figure do you put it out?

Mr. MILLER. I am sorry. I did not fully appreciate your question.

This particular section provides in the last sentence that property acquired pursuant to this section may be furnished; (1) pursuant to any provision of part I, whch is the balance of the particular part of the Foreign Assistance Act for which funds are authorized for furnishing of assistance, in which case the separate account established under the Advance Acquisition Section shall be repaid from funds made available for such provision for all costs incurred.

The costs incurred under this one particular provision are (2) pursuant to the furnishing of previous section 607, in which case the separate account shall be repaid in accordance with the provisions of that section for all costs incurred. Section 607 allows certain advance of funds or material to be given on a reimbursable basis for the costs incurred.

Mr. RHODES. Does anybody have the answer to my question?

Mr. TENNANT. I think the problem here is that several techniques have been used over the years. Originally excess property was brought in at a reduced value, as determined by the surplus declaring agency, GSA, for instance, at about 5 or 10 percent.

Mr. RHODES. It is determined by formula under which the carrying agency would operate, GSA or whatever, prescribed by law. You take the equipment on your books at their figure; is that correct?

Mr. TENNANT. Yes, sir.

Mr. RHODES. There is an actual transfer of funds which would be accomplished as a result of the transaction?

Mr. TENNANT. That is correct under the first system of handling.

Mr. RHODES. Presumably you spent some money for refurbishing and do you add that to the value of the particular piece of equipment?

Mr. TENNANT. Yes. However, as I recall, prior to this year most refurbishing was charged to the country.

Mr. RHODES. I think that is right.

Mr. Miller quoted the law under which this is allowed and the law is clear. The lawyers have spoken, but I am now talking to the accountants as to what happens.

Mr. TENNANT. At the present time, I believe the excess property transferred without charge; the refurbishing and shipping costs are charged to our accounts.

Mr. RHODES. Your qualifying words "at the present time" are rather interesting.

Mr. TENNANT. The distinction refers to the change in the law in fiscal year 1962. The prior methods were different. I would have to refresh my memory on the specifics.

Mr. RHODES. Would you like to furnish this answer for the record?

Mr. TENNANT. I would be glad to.

(The information supplied follows:)

USE OF GOVERNMENT EXCESS PROPERTY IN THE AID PROGRAM

During fiscal year 1961, AID acquired and transferred to its program recipients excess property having an original acquisition value of $59.3 million.

While it was forecast that excess property having an original acquisition value of $70 million would be acquired and transferred during fiscal year 1962, it now appears that only approximately $50 million of such property will be utilized in that period. This shortfall is attributable to several factors:

(*a*) The buildup of U.S. military forces caused a slowing down of the generation of excess by the Department of Defense pending a reappraisal of that Department's needs and the availability of additional funds for new procurement.

(*b*) The acceleration of the Department of Defense's single manager system via its establishment of the Defense Supply Agency temporarily retarded excess generation pending the reappraisal of material requirements of single managers of specific commodity groupings.

(*c*) The unsuccessful attempt by the Department of Defense to expand its use of "trade-in and sales" authority under section 201(c) of the Federal Property and Administrative Services Act of 1949, as amended (Public Law 152, 81st Cong.) dried up, for a period of several months, certain categories of much desired excess property of that Department, for example, construction equipment and general purpose, shop-size machine tools.

It is estimated that AID can absorb upward of $100 million of domestic and foreign excess property during fiscal year 1963 and subsequently, provided that the Department of Defense, which constitutes virtually the sole source of domestic and foreign excess property, continues to generate a substantial quantity of such property.

The authorities under which AID acquires excess property are as follows:

(*a*) *Domestic.*—Section 202 of Public Law 152, 81st Congress and sections 607 and 608 of Public Law 195, 87th Congress.

(*b*) *Foreign.*—Section 402 of Public Law 152, 81st Congress and sections 607 and 608 of Public Law 195, 87th Congress.

AID's basic authority for the utilization of excess property and the expenditure of funds for the refurbishing and transportation of the property issues from Public Law 152, 81st Congress, as does that of other Federal agencies. Under this authority, all excess property which AID now acquires for utilization in its programs is without charge as to the value of the property itself; however, as the case of other Federal agencies, accessorial costs, such as refurbishing, packing, crating, handling, and transportation, are borne by the recipient. The property subsequently is transferred by AID to the respective country programs. It is taken up on AID's books only as to the accessorial costs incurred in the transfer and is charged to the respective country programs at the incurred costs. There is no charge to the respective country program as to the intrinsic value of the property, nor are program credits imposed as a result of the transfer.

Under Public Law 195, 87th Congress, AID has received two specific authorizations:

(*a*) *Section 607.*—Authorizes the furnishing of services and commodities on an advance-of-funds or reimbursement basis to certain eligible recipients. Excess property, both domestic and foreign, falls within the scope of this authorization and, subject to the limitation of section 608 of Public Law 195, 87th Congress, as to domestic excess property, is transferred to eligible recipients without charge as to the value of the property itself. However, all accessorial costs, such as refurbishing, packing, crating, handling, and transportation, are borne by the recipient.

(*b*) *Section 608.*—Authorizes AID to establish a $5 million fund free of fiscal year limitation for the purpose of acquiring domestic and foreign excess property in advance of known requirements for such property. This fund is used for the payment of accessorial costs, such as refurbishing, storage, packing, crating, and handling, and transportation. When the property has been prepared for shipment and transferred as part of a specific country program or is transferred under section 607, the fund is reimbursed as to accessorial costs from the specific country program or by the recipient under section 607. Section 608 also limits the amount of domestic excess property which AID may hold at one time under that section to $15 million in total original acquisition

value. It also requires, except for $45 million in total original acquisition value domestic excess property which AID may acquire for its funded program use, a determination that excess property acquired by AID is not required for domestic donation programs.

TYPES OF AID FOR CAMEROON IN FISCAL YEAR 1962

Mr. PASSMAN. We have been discussing the Cameroon but only the development grant phase of the entire program. We wish, before we start back tomorrow morning, you would get us all of the information you have on all of the types of aid to the Cameroon, whether it be development credits, or whether it be other types. I am speaking now of the material you do not have in the books, because you said these books were printed up in February, and we have only been discussing one phase and now we want to get into all of the phases of this program.

It may save a little time when we get to the other countries if you did that. Give us information on any types of aid you have contemplated for the Cameroon out of fiscal year 1962 funds; that you either have obligated or will obligate.

(The information supplied follows:)

Actual fiscal year 1962 obligations and loan authorizations for Cameroon

Supporting assistance:	
Highway development	$1,947,500
Farm to market roads	212,500
Excess property	60,000
Nonproject assistance (commodity imports)	700,000
Technical support	79,100
Total	2,299,100
Development grants:	
English language training	200,000
Education program, West Cameroon	40,000
Manpower training	86,000
Technical support	73,400
Total	399,400
Development loan: Trans-Cameroonian railway extension	9,200,000

Mr. ALEXANDER. Mr. Chairman, would you yield for one question?

SURPLUS PROPERTY AVAILABLE TO FOREIGN AID PROGRAM

We were discussing the surplus property question. Do you have a complete inventory of all of the surplus property that is available to the foreign aid program?

(The information supplied follows:)

SURPLUS PROPERTY AVAILABLE TO THE FOREIGN AID PROGRAM

There is no complete inventory as such of excess property or surplus property—domestic or foreign.

There are literally thousands of declarations of excess property which are made every year by individual owning activities scattered throughout the world and which cover tens of thousands of different kinds and types of property. The composition of items included in these declarations of excess changes daily. Additionally, there is a very large segment of total excess generations which

is categorized by the headquarters of the owning activities as nonreportable by those activities.

As an integral part of AID's program for the acquisition of excess property for use in AID's authorized programs, we employ the facilities of the General Services Administration to inform our missions as to the availability of all reportable domestic excess property through the medium of General Services Administration regional bulletins and catalogs. In addition, we have located at strategic points AID employees for the screening of nonreportable domestic excess property and for the inspection and expediting of shipment of property required by AID.

Insofar as foreign excess property is concerned, we are establishing a similar pattern with AID employees headquartered in Frankfurt, Germany, and Tokyo, Japan.

Mr. PASSMAN. We meet at 10 a.m. tomorrow; it is getting late in the year.

Mr. ALEXANDER. Mr. Chairman, I wish he would put the answer to my question in the record.

Mr. PASSMAN. Did you answer his question?

Mr. HUTCHINSON. I thought the meeting was recessed.

Mr. ALEXANDER. Let him put the answer in the record.

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. The committee stands adjourned until 10 o'clock tomorrow morning.

WEDNESDAY, JULY 11, 1962.

Mr. PASSMAN. The subcommittee will come to order.

CAMEROON—PRESENT AND PROPOSED PROJECTS

Almost every day, gentlemen, shocking things are brought to the attention of this committee as to some of the expenditures abroad, how wild they are, and as to some of the luxuries that are being purchased in connection with this foreign aid program.

When we recessed a few days ago we asked that you furnish the committee with any information you had on either the planned projects or proposed projects for Cameroon, if any. Have you had an opportunity to give some research to that question?

Mr. HUTCHINSON. Yes, sir. The only program we expect to carry out, in addition to the development aid program that we have been discussing, is $75,000 for the administrative cost of the title III, Public Law 480 program carried on by the voluntary agencies.

APPLICATIONS FOR DEVELOPMENT BANKS BY NEW COUNTRIES

Now we do see the possibility—we have no application and they may not materialize, but there is a possibility of an application for a loan for a highway development and the possibility of an application for a loan for a development bank. We do not have those on hand so we cannot tell you definitely whether they will be received, and if received, whether they will be approved, but there is a possibility that those might be coming in.

Mr. PASSMAN. What is the record of such requests being rejected?

Mr. HUTCHINSON. The record of——

Mr. PASSMAN. The Department turning them down. Do you know of any instance, after it reached this stage, of the Department rejecting the request for a development bank by a new nation?

Mr. HUTCHINSON. There are a number of cases where the requests for development banks have not been approved or where the amounts requested have been reduced.

Mr. PASSMAN. Reduced is one thing, but I am talking about a new nation, where you have a request for the establishment of a development bank. Do you know of any instance where the request was turned down and never reconsidered?

Mr. HUTCHINSON. I would have to examine the record to see. I feel confident there are such instances.

Mr. PASSMAN. For new nations?

Mr. HUTCHINSON. For new nations; yes, sir.

(The information supplied follows:)

DEVELOPMENT BANK LOAN APPLICATIONS—AFRICA

No rejections have been made of requests from new nations for Development Bank loans. However, the following applications from Libya and Nigeria were rejected and not reconsidered:

LIBYA

Agricultural Development Bank, $2.8 million.

NIGERIA

Western Region Finance Corp., $1.4 million.
Industrial & Agricultural Co., Ltd., $5.5 million.
Northern Developments, Ltd., $7 million.

PROPOSED USES OF CONTINGENCY FUND

Mr. PASSMAN. You mentioned something earlier about the contingency fund, that there may be certain projects developing where you would use the contingency fund. Could you tell us on what projects you may want to use the contingency fund?

Mr. HUTCHINSON. We would have no particular project, sir, for which we might want to use contingency funds. We have indicated, I think, there is a possibility we may want to use the contingency fund in the case of ———. There may very well be developments there which require an increase in the amount of aid over that that we have included in this request.

Mr. PASSMAN. Of course, that could be worldwide, that same possibility could exist anywhere?

Mr. HUTCHINSON. I think this is a different kind of a possibility.

Mr. PASSMAN. That is what we are trying to find out, if this thing has advanced now to where it is reasonably sure there will be requests for aid from the President's contingency fund. Have you advanced far enough that you know what particular projects they may be?

Mr. HUTCHINSON. No, sir. I cannot tell you there will be a requirement from ——— but this would seem to us to be one of the very real possibilities.

Mr. PASSMAN. That would be much more than other sections?

Mr. HUTCHINSON. Yes, indeed.

Mr. PASSMAN. Then you are bound to have some information indicating there is a possibility more so there than elsewhere. You do not just get those figures out of the air. Could you tell us a little bit about it and let us understand what to expect?

Mr. HUTCHINSON. There is a possibility in view of the unsettled political and military conditions which exist there. That is that the funds that we have requested and indicated as being required in ——— will be insufficient. Their balance-of-payments situation is getting very, very critical. The disorganized situation in the government, the continued failure to reach an agreement, is continuing to interfere with their ability to get an orderly government really into operation, and with their ability to control the economic situation. As a result it may very well be that we may have to provide additional assistance.

We had contemplated that there would be some sort of a stabilization of this situation hopefully by the end of the calendar year when we made these requests. We do not know whether or not this will eventuate. If it does not, there is a very real possibility we would be using the contingency fund to meet the requirement there.

Mr. PASSMAN. Is that not a condition that has existed from time immemorial, and it will exist into the future ages, where governments get piled up, possibly with their monetary systems and not have a realistic exchange rate? Are we not experiencing that type of situation in several Latin American countries now?

Mr. HUTCHINSON. I would assume we may be having some such problems in Latin America. I am not familiar with Latin American problems of my own knowledge.

Mr. PASSMAN. I believe Canada had some trouble similar to that a few weeks ago.

CONTRACT TECHNICIAN COST ESTIMATES FOR CAMEROON

Mr. Hutchinson, we were discussing the $30,000 per contract per technician for Cameroon. Could you give us a breakdown on that $30,000?

Mr. HUTCHINSON. Mr. Chairman, I believe I previously testified I could not. This is an average cost of technicians we have used for the purpose of arriving at the cost estimate.

Mr. PASSMAN. Would you not think that the committee would believe, somewhere along the way, your people here in the Department, or out in the field, would know how you arrive at that amount? These figures are not just pulled out of the air. You have to have a worksheet, even if it is just a pencil analysis.

Mr. HUTCHINSON. I think, Mr. Chairman, I have testified repeatedly that we have to use cost factors in determining these kinds of cost estimates. Our experience with technicians at these levels, and so on, have led us to the conclusion that $30,000 is a reasonable figure to attach to these technicians.

Mr. PASSMAN. You can see that your being led to a conclusion does not satisfy this committee. We want, somewhere along the way, to be supplied with a breakdown as to how you arrive at this estimate.

Now, the salaries, if we may. Maybe we can help you.

Mr. HUTCHINSON. Mr. Chairman, you cannot help me by giving me the breakdown and asking for the figures. I have testified that I do not have that breakdown. If you want me to go——

Mr. PASSMAN. Is it available from any source?

Mr. HUTCHINSON. I will go to the field and find out whether or not they have the individual cost breakdown in arriving at the technicians.

It does not seem to us, however, unreasonable to use our past experience in connection with the employment of technicians in arriving at an estimate of the cost for the employment of such people. I will, however, be glad——

Mr. PASSMAN. You pick any year you choose. Somewhere along the way where you have a worksheet.

Mr. HUTCHINSON. We can do that if that is what you want.

Mr. PASSMAN. That is not what we want, but if you are not going to give us anything better we have no alternative other than to accept it.

Mr. HUTCHINSON. We will be glad to supply you with a cost breakdown——

Mr. RHODES. Is that $30,000 only for the African area?

Mr. PASSMAN. Only for the one country, the Cameroon.

Gentlemen, we are going to have to find out for what purpose you are spending this money. Every time you look at the Treasury statement, every 5 days of this fiscal year we have been $1 billion overdrawn.

Mr. RHODES. Mr. Chairman, I don't see really how there can be any experience. You haven't had anybody in the Cameroon.

Mr. HUTCHINSON. That is right. This is why I am testifying we have to use cost factors.

Mr. RHODES. The chairman only wants the formula you used to arrive at this. I don't think that is an unreasonable request.

Mr. HUTCHINSON. I will agree, sir, it is not an unreasonable request to find out the factors we took into account and what our past experience has been in connection with them. I am only testifying that I do not have them here in that specific form, but it is based on past experience. We will be glad to give you the——

Mr. RHODES. Unless I am wrong all the chairman wants is the elements you took into consideration in arriving at this.

Mr. PASSMAN. That is correct. I tried to make it as completely clear as I could, that we wanted the formula by which you arrived at the $30,000 for technicians, and you just do not get it out of the air.

Mr. RHODES. If you wrote some numbers on a piece of paper, threw them in a hat, and picked one out, say so.

Mr. HUTCHINSON. We will be glad to give you the factors we took into consideration. I do not have them with me here today.

(NOTE.—Information subsequently supplied may be found on p. 543.)

HOUSEHOLD FURNISHINGS AND OTHER ITEMS UNDER HIGHWAY PROJECT IN CAMEROON

Mr. PASSMAN. To get a general idea of what we are trying to arrive at, sir—now this is certainly interesting, gentlemen. This is a peculiar type of highway equipment. Here are some of the items:

Eight beige rugs.
Eight, each, household furnishing units.
Sixteen, each, bedroom furnishing units.
Eight floor lamps.
Sixteen table lamps.
Eight ranges, gas, four-burner.
Eight washing machines.
Eight refrigerators, 13 cubic feet.

Sixteen dehumidifiers, Westinghouse model.
Sixteen air conditioners, Westinghouse.
Eight water filters.
Eight, each, window screening, gray plastic-covered Fiberglas.

Mr. HUTCHINSON. Mr. Chairman, would you tell me what you are reading from?

Mr. PASSMAN. I am reading from a list here of what you are going to ship out and charge to this highway equipment account.

Mr. FORD. Is this under the highway development project, Mr. Chairman?

Mr. PASSMAN. Yes. But when you get into it, you do not know what you are going to run into.

Mr. HUTCHINSON. This is $31,000 for household effects for the technicians that are going to be employed in the contract. This is certainly not in any way suggestive that this is the roadbuilding equipment or anything of that sort. It is $31,000 for household effects of these people who are being employed in the contract.

Mr. PASSMAN. Let me refresh your memory from your own statistics. We have inserted this "Breakdown of Commodities, Highway Development Project, Cameroons, Fiscal Year 1962," into the record. It is a total of $1,112,500 for highway equipment which has been obligated.

Mr. PASSMAN. You have here $41,000 for two sets of laboratories.

No. 2 is $25,000 for mobile laboratory to be made available for use in the northern part of the Federated State of East Cameroon.

No. 3, $970,900 for equipment for two road betterment groups.

Then, we shall move along to No. 4.

Mr. HUTCHINSON. Those groups of tractors and bulldozers——

Mr. PASSMAN. It comes out of the $1,112,000, does it not, all the things I enumerate here?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. Those refrigerators are there and are listed as highway equipment.

Mr. HUTCHINSON. That is right, sir.

Mr. PASSMAN. You said they were not highway equipment, I thought.

Mr. HUTCHINSON. I said they were not roadbuilding equipment.

Mr. PASSMAN. I did not say that. I said it was under the highway equipment item.

Mr. HUTCHINSON. That is true, sir. It is under the highway equipment project we are——

Mr. PASSMAN. Why should you list this under highway equipment if it is household? Some appear to be items you could get along without.

Mr. HUTCHINSON. This is for the technicians—the household effects of the technicians to be employed on this project.

Mr. PASSMAN. Do you put their salaries and other items in under the $1,112,000, or does that come in a different category?

Mr. HUTCHINSON. The salaries are included in the $1,112,000. It is included.

And I think we did indicate in the book there was training equipment in addition to the regular highway equipment.

Mr. PASSMAN. Do you use refrigerators, washing machines, and things like that in training equipment, or does that come under household?

Mr. HUTCHINSON. For the households of the people doing the training.

Mr. PASSMAN. It is unusual training equipment. When you speak of training, people would think of things other than household appliances.

The $30,000 figure to maintain these technicians, is that included in the total figure?

Mr. HUTCHINSON. I would think it should be included, but I frankly do not know.

Mr. PASSMAN. Let us take a little time now and find out whether it is included. Can your supporting witnesses help you on that?

Mr. HUTCHINSON. They cannot, sir. We will have to check back at the office.

Mr. PASSMAN. If those items are not included that will increase substantially the costs for technicians, will it not?

Mr. HUTCHINSON. It would.

(Information subsequently supplied may be found on p. 543.)

Mr. PASSMAN. Would there be similar programs and projects in the other sections of your region, Mr. Hutchinson? This is a new region, is it not?

Mr. HUTCHINSON. It is, sir.

Mr. PASSMAN. And the type of projects would be similar—at least the mechanics of how they are created and will be financed—to the Cameroon?

Mr. HUTCHINSON. The same procedures are used.

Mr. PASSMAN. And this lack of information would be the same in the other regions? The answers to the questions would be the same in the new regions?

Mr. HUTCHINSON. The answers would be the same as to the procedure used. There will be variations in some projects as to the extent of the detail which we have on hand, project by project.

Mr. PASSMAN. The thing that is going to cause us great concern as we go through thousands of pages of transcript and the justifications, such as when we look at your projections at the bottom of page 261:

> The firm is undertaking a detailed engineering survey related to a proposed loan application for this road.

We find later that this is mythical, and no such firm has been selected, but you anticipated before you reached the committee that you would have a firm, and then to have it read as though the firm had already been selected and was well underway, that causes us great concern. We do not know whether to take that figure as indicating all the projects are the same way or whether that is an exception.

This is brought about in the overall composition of the justifications. It is not intended as an indictment against you, but is just a question of trying to anticipate what you will have accomplished prior to coming before this committee, and then when things do not materialize it indicates there is a lot of guessing going on, at least.

Now, gentlemen, I yield to Mr. Gary.

Mr. GARY. I think you have covered it very fully, Mr. Chairman.
Mr. PASSMAN. Mr. Natcher?
Mr. NATCHER. No questions.
Mr. PASSMAN. Mr. Alexander?
Mr. ALEXANDER. No questions.
Mr. PASSMAN. Mr. Andrews?
Mr. ANDREWS. No questions.
Mr. PASSMAN. Mr. Ford?
Mr. FORD. No questions.
Mr. PASSMAN. Mr. Rhodes?

HOUSING FOR CONTRACT PERSONNEL

Mr. RHODES. I notice on the list of equipment you have some household items. Where will the technicians be housed? Will we also procure the housing as well as furnishing the quarters?

Mr. HUTCHINSON. I would think that the housing would be rented. We would be contracting for the housing on a rental basis for contract technicians rather than buying the houses, I am sure.

Mr. RHODES. Is this in addition to the $30,000 per technician which is the cost in the Cameroons?

Mr. HUTCHINSON. Again I would have to find out.

Mr. RHODES. Would you please find out about the status of the housing? Who will pay for it, and so forth?

Mr. HUTCHINSON. I am sure the cost will be included in the contract price. There is no question we will be paying for it, but I will get the specific information as to how it is set up.

Mr. RHODES. And whether or not this is included in your estimate.

Mr. HUTCHINSON. That is right.

(The information supplied follows:)

ESTIMATED CONTRACT COSTS, HIGHWAY DEVELOPMENT AND TRAINING PROJECT, CAMEROON

The average estimate of $30,000 per man-year is based on the following factors:

Average salary	$12,000
25 percent post differential	3,000
Contractor's overhead and fee (80 percent of average salary)	9,600
Personnel costs—OASI contribution, health and accident insurance and retirement plans, employees' leave (20 percent of average salary)	2,400
Allowance for international travel, replacement, sickness of personnel	3,000
Total	30,000

Government of the Federal Republic of Cameroon will provide the following services whose value is estimated at $158,000:

(*a*) Adequate office facilities including space, furniture, and supplies.
(*b*) Laboratory facilities and supplies, except as provided by contractor.
(*c*) Technical, secretarial, and other clerical help and labor necessary to project.
(*d*) Suitable housing, including costs of utilities, for contract personnel.
(*e*) Expenses of local personnel receiving on-the-job training.
(*f*) Cost of fueling and servicing vehicles provided by the contractor.

(The contractor's employees will be entitled to the privileges enumerated in the bilateral aid agreement between the Governments of Cameroon and the United States.)

As indicated above, housing of contract technicians and other supporting maintenance costs are to be provided by the Government of Cameroon. The average cost of $30,000 per contract technician per year is a separate cost from the $1,112,500 obligated for commodities in fiscal year 1962.

Mr. PASSMAN. Mr. Conte?

Mr. CONTE. I have no questions.

CENTRAL AFRICAN REPUBLIC

Mr. PASSMAN. All right, the next country is the Central African Republic.

In fiscal year 1962 you had a program estimate of $160,000 and in fiscal year 1963 you have an estimate of ———; is that correct, sir?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Out of what appropriation have you obligated, or do you contemplate obligating, the $160,000?

Mr. HUTCHINSON. Out of the "Development grant" appropriation, sir.

FISCAL YEAR 1962 OBLIGATIONS AND EXPENDITURES

Mr. PASSMAN. Have you made any expenditures out of the 1962 program yet?

Mr. HUTCHINSON. Apparently not, sir.

Mr. PASSMAN. There are no expenditures made out of the $160,000 that you estimate that you have, or will be obligated, for fiscal year 1962?

Mr. HUTCHINSON. Let me check that in my figures.

The total expenditures had amounted to $206,000—no, that is the availability, I am sorry. No, this is still estimated, sir. I cannot get it to you—well, there had been to 3-31, actual expenditures of $43,000 in 1962.

Mr. PASSMAN. On page 270 we find classroom construction, which is only one project, but it accounts for $15,000. That would apply against the $160,000; would it not?

Mr. MOSSLER. In this particular project we expect we will have unliquidated as of June 30, $15,000. Our expenditure estimate for the country as a whole for fiscal year 1962 was $175,000, of which we had actually spent as of the end of March $43,000.

Mr. PASSMAN. How could you obligate $175,000 out of $160,000?

Mr. MOSSLER. I said for the country as a whole, sir.

Mr. PASSMAN. For the Central African Republic, in the "Development grants," I think you only had $160,000 planned; is that correct?

Mr. MOSSLER. Expenditures accrue both from this year and last year.

Mr. PASSMAN. We are dealing with last year. I am asking about last year. What part of the $160,000 have you expended? You cannot spend fiscal year 1963 funds.

Mr. HUTCHINSON. For fiscal year 1962 we anticipated obligations of the $160,000 you were talking about, and then we had an unliquidated obligation from the previous year of $46,000, giving a total available for expenditure of $206,000. We had estimated $175,000 against that total availability as being expended in the fiscal year.

Mr. PASSMAN. Bring us up to date. What have you expended out of the $206,000 as of June 30, or the latest for which information is available?

Mr. MOSSLER. The latest we have is March. Our records of June 30 are not——

Mr. PASSMAN. How much for March?
Mr. MOSSLER. $43,000.

BASIS FOR FISCAL YEAR 1963 FUNDING REQUEST

Mr. PASSMAN. Why would you want an additional ——? Why could you not go along slowly with these folks, until you work out something possibly on a sound basis, rather than coming in and almost tripling the amount for fiscal year 1963?

Mr. HUTCHINSON. Sir, two things I think I would say in connection with that. One, the expenditures which we gave you are for the end of March. We do not know what they will be for the end of the fiscal year. We have not yet gotten these reports.

Secondly, all of these countries in this Africa area that we are speaking about, including the Equatorial States and the Entente States, are countries in which our programs are just getting started and in which we would expect in the first instance there would be a substantial buildup of unexpended obligations as the program gets underway. But we do not think because we have, against a small obligation of $160,000 not been able to spend the full amount, that we should delay going forward with the projects or additional projects in small amount for fiscal year 1963. These are countries where we expect our aid always to be small and always to be supplementary and complementary to that which the French are providing but we would think in this first few years we should continue to make small amounts of additional obligations available even though our pipeline will be building up in the first few months of the year, or year or so of the program.

CONSTRUCTION OF PUBLIC HEALTH DISPENSARIES

Mr. PASSMAN. On page 269 there is "Construction of public dispensaries." What is the total anticipated cost to complete the construction of the 50 public health dispensaries?

Mr. HUTCHINSON. I can give you the estimated cost to complete the total project, sir.

Mr. PASSMAN. What is the total anticipated cost to complete the construction of the 50 public health dispensaries.

Mr. HUTCHINSON. That figure I do not have.

Mr. PASSMAN. Would you agree that you should supply that information for us, the estimated complete cost of the 50 public health dispensaries?

Mr. HUTCHINSON. We can get that for you. I can give you the estimated cost for the completion of the project, as far as we are concerned. We estimate an additional $235,000, but I cannot give you the separate figure for building costs without checking.

(The information supplied follows:)

TOTAL COMPLETION COSTS OF PUBLIC HEALTH DISPENSARIES—CAR

In addition to the $235,000 estimated for obligation in fiscal year 1963, AID plans to establish additional dispensaries in fiscal year 1964 at a cost of $235,000 which will represent the conclusion of the U.S. contribution to the project, totaling $470,000.

The part of the cost for the 50 dispensaries expected to be borne by the French, the European Economic Community, and the Central African Republic is estimated at $1,364,500. The following is a long-range projection of the cost components:

1. 20 rammed earth blockmaking machines, at $5,000	$100,000
2. 50 units of medical equipment and supplies for equipping 50 dispensaries, at $6,500	325,000
3. 50 ambulance units (simplified type, at $4,500, and jeeps, at $2,500, fully equipped)	350,000
4. 15 jeeps, at $2,500, for construction	37,500
10 trucks, at $4,500, for construction	45,000
5. 3 technicians for 90 days TDY in each of 3 years	35,000
6. Local costs: labor, local materials and supplies (including gravel, lumber, etc.)	400,000
7. 2 technicians, at $12,000 per year, 3 years	72,000
Total	1,364,500
Add U.S. contribution	470,000
Total estimated completion costs of public health dispensaries	1,834,500

Mr. FORD. Will the gentleman yield?

Mr. PASSMAN. Yes.

Mr. FORD. On page 269, as the chairman indicated, it says there are contemplated 50 public health dispensaries. The same page indicates the fiscal year 1963 funding is to provide machinery, equipment, supplies, and technical assistance required to construct five dispensaries and five nurses' quarters in the rural areas.

I gather in fiscal year 1963 the program is for a total of 10 against the ultimate of 50?

Mr. HUTCHINSON. The ultimate of 50, but we do not with our project expect to finance the entire 50. This is the total program that the country has undertaken which is 50. It is not our expectation to finance the entire 50, however.

Mr. FORD. Could you tell us approximately or specifically how many of the 50 we expect to finance?

Mr. HUTCHINSON. It is my understanding we expect to finance the five, sir, as our part of the project.

Mr. FORD. In other words, this program as far as we are concerned is a 1-year construction program?

Mr. HUTCHINSON. One-year construction.

We expect the activity concerning equipment and all of this sort of thing to continue over a further period of time but it is my understanding that it is a one-shot construction item.

Mr. FORD. The other 45 dispensaries will be financed locally?

Mr. HUTCHINSON. Locally and with the French help.

Mr. FORD. For the five nurses' quarters you do or do not have the cost figures?

Mr. HUTCHINSON. For the remaining 45 I do not, sir. That is the reason I was testifying to the Chairman that I couldn't give him the cost of the 50.

Mr. FORD. But the cost of the five is how much?

U.S. SHARE OF CONSTRUCTION COSTS

Mr. HUTCHINSON. We do not intend to finance the complete construction of the public health dispensaries. Let me be absolutely sure as I check through.

Let me give you the breakdown of the cost that we are intending to finance in connection with this. We intend to provide technicians for 90 days for the United States to assist in the construction, so we could charge this to the construction cost. We expect to import the building materials, five earth blockmaking machines, five units of medical equipment and supplies. Those last items would not be a construction cost. There will be jeeps and trucks, two U.S. technicians, so if I take out those things which seem to be related specifically to the construction, I get $16,000 for technicians, $25,000 for the blockmaking machines and $64,500 for labor, materials, and supplies related to the construction.

The other items are ambulances, jeeps, medical equipment and supplies.

COST OF TECHNICIANS

Mr. PASSMAN. How much for technicians, if the gentleman will clear that up?

Mr. HUTCHINSON. Three for 90 days and two direct hire.

Mr. PASSMAN. You have here $55,000, though.

Mr. HUTCHINSON. Well, $16,000 for the three for 90 days and $39,000 for the two direct-hire technicians is the five technicians, sir.

Mr. PASSMAN. You are getting those men for $19,500 compared to $30,000 in the adjacent countries?

Mr. HUTCHINSON. This is correct, sir, but they are different type technicians. These are, first, technicians that are teaching people how to use these ram block earth machines which is not like highway engineers that we were talking about previously and secondly, these are direct-hire technicians that we are putting on.

The $39,000 under these circumstances for the direct-hire technician would not cover their total cost because you have overhead costs associated with your direct-hire technicians which are included in the administrative expenses or your support cost of the mission as a whole and are not allocated to specific projects.

Mr. PASSMAN. Is that not also true of the other technicians we discussed back in Cameroon? Are they not employed direct hire?

Mr. HUTCHINSON. The other technicians in the Cameroon are contract technicians.

Mr. PASSMAN. So far as actual maintenance cost of those people, it would be the same; would it not?

Mr. HUTCHINSON. It could be the same, sir, but, it is not charged the same way. One is charged to the contract, which is the way we have broken it out for you, sir. On our direct-hire technicians, the provision of their overhead and their support is considered as a part of the administrative expense and as a part of the program support and is not allocated to specific projects in total.

Mr. PASSMAN. You mean you are going to supplement the $39,000 from some other account?

Mr. HUTCHINSON. We are going to supplement it.

Mr. PASSMAN. To bring it up to the cost of the other technicians?

Mr. HUTCHINSON. Not necessarily to bring it up to that cost, but there is a cost associated with the employment of direct-hire technicians in your mission which is carried as a part of program overhead and not allocated to specific cost or specific project.

Mr. PASSMAN. Why would you have a group of technicians in Cameroon employed on a basis whereby you can tell the committee that, by past experience, "It is going to cost us $30,000 per man per year," and that is it.

You said you thought even the household furniture would be included in the $30,000. Now, we move over into the very next country and have two technicians, and because they are concrete mixer technicians and not highway, they work out of a different formula. You are going to pay them $19,500, and when we compare that to the $30,000 you say they get that out of some other category.

Gentlemen, this is as fuzzy as a newborn kitten.

Mr. HUTCHINSON. Sir, it is common practice to use two methods of employing people to get some of the jobs done on the projects which we carry out.

Mr. PASSMAN. Let us figure out how much these technicians in the Central African Republic will cost. Let us pick up the $39,000 and build it either beyond or below the $60,000 that you are paying for engineering technicians in Cameroon.

Mr. HUTCHINSON. In order to do this you would have to make a cost accounting analysis of expenses of operation of your mission, overhead cost and this sort of thing and assign it out by project.

Mr. PASSMAN. How did you do it on the $30,000? You were direct and to the point, that $30,000 is a nice round figure, and you arrived at this estimate based on past experience.

You were so positive of the cost you thought it included the household furniture. You would find out and let us know. Now, we get to this, and you say it is impossible to determine the cost. Could you tell us the salary of these two technicians? We shall draw on our imagination for the rest.

Mr. HUTCHINSON. I do not know, sir.

Mr. PASSMAN. Thank you.

Mr. Ford, I am sorry I interrupted your line of questioning there. I could not understand it.

COMPARISON OF 1962 AND 1963 PROGRAM PRESENTATION

Mr. FORD. A more general question, Mr. Hutchison: We see these figures in this country as in the others for the fiscal 1962 program.

Mr. HUTCHINSON. I am sorry, sir.

Mr. FORD. Will you read the record back, please?

(The record was read.)

Mr. FORD. What kind of figures did you give us a year ago for these countries for fiscal year 1962?

What is the relationship between what you said you were going to do and what you executed?

Mr. HUTCHINSON. I would have to check the submission and see explicitly. I would make a general comment, however, that in these areas where we are expecting to keep the program so small and supplementary to the French, I would doubt that we had any submission covering these projects last year.

You will recall that last year the submission was basically on a different basis. We submitted an estimate of the cost of continuing projects and I would be surprised if there were any in these countries in fiscal year 1961. We then submitted for the Agency as a whole a

worldwide estimate of the cost of new projects so there would not have been anything shown for these projects which are being taken up as new fiscal year 1962 projects.

Mr. FORD. In other words, at the time the submission was made for fiscal year 1962 you had a lump sum, with potential projects but no definitive ones?

Mr. HUTCHINSON. We had a lump sum; yes, sir. That is right. I was not here and I do not know the extent to which there were actually potential projects against that lump sum. It was not justified and defended before the committee, however, as I understand it on the basis of even potential projects.

Mr. MOSSLER. I might be able to add something to that. When we came up with our development grant appropriation last year we did have a portion of the program that was programed but this was only for projects that were continuing in nature. The balance of it was for new starts which we did not have broken down as we do this year on a project-by-project basis.

FINANCING OF PUBLIC HEALTH PROJECT

Mr. PASSMAN. On page 269 you list "basic plan and purpose." The purpose of this project is to contribute to extending preventive medical and sanitary care to a growing percentage of the rural population, to improve the quality of the care available to make it possible for the central Africans eventually to supply the technical and administrative personnel required to provide health services to the country's entire population. This is to be accomplished through building and equipping 50 public health dispensaries, providing health supplies and equipment and training central Africans as medical corpsmen, and in the operation of the dispensaries over a period of 5 years.

The training will be conducted on the spot by U.S. technicians.

Now, I believe that you, in replying to Mr. Ford's question, stated that this was a one-time deal, dealing with five dispensaries and five nurses' quarters, in rural areas, but if we go back to the left-hand side of the page it would indicate that we plan to provide the technicians to construct 50 public health dispensaries.

Mr. HUTCHINSON. I think the record will show that I testified construction was a one-shot item relating to the five dispensaries; that we did intend to continue the training aspects of the project.

Mr. PASSMAN. Are you doing any more than that in this 1 year other than getting the initial equipment, concrete mixers?

Mr. MOSSLER. We intend to get the technicians on board as well, sir, within fiscal year 1963. This is the item that is expected to continue. What we expect to do in future years is to participate with other agencies which are in this field of health assistance in the central African Republic and the training of these people, particularly in connection with nurses and midwives. That is what the program will be basically related to. We are estimating at this moment that another $235,000 will carry the project through to completion.

Mr. PASSMAN. What project?

Mr. MOSSLER. The project that we are discussing here.

Mr. PASSMAN. We are discussing two projects. We have been discussing only five dispensaries and five nurses' quarters in rural

areas. I asked the question, or made the statement, that it would be expected that we would continue our technicians until the 50 public health dispensaries have been built; is that correct?

Mr. HUTCHINSON. This is correct. We will continue our technicians in the field of training, not our technicians in the field of construction in this sort of thing.

Mr. PASSMAN. You are furnishing a jeep for each of the five nurses' quarters, or five dispensaries?

Mr. HUTCHINSON. We propose four jeeps, sir.

Mr. PASSMAN. That says including one jeep for each.

Mr. HUTCHINSON. We are proposing four jeeps.

Mr. PASSMAN. How about this language? It will also furnish equipment, basic supplies necessary for the operation of each of these centers, including one jeep for each.

Mr. HUTCHINSON. Sir, we are only intending to provide four jeeps rather than five.

Mr. PASSMAN. You have said that, but I am asking you if you supply one jeep for five nurses' quarters. That would be five.

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. The committee is trying to understand whether to accept your statement or to take that in the printed justification.

Mr. HUTCHINSON. I have a breakdown of equipment which provides four jeeps which obviously cannot provide one for each of five centers.

Mr. PASSMAN. Am I reading correctly from your justifications, that you said you would supply one each for these five dispensaries?

Mr. HUTCHINSON. This is what the statement says, sir. It appears to be incorrect in relation to the equipment that is intended to be provided.

Mr. PASSMAN. What is our position going to be when you take these technicians over to this country and you start the five dispensaries and five nurses' quarters and you find out they do not have the money to complete the five.

Mr. HUTCHINSON. We find out they do not have the money to emplete the five?

Mr. PASSMAN. Yes.

Mr. HUTCHINSON. There would be a possibility in that circumstance, sir, that we would provide additional funds.

Mr. PASSMAN. That is the question. You have given the answer. Let us also lead that into what will happen on the 50. What would happen? Would we get the same answer if they decided, "We do not have the money to build the other 45." Would it be expected we would likewise furnish the money for that?

Mr. HUTCHINSON. I could only testify, sir, if it is not our intention to go beyond the five.

Mr. PASSMAN. But you did say you would furnish the money for the five if you ascertained they did not have the funds?

Mr. HUTCHINSON. I said we would consider it, sir.

Mr. PASSMAN. Would you consider furnishing the money for the 45, or can you tell the committee that this 5 is it, and there will be no request for money for the other 45?

Mr. HUTCHINSON. The intention with respect to the five is much firmer. We have no intention with respect to the 45 and we would

expect that this program can be completed with funds that are being made available by the CAR and the other agencies which are participating.

I would not want to tell the committee that under no circumstances would we come back and indicate to you that we wanted to provide additional assistance in connection with additional centers. This might happen. I would hope not.

Mr. PASSMAN. Thank you. The record would indicate that the door is open.

CLASSROOM CONSTRUCTION PROJECT

Mr. PASSMAN. Classroom construction project on page 270: May we ask you what is the total anticipated cost to complete this construction program?

Mr. HUTCHINSON. I want to be sure I am talking about the same project you are, sir.

Mr. PASSMAN. Page 270 of your justifications.

Mr. HUTCHINSON. The estimated cost to completion after this fiscal year 1963, is an estimated additional $95,000.

Mr. PASSMAN. Would you mind giving us the estimated cost of the total project?

Mr. HUTCHINSON. The estimated cost, $135,000 anticipated in 1962, $95,000, in 1963 and additional $95,000 in 1964. That should be $325,000, I believe; $325,000.

Mr. PASSMAN. What are you going to do with the $325,000?

Mr. HUTCHINSON. I can give you the figures for fiscal year 1963. We expect to have three technicians out for 2 months at $15,000.

Mr. PASSMAN. You are going to have how many technicians?

Mr. HUTCHINSON. Mr. Mossler tells me I am mixing up two projects here. Do you want to give me just a second?

Mr. PASSMAN. Take your time, sir.

Mr. HUTCHINSON. Sir, the point Mr. Mossler was making is that the detail we have is for fiscal year 1962 rather than for fiscal year 1963 as to what we actually expect the money to be spent for. I can give you that in detail for the $135,000 but this would then be the same for 1963 except that the part-time technicians are not likely to be there, which will reduce it by $15,000 and there will be an additional reduction, for purposes I am not sure of.

Mr. PASSMAN. You said something about technicians going out for 2 months, at $15,000 each?

Mr. HUTCHINSON. Yes, sir. Not $15,000 each, a total of $15,000.

Mr. PASSMAN. Is this going to be used for just classroom instructions? Are you doing any construction at all out of this fund?

Mr. HUTCHINSON. We are in this project, as in the other, trying to assist them with building methods.

We are providing, again, some machines and some technicians in connection with the construction of some of the elementary schools, sir.

NEW PROJECTS CONTEMPLATED IN 1963

Mr. PASSMAN. Do you have any new projects contemplated for fiscal year 1963 that you did not start in 1962, or for which you did not obligate funds?

Mr. HUTCHINSON. Sir, the public health project is a new project that we discussed previously.

Mr. PASSMAN. No, just on page 271. We are not going into each of them. Do you have any new projects on page 271, that you will start in fiscal year 1963 which you did not have planned or some funds allocated to for fiscal year 1962?

Mr. HUTCHINSON. These small projects under $100,000, sir. Yes, sir. These are feasibility surveys and some participant training; a feasibility study in the field of forestry and feasibility studies on the possibilities in food and agriculture, forestry, manufacturing, and some participant training.

Mr. PASSMAN. On page 271, all these projects are new? Are they 1963 projects?

Mr. HUTCHINSON. They seem to be; yes, sir, except the technical support, of course, which is this item of overhead.

TECHNICIANS FOR FOOD AND AGRICULTURE AND FOREST SECTOR FEASIBILITY SURVEYS

Mr. PASSMAN. Let us start with food and agriculture. What kind of a project is that?

Mr. HUTCHINSON. This is a feasibility study to determine the approaches to an agricultural extension service in the country, what kind of a service should they put in, how should they organize for it, and this sort of thing, to determine whether or not this is an appropriate field of activity.

Mr. PASSMAN. You are doing this to find out whether you should have done it?

Mr. HUTCHINSON. To find out whether we should undertake it.

Mr. PASSMAN. You are going to spend this to decide whether you should or should not proceed?

Mr. HUTCHINSON. That is correct, sir, and in addition to determine whether or not they should be undertaking particular programs in this field.

Mr. PASSMAN. Looking for some place to spend money?

How much is it going to cost to complete it?

Mr. HUTCHINSON. We estimate $7,500 for this one, sir.

Mr. PASSMAN. How many technicians are involved?

Mr. HUTCHINSON. I would not know, sir.

Mr. PASSMAN. How is the committee going to make a recommendation?

You will have to tell us for what purpose the money is going to be spent?

You do not tell us what you will pay the technicians. We want to know for what you will spend the $7,500.

Mr. HUTCHINSON. From the figure it must be only one, sir.

Mr. PASSMAN. How long is he going to stay out there?

Mr. HUTCHINSON. Sir, I do not know in detail how long.

Mr. PASSMAN. You do not know what kind of a technician?

Mr. HUTCHINSON. I do not at this sitting.

Mr. PASSMAN. How about in forestry?

How many are there? This is a new project?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. You are asking for how much for fiscal 1963?

Mr. HUTCHINSON. We are asking for $7,500 for fiscal year 1963, which is again likely to be one technician making a study of possibilities of a development loan in the field of forestry.

Mr. PASSMAN. Development loans in what?

Mr. HUTCHINSON. In connection with forestry management in the field of forestry.

Mr. PASSMAN. How do development loans come into it?

Mr. HUTCHINSON. He will make a feasibility survey to determine whether or not a development loan for development of their forest resources would make sense.

Mr. PASSMAN. We are going out and spending this money to try to ascertain if they are eligible for development loans. This actually leads into a request.

Mr. HUTCHINSON. May I speak to this subject?

Mr. PASSMAN. You have not answered the question.

Mr. HUTCHINSON. I thought I answered it, sir.

Mr. PASSMAN. You said you did not know. We want to know whether you can find out downtown whether it is one man, and if so, how long.

Mr. HUTCHINSON. All right, sir.

Mr. PASSMAN. You are not going to do a great deal, spending $7,500, when it may take $6,700 to buy his ticket. If you are using one man, I do not see how you are going to get very much information, but if you do, give us a breakdown, the best way you can get it from downtown.

(The information supplied follows:)

BREAKDOWN OF FOOD AND AGRICULTURE AND FOREST SECTOR PROJECTS, CENTRAL AFRICAN REPUBLIC

One U.S. technician will go to CAR for 90 days to investigate the present state of agricultural extension and experimental farm operation.

One U.S. technician will go to the CAR for 60 days to investigate present forestry management and reforestation operations in the country and attempt to draw up a detailed long-term plan for reforestation activities.

JUSTIFICATION FOR FEASIBILITY SURVEYS

Mr. HUTCHINSON. Yes, sir. May I speak to this question as to the feasibility surveys that you commented on, sir?

Mr. PASSMAN. Yes, sir.

Mr. HUTCHINSON. We have to start from the assumption, and I thing there is no other assumption that we can take, that is that it is in the U.S. interest to contribute to accelerated development in these countries. This is a fundamental assumption from which we must start. This is embodied in the whole policy expressed in the legislation and on which the entire program is based.

Starting from that assumption, it seems to us that one of the best ways to responsibly spend the money in the first instance is to conduct some feasibility surveys to determine those things which do best contribute to development, which do meet certain standards and that sort of thing. So we have very deliberately included in our presentation to you and this committee and to the Congress, feasibility surveys in quite a number of instances in order to determine whether it does in fact make sense to do particular things. Starting from the basic assumption this seems to us to be a sensible and responsible way to administer our program.

We would hate to be placed in the position of not having those surveys conducted.

You are doing business with people who are not able to make their own surveys and ascertain what they should or should not have to develop their own country.

Mr. PASSMAN. We are assuming the responsibility of working out their problems for the present and in the future by this aren't we?

Mr. HUTCHINSON. We are not assuming the responsibility for working out their problems, sir.

Mr. PASSMAN. That is exactly what you are doing.

Mr. HUTCHINSON. I certainly think, sir, it is true that we are undertaking to help them work out their problems and to determine some of the things which are in their best interest to do.

Mr. PASSMAN. Do you work with them in connection with developing these projects and the costs?

Mr. HUTCHINSON. We certainly would work with them in developing the advisability of going into this kind of a study; yes, sir.

Mr. PASSMAN. Do you work with them when you go out and make a feasibility survey as to forests and the possibility of subsequent loans?

Do you go into that with them and firm it up as to what you propose to do for them?

Mr. HUTCHINSON. Yes, sir. This is the purpose.

Mr. PASSMAN. I thought you told us you kept it a secret from them until you worked it out and then you let them in on it.

Mr. HUTCHINSON. Sir, I saw that question coming.

I testified in connection with the development grant program that we tried not to indicate to them the aid level that we were proposing to the Congress and thinking of ourselves but with respect to the development loan projects we certainly do try to work with them in detail to developing the feasibility, the technical work, and all of the elements which must go into consideration of whether a loan makes sense.

The situation is different because we have funds continuously available for development lending but we do not for development grants.

Mr. PASSMAN. I do not guess you would have your job if you did not have a lot of enthusiasm for this giveaway program. Now we find that we go out and make a survey and establish to their satisfaction, I am sure, that they are eligible for a development loan.

FEASIBILITY SURVEY FOR MANUFACTURING

May we move into manufacturing? It looks as if the bigger we get, the smaller the request. That is encouraging.

You ask for $5,000?

Mr. HUTCHINSON. $5,000, sir.

Mr. PASSMAN. Is that the camel getting his nose under the tent?

Mr. HUTCHINSON. This is a feasibility survey, sir, to determine whether there is an appropriate way that the country can approach its problem of trying to develop small industry.

Mr. PASSMAN. What are you trying to develop for them out of this $5,000 survey?

Mr. HUTCHINSON. We are trying to develop an approach to stimulating the growth of small industry in this country. It could encompass the question of whether or not it would make sense for a development bank to be established, whether or not there should be development centers, or what kind of government organization they might want to have to try to stimulate the development of small industry.

Mr. PASSMAN. If you determine they should have a development bank, where would they go to get funds to run that development bank?

Mr. HUTCHINSON. One of the places they could come is to us, sir.

Mr. PASSMAN. It would be expected they would come to us, would it not?

Mr. HUTCHINSON. They might well, yes, sir.

Mr. PASSMAN. That is evasive; but at least it makes a record.

Mr. ANDREWS. I think it is a very direct answer.

Mr. PASSMAN. He said "maybe."

Mr. ANDREWS. Where else could they go?

Mr. MOSSLER. They might go to France on this, since France is a very heavy participant in the assistance to this country.

Mr. HUTCHINSON. That is right.

Mr. PASSMAN. This, I believe, as one of your witnesses said the other day, is an original colony of France? So a person actually would provide for his own children before he would those of his neighbor. Here we are out there beating our brains out trying to find something that France did not do.

What is the projected cost of this project?

Mr. HUTCHINSON. This is expected to be the total cost of this project.

Mr. PASSMAN. $5,000?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. But each one of these could lead into newer and larger projects, could they not?

Mr. HUTCHINSON. That is correct, sir.

Mr. PASSMAN. What do you expect to get out of $5,000? Will you give us a breakdown on how you will spend that $5,000 to set up a manufacturing industry, or survey, in a country?

Mr. HUTCHINSON. We will get it for you, sir.

Mr. PASSMAN. Let us talk about it a little now. Do you have any idea how you will utilize the $5,000 to set these people up with a knowledge of manufacturing and how to borrow money?

Mr. HUTCHINSON. Sir, we do not intend to set the people up with the $5,000. The $5,000 is to make a study of how the people might be set up.

Mr. PASSMAN. This is the same thing. You are taking one more step than I did. You are making a survey to see how the people may be set up. You have already said they may come in for development loans. That is my way of saying it. Tell us about the $5,000.

Mr. HUTCHINSON. I would have to get the detail on the $5,000, sir.

Mr. PASSMAN. Do any of your supporting witnesses have any idea, any detail, as to how you will spend this $5,000 doing these great things out there?

Mr. HUTCHINSON. Sir, Mr. Mossler and I are the only ones in position of these witnesses to speak to the details of the project.

Mr. PASSMAN. You keep telling us these people cannot help you. Only when you cannot answer a question do you call upon them. I have a right as chairman to ask the question if any of the supporting witnesses can fill in. If they cannot, the answer is no.

Mr. HUTCHINSON. Mr. Chairman, may I speak to that for a second? I am not embarrassed for anyone to give me information. I have no objections to anyone who has information testifying. I would not be in a position to object if I did because you do have a right to call upon any witness you see fit to.

Mr. PASSMAN. That I intend to exercise.

Mr. HUTCHINSON. I think you should.

My point is that under the present organization of the AID Agency we are set up on a geographic basis with the responsibility vested in the geographic people for the content of the program and so the people who are from the central staffs are not in a position to answer questions as to the details of the projects.

Mr. PASSMAN. What are they doing with you, then? If they cannot contribute to the hearings, why did you bring them with you?

Mr. HUTCHINSON. Because you find it appropriate from time to time, sir, to ask questions which have application outside of the area.

Mr. PASSMAN. We have asked you for a breakdown of how you are going to spend the $5,000 in manufacturing out in the Central African Republic.

You said you did not have the information. I asked the question, do any of your supporting witnesses have any information on the question.

Mr. TENNANT. No, sir.

Mr. PASSMAN. Thank you. Do you see how much time we could have saved had we obtained that response earlier?

Mr. ANDREWS. If I may ask a question, how did this figure get into the book? Why was there a request for $5,000 when nobody seems to know how it will be spent?

Mr. HUTCHINSON. Sir, I think it will be spent for sending a technician to the field to make the survey.

Mr. ANDREWS. Who made the suggestion?

Mr. HUTCHINSON. The field.

Mr. ANDREWS. This figure came in from the field. I assume the people in Washington know nothing about the breakdown.

I also assume that is true for agricultural and forestry as well as manufacturing projects.

Mr. HUTCHINSON. We do not have the details as to how exactly the funds will be spent.

It is true as we testified earlier that we do not get the detailed commodity breakdown but on small amounts of this sort I am sure we can tell you how these amounts will be spent.

We will be glad to do so.

Mr. ANDREWS. As a matter of fact, all you know about it is the field sent in a request for a manufacturing survey for $5,000? The details of how it will be spent, how the survey will be made, who will make it, will be left up to the field?

Mr. HUTCHINSON. It will be left up to the field to make a recommendation. We will review their recommendations as to the scope

of the work of the survey and as to whom they intend to select to get the work done.

As a matter of fact, on these one-man type surveys we may in fact get involved in the actual selection of the man himself, since the field is so far away.

Mr. PASSMAN. I think it is the committee's understanding that they send their people down to justify the appropriation, and I do not know of any way they can justify it other than to give detailed information as to the composition of the dollars set forth in the justifications.

(The following was supplied for the record.)

MANUFACTURING SECTOR PROJECT—CENTRAL AFRICAN REPUBLIC

A single U.S. contract technician will be employed for 30 days to conduct a study of the possibilities of establishing a number of small light industries in Bangui, as well as advising on the expansion of presently existing industries. A preliminary study has already been conducted with French aid and preliminary plans drawn up which include a brick- and cement-making factory, a blanket factory, a milk processing plant, a charcoal-producing plant, and a paint factory. Various French study groups have in the past drawn up partial plans for these industries and they will be reviewed by an American consultant. The technician will likewise investigate other light industries which may have been overlooked by the French, yet appear suitable to the Central African Republic economy.

Summary of costs, fiscal year 1963	$5,000
1. 30 days' consultation at $100 per day	3,000
2. Round trip to Bangui via Paris	2,000

EDUCATION PROJECT IN CENTRAL AFRICAN REPUBLIC

Mr. PASSMAN. The next item is education. That is a new project. You are asking $50,000 for fiscal year 1963.

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. What is the estimated cost of this broad field of education, to complete our responsibility or plans?

Mr. HUTCHINSON. This is the cost to bring the participants to the United States and third countries for training.

Mr. PASSMAN. Third countries?

Mr. HUTCHINSON. We expect that there would be 10 persons involved.

Mr. PASSMAN. You are going to bring 10 participants to the United States for the $50,000 for fiscal year 1963?

Mr. HUTCHINSON. To the United States or in third countries, sir. They might go to a European country.

Mr. PASSMAN. It will be a European country if they go to a third country?

Mr. HUTCHINSON. I would think so, sir, yes, sir.

Mr. PASSMAN. Now, let us project this into the ultimate cost, as you can foresee it.

Mr. HUTCHINSON. This would be the total cost for these 10, sir. The question would be whether or not in subsequent years we pick up additional participants. These are programs which we do usually carry on for a few years.

Mr. PASSMAN. In increased numbers in subsequent years—has that been the history, as you would understand it, that you are going into a new country and you come in with a minimum request for funds, to

bring in a minimum number of these participants, and at a subsequent date it gets larger?

Mr. HUTCHINSON. The number could very well increase. This has been true in a number of cases historically as you have indicated.

Mr. PASSMAN. Why would it not be wiser for this country to spend money sending our technicians over to train these people, rather than to bring them to this country and get them dissatisfied and almost have to rope them to get them out of the country?

Mr. HUTCHINSON. Sir, there are many cases in which it is advisable to send our own technicians and train the people in their own environment. There are situations, however, in which the training requires specialized institutions and specialized courses, observation of practices and procedures and that sort of thing which are not available within their own country and so you have to bring them outside the country in order to do it.

Mr. PASSMAN. What good is it going to do the individual to bring him into this country and train him in an activity where it does not exist in his country?

Mr. HUTCHINSON. Sir, I did not say the activity did not exist. I said the specialized facilities for training did not exist.

Mr. PASSMAN. What is he going to do after he comes over for a few weeks and goes back?

Mr. HUTCHINSON. I did not testify he was going to be here for a few weeks, sir.

Mr. PASSMAN. For how long will he be here? You asked for $50,000 to bring in 10 technicians, either to this country or third countries.

Mr. HUTCHINSON. We would think this would be a year, but again I will have to get that.

Mr. PASSMAN. For the 10 that would be $5,000 per technician?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. How much of that $5,000 will represent his airplane, or boat, ticket, to and from?

Mr. HUTCHINSON. It will come close to being half of it, I should suspect.

Mr. PASSMAN. Is that also just a guess, or do you know it would be half?

Mr. HUTCHINSON. That is a guess.

Mr. PASSMAN. Let us stop guessing. Could somebody find out for us how you are going to dispose of this $50,000 on 10 technicians and give us a breakdown of how much is travel, subsistence, and what other parts make up the total. Will you get that data for us?

Mr. HUTCHINSON. Yes, sir.

(The information supplied follows:)

EDUCATION SECTOR PROJECT—CAR

Ten central African Republic students will receive U.S. or third country training for an average of a year each with variations depending on the length of course in each of several technical fields. It is envisaged at this time that approximately seven of the students will receive engineering, agricultural, medical training, or English language training in the United States and three of the participants will study in third countries—Africa, Europe, or Canada. Those coming to the United States would receive preliminary English language

training before the beginning of their specialized training or interpreter services for those enrolled in courses for less than 6 months.

The cost components are as follows:

A. U.S. training, 7 participants:	
1. Round-trip travel from Bangui at $1,385	$9,695
2. Subsistence at $8 per day for 12 months = $2,920	20,440
3. Tuition per year averaging $1,000	7,000
4. Books and supplies averaging $120	840
5. Domestic travel at $350	2,450
6. Contingencies, each allowed $150 (these include medical emergencies, insurance, etc.)	1,050
Subtotal	41,475
B. Third country training costs for each of 3 participants:	
International travel at $500	1,500
Tuition at $550	1,650
Books and supplies at $85	255
Domestic travel at $180	540
Subsistence at $4 per day	4,385
Contingencies at $65	195
Subtotal	8,525
Total	50,000

Mr. FORD. Will the chairman yield there?

Mr. PASSMAN. I shall be glad to yield.

TYPE OF TRAINING FOR PARTICIPANTS

Mr. FORD. What broad areas will these technicians get into?

Mr. HUTCHINSON. They could be in any of the technical areas, agriculture or engineering, or there might even be one or two in general academic training, since these are participants that we bring over.

Mr. FORD. These are local citizens?

Mr. HUTCHINSON. These are local citizens.

Mr. FORD. They are being brought from their country to this country to get on-the-job training, so to speak?

Mr. HUTCHINSON. It could be on-the-job training or it could be training in particular university or technical school courses.

Mr. FORD. Have you itemized or specified what kind of work they would do, or is this just a general program?

Mr. HUTCHINSON. We have not. This is a general program.

Mr. MOSSLER. In some of these participant programs in these new countries we are estimating requirements. When we come forward with a request for 1963, which is almost a year from now, we have to put——

Mr. RHODES. For 1964.

Mr. MOSSLER. For 1964 in this particular case—our general estimate of this kind of training. We have not actually selected these people as of this time. Only when it becomes evident that funds are available will we actually get into the selection process.

Mr. FORD. I would assume you have not selected the people. However, I was principally interested in the kind of areas that you thought would be worthwhile in this country. I am inquisitive in that regard.

Mr. HUTCHINSON. That is right. We think the best fields in this country will basically be in the technical fields, as a matter of fact,

because this is an area that has been under the French system for so many years that we would think that technical training is the sort of thing that best supplements the French educational approach.

Mr. PASSMAN. By technical training, will you define that?

Mr. HUTCHINSON. I mean training in engineering, training in agriculture, training in public health fields, this sort of thing.

Mr. PASSMAN. When you say "technical," it could be in almost any field?

Mr. HUTCHINSON. Almost any field of this sort.

Mr. PASSMAN. It is quite broad when you say "technical field," is it not?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. All right, sir.

TECHNICAL SUPPORT, CAR

Technical Support, $40,000. For what purposes will that be spent?

Mr. HUTCHINSON. Sir, this is the overhead that I was speaking about previously that is attributable to the expenses of carrying out the whole gamut of the projects we are talking about.

Mr. PASSMAN. Gentlemen, this is very interesting. When we are thinking in terms of the 10 participants, you would pick up, then, the item just below the 50, and a part of that would be applied also to the cost of the 10 participants; is that correct, sir?

Mr. HUTCHINSON. I would doubt that it would be allocated to any of the participants.

Mr. PASSMAN. What will you spend the $40,000 for, then?

Mr. HUTCHINSON. I can give you that in detail. It is going to be reimbursement to the Department of State for services which they render under our anticipated joint State-AID administrative support——

Mr. PASSMAN. In the amount of what?

Mr. HUTCHINSON. I cannot give you the breakdown for each item.

Mr. PASSMAN. We request that you furnish the committee with a breakdown on how you propose to spend the $40,000.

(The information supplied follows:)

BREAKDOWN OF TECHNICAL SUPPORT COSTS, CAR

Technical support costs	$40,000
State Department reimbursement (includes rent, partial salary of General Services officer, travel, telegraphic fees, office supplies, etc	20,000
Vehicles and maintenance	5,000
Local employees	3,000
TDY technicians (including health, agriculture, and medicine)	12,000
Total	40,000

Mr. HUTCHINSON. I can give the items and I will give you the breakdown.

Mr. PASSMAN. Proceed with the items.

Mr. HUTCHINSON. Reimbursement to the Department of State for the administrative expenses of joint administrative support, for rents and administrative expenses.

It will be used also for employment of local employees within the mission, for operation of vehicles, and for any TDY technician—that is temporary duty technician—we might be sending over in connection with implementation of these projects. This is the general support of the mission.

Mr. PASSMAN. So to spend $70,000 on the five items—food and agriculture, forest, manufacturing education—and the supporting part would be $40,000?

Mr. HUTCHINSON. No, sir. This $40,000 is for the technical support related to the entire program we are carrying on in the Central African Republic, not these projects listed here as being under $100,000.

Mr. PASSMAN. You have not gone beyond but three items there. Will you proceed with them. Is that all you intend to give us?

Mr. HUTCHINSON. These are the items we intend to spend the $40,000 on.

Mr. PASSMAN. Will you repeat them, because I am afraid that it still represents, since you are applying it as a project on the same page where you have request for $70,000 in four categories—then you have $40,000 for technical support, applicable to what?

Mr. HUTCHINSON. We indicated this was the only one of the ones on this page which was not a new project.

This is the $40,000 of technical support related to the entire program that is being carried on.

To get an allocation of it project by project will require cost accounting techniques that we do not go through.

Mr. PASSMAN. That means that if you do not have the information, you are guessing?

Mr. HUTCHINSON. No, sir; that is not what we testified.

Mr. MOSSLER. On this page are projects under $100,000. Just previous to that page, you went over a couple of other projects we also have.

Mr. PASSMAN. That is correct. That was the nursing quarters and dispensaries.

Mr. MOSSLER. That is correct, and the school construction project.

Mr. PASSMAN. Yes.

Mr. MOSSLER. What we are indicating is that the $40,000 is the entire program support cost in this particular country. The agency does not employ a cost accounting system to attribute this on a project by project basis.

Mr. PASSMAN. Gentlemen, help us to understand this, if you will, please. Could you read these presentations and, drawing heavily upon your imagination, ever arrive at the conclusions you did, that this technical support is to reimburse the State Department and other agencies for office rent, and so on?

Mr. MOSSLER. Sometimes it is to reimburse the Department of State and sometimes it is not.

Mr. PASSMAN. It could be spent in any other field then?

Mr. MOSSLER. It would still be for support costs, but it is only in the smaller missions where we attempt to combine our activities. In some of the larger missions we perform these services on our own behalf.

Mr. PASSMAN. I see. If the committee would just kind of run through these things, and if we had not asked the question, you would

assume, of course, we would think that was technical support, out in the field, helping these people out there with their technical problems; would you not?

You would not think of it as being reimbursing the State Department for expenditures they made for rent, and so on, would you? Do you see any field for confusion by the caption of technical support here?

Mr. HUTCHINSON. We would be glad to use any——

Mr. PASSMAN. Would you answer my question? Could you interpret this as being a contribution for overhead, reimbursing the State Department, by the way it is listed here?

Mr. MOSSLER. For some years we have been using this same heading for support costs of this kind.

Mr. PASSMAN. It is cleverly worked out, and it is not your fault. There would not be any way to understand what it is going for without these questions. But, a good part is going to the State Department to reimburse them in the field missions. You are going to get a breakdown for us; is that right?

Mr. HUTCHINSON. We will get a breakdown by these items but cannot get it by projects.

Mr. ANDREWS. Is the technical support item on the left-hand side of page 271, listed as $40,000, the same as the other item listed on the right-hand side of the page, "Other costs," $40,000?

Mr. HUTCHINSON. Yes, sir; that is the same item.

Mr. ANDREWS. You still have no breakdown on the "Other costs"?

Mr. HUTCHINSON. No, sir, except, as we indicated, we can tell you the things it is being spent for as we were reading.

Mr. ANDREWS. Just ahead of that "Other cost" line you have "Contributions to cooperating agencies." The figure is zero.

Mr. HUTCHINSON. Yes, sir; that is right.

Mr. ANDREWS. So the question the chairman was asking you about the State Department would not apply there; is that right?

Mr. HUTCHINSON. No, sir. This is a payment to the State Department for the services which they are rendering. This is not a contribution——

Mr. ANDREWS. If you are paying it to the State Department, would it not fall under the heading of "Contributions to cooperating agencies"?

Mr. HUTCHINSON. No, sir.

Mr. MOSSLER. Not normally, sir. This may or may not be clear language, but it is one that has been employed by the agencies for some time where we might allocate a specific amount of funds to our particular agency to do a particular job. If we merely reimbursed an agency for services rendered, we would generally put it——

SOURCE OF TECHNICIANS

Mr. ANDREWS. I have one more question with reference to these technicians. Do you contemplate getting technicians now employed by the Government in one of the agencies or do you contemplate obtaining technicians from outside the Government?

Mr. HUTCHINSON. In connection with the conduct of these feasibility surveys?

Mr. ANDREWS. Yes. You have listed for technicians $50,000 on the right-hand side of page 271.

Mr. HUTCHINSON. If my eye follows the column across, this is listed as "participants."

Mr. ANDREWS. Well, participants.

Mr. HUTCHINSON. These are people who would come from the country. Insofar as the conduct of the surveys is concerned, we would get people either from the outside or from other agencies within the Government, but they would be contracting to do the job for us.

The "Contributions to cooperating agencies" is usually used, as I understand it, in circumstances in which, let us say, the HEW or Department of Agriculture was undertaking a specific program activity on our behalf, and we contributed the money to them to be spent in accordance with their own procedures and operations.

Mr. ANDREWS. That is all, Mr. Chairman.

RECONCILIATION OF TECHNICAL SUPPORT AND OTHER COSTS

Mr. PASSMAN. It is difficult for me to reconcile this matter. You have on the left-hand side, "Technical support, $40,000." Then you move on to the right-hand side, the same round figures. You have "Contributions to cooperating agencies."

Mr. ANDREWS. That is zero.

Mr. PASSMAN. No; it is not zero. It is $40,000 again, the same amount.

Mr. HUTCHINSON. It is in "other costs."

Mr. PASSMAN. Is it not the same thing?

Mr. HUTCHINSON. It is the same figure.

Mr. PASSMAN. Is it not the same item?

Mr. HUTCHINSON. It is the same item, but it appears opposite "Other costs" rather than "Contributions to cooperating agencies."

Mr. PASSMAN. What do you have as "Contributions to cooperating agencies"? That is part of your explanation, because you could not get it all on one line. Let us not try to make a hill there when it is flat ground. It says "Contributions to cooperating agencies, other costs"—that is what you testified to; that is what the $40,000 technical support would go to.

Mr. MOSSLER. Yes.

Mr. HUTCHINSON. No.

Mr. PASSMAN. He says yes, you say no. Am I correct in reading it—"Contributions to cooperating agencies, other costs, $40,000"?

Mr. MOSSLER. You are incorrect, sir. The "Other costs" is a separate line. We have one category called "Contributions to cooperating agencies," and we have no money for this item.

Mr. PASSMAN. Why did you put it there? Do you just fill in a lot of figures?

Mr. HUTCHINSON. You will notice "Contributions to cooperating" is on one line and "agencies" is indented; "Other costs" in the same margin as "Contributions."

Mr. PASSMAN. Why did you put it there if you had no figure?

Mr. MOSSLER. This is a standard form which has been used for every country we have, and in some countries we do have contributions to cooperating agencies. I doubt that we have any in Africa, but we have some in other countries of the world.

Mr. PASSMAN. I am not going to ask you to tell us how much ink you wasted putting in lines there where it does not mean a thing.

Mr. HUTCHINSON. Sir, this is the standard form used for the entire agency operation.

Mr. PASSMAN. We are not blaming you for this form.

Mr. FORD. Will the chairman yield?

Mr. PASSMAN. I shall be glad to yield.

Mr. FORD. Going back to Cameroon, page 265, you will notice there is no item of technical support and no item listed under "Other costs."

Now take the Central African Republic on page 271, and you have technical support, $40,000, and other costs, $40,000.

Then refer to Chad on page 277, and you have $85,000 under "Technical support," and "Other costs" is $85,000.

Why do you have in the latter two "Other costs" and not in the case of Cameroon? This is just an example.

Mr. HUTCHINSON. Because this sheet you are looking at in the case of the Cameroon and Chad is for the listing of projects, the cost of which is under $100,000, and in those two countries technical support was under $100,000 and therefore was included on that sheet.

In the case of Cameroon you will notice the technical support is included on a separate sheet for it as technical support is $140,000. Therefore, it does not appear on this sheet entitled "Sector and Component Cost Data for Proposed"——

Mr. FORD. It is not listed on page 265 only because the project is more than $100,000?

Mr. HUTCHINSON. Yes. On page 264 you will see a project sheet for technical support in the amount of $140,000. It is the same sort of item as the under-$100,000 item which appears on the other sheet in the case of the other two countries mentioned.

Mr. FORD. In the case of Chad and the Central African Republic the technical support and other costs figures would include some support to other agencies of the Government?

Mr. HUTCHINSON. In the case of the Central African Republic it does include a payment to the Department of State for administrative services rendered. It could include that sort of thing in any of the countries, sir.

Mr. FORD. It could in any of the countries, including Chad—the one I mentioned?

Mr. HUTCHINSON. Including Chad, and in Chad it probably does, as a matter of fact, without looking, because we are going in all of these areas to an operation under which we have a single administrative support operation for both our agency and the regular diplomatic mission rather than setting up two. There is probably a reimbursable item in that.

Mr. FORD. The same would be true in the technical support project in the Cameroon?

Mr. HUTCHINSON. Yes.

Mr. FORD. Even though it is not listed similarly?

Mr. HUTCHINSON. Even though not listed similarly on this sheet. There is a separate description of what those funds are to be used for in the case of the Cameroon. I was trying to see if it does in the case of the Cameroon list payment to the Department of State. It does not seem to in that particular case, but we did have a separate operation. If it were combined, it would be listed here.

REIMBURSEMENTS TO DEPARTMENT OF STATE FOR ADMINISTRATIVE SUPPORT

Mr. FORD. This separate "Support to other Federal agencies," most of which I assume would be Department of State, that is in addition to the funds which are made available to the Department of State out of foreign aid or mutual security or AID program?

Mr. HUTCHINSON. I am not sure I understood your question, sir.

Mr. FORD. We make available X millions of dollars out of the funds in this bill for the Department of State. I cannot recall the figure. This money about which we are talking now is in addition to that support; is that correct?

Mr. HUTCHINSON. This is correct. This is for specific services rendered to us by the Department of State for which we pay. So it would be in addition to funds made available directly to the Department of State.

Mr. FORD. What is that Department of State money requested this year?

Mr. TENNANT. The reimbursement arrangements are roughly in the area of $9 or $10 million, I believe.

Mr. FORD. I am talking about the line item in the appropriation bill.

Mr. TENNANT. The line item in the appropriation under section 637(b) is $3 millon.

Mr. FORD. There is another item, is there not?

Mr. TENNANT. Under "Contributions to international organizations"?

Mr. MOSSLER. Regular State Department administrative expense, which is outside of our bailiwick.

Mr. TENNANT. It is in a different bill. That is under Mr. Rooney's committee.

Mr. FORD. Do you have any estimate of how much you will pay to the State Department in Africa for this kind of support?

Mr. HUTCHINSON. I do not have it with me, but it is easy to get.

Mr. FORD. Can you get in the record how much you paid in fiscal 1962 and what you estimate for fiscal 1963?

Mr. HUTCHINSON. Yes, sir; we will put it in. This is easy.

Mr. FORD. That is all.

(The information supplied follows:)

STATE SUPPORT, FISCAL YEARS 1962 AND 1963

Administrative support payments to the Department of State from administrative and program funds for African programs

[In thousands of dollars]

Fiscal year 1962	$2,353
Fiscal year 1963 (estimated)	2,671

SOURCE OF APPLICATIONS FOR DEVELOPMENT LOANS

Mr. PASSMAN. Under the new, or proposed, criteria for development credits, sometimes referred to as loans, do the recipient nations make their wishes known in applications to the mission heads in the field or do they come directly to Washington?

Mr. HUTCHINSON. The most common procedure is for the application to be submitted to the mission director in the field and then to come to Washington. We will receive applications directly, but if we do we send copies to the field and ask for the mission director's comments in the same way as we expect them when the application is submitted directly to the mission director.

Mr. PASSMAN. You discourage the nations sending their applications to Washington, do you not?

Mr. HUTCHINSON. Basically we prefer their coming through the mission.

Mr. PASSMAN. The policy is, as laid down by the State Department and the AID mission, for the applications to be received and considered at the field level; and you are discouraging nations from sending applications to Washington, are you not?

Mr. MUTCHINSON. I hesitate because "discourage" is a little strong word.

Mr. PASSMAN. What?

Mr. HUTCHINSON. It is a little strong word.

Mr. PASSMAN. Substitute anything you like. Do you suggest to them?

Mr. HUTCHINSON. We suggest——

Mr. PASSMAN. Do you suggest to them that they deal with the people in the field rather than with Washington?

Mr. HUTCHINSON. In the first instance and submit their applications through them. If they do, however, come in to us with an application, we will receive it.

Mr. PASSMAN. Certainly you would. But we are still trying to find out if the policy we are trying to establish for the future is that the mission head will have the right to receive and to process the application in the field.

Mr. HUTCHINSON. There is no procedure contemplated at the present time where the mission director would actually process applications of any significant amount. We expect that those applications will be analyzed here. There may be a procedure adopted under which applications below a certain amount might be processed in the field. This has not been decided.

Mr. PASSMAN. They process it to a point where Washington can say "Yes" or "No"?

Mr. HUTCHINSON. We ask the field to obtain any additional information which they feel is necessary and we ask them to submit the project to us. We do not, however, ask them—in fact, we tell them not to just hold the application until they have determined that they think it is satisfactory. We ask that it come on in here so we can make an appraisal also and communicate back with the field as to deficiencies which we may find in the application.

Mr. PASSMAN. I do not understand as well as I did before you started, but that is not your fault. I am reading from Mr. Hamilton's statement:

> The country programing procedure also affects loan procedures. Financing is no longer made available on a first-come, first-served basis, and the governments are discouraged from making proposals directly to officers in Washington.

I do not know who is over whom—you may be over him, and I do not want to get into that controversy—but I knew I had remembered Mr. Hamilton saying they were "discouraged."

FEASIBILITY STUDIES LEAD TO LOAN REQUESTS

All of these things we have been discussing—by "things" I mean food and agriculture, forest, manufacturing, education, technical support—could lead to applications for development loans; is that correct?

Mr. HUTCHINSON. The technical support item would not lead to an application for development loans.

Mr. PASSMAN. On page 271 your request for funds for feasibility studies under food and agriculture, under forest, manufacturing, and education could lead to subsequent applications for development credits or loans?

Mr. HUTCHINSON. May I get the page in front of me, sir. The food and agriculture project, the forestry project, and the manufacturing project could possibly lead to applications for development loans, yes, sir. The participants would not.

Mr. PASSMAN. Under education I imagine it would include buildings, but I would not know.

Mr. HUTCHINSON. No, sir; this is for participants.

STATUS OF PROGRAM IN CENTRAL AFRICAN REPUBLIC

Mr. PASSMAN. Do you have any pending applications from the Central African Republic for development credits?

Mr. HUTCHINSON. No, sir.

Mr. PASSMAN. How long have you been operating in this country program?

Mr. HUTCHINSON. In 1961 we started a small program.

Mr. PASSMAN. You had no requests for consideration for development loans in this region?

Mr. HUTCHINSON. No, sir; not in this country.

Mr. PASSMAN. In this country. Your request for funds is limited entirely to the matters discussed on pages 267 through 271?

Mr. HUTCHINSON. That is correct, sir.

APPLICATIONS FOR DEVELOPMENT LOANS IN AFRICA

Mr. PASSMAN. Have you had any discussions with individuals or companies in this country with respect to development?

Mr. HUTCHINSON. I have had none,, and I am not aware of any which the staff has had.

Mr. PASSMAN. As it is encouraged to be conducted in the field, it could well be——

Mr. HUTCHINSON. It is possible projects have been discussed in the field that we are not aware of.

Mr. PASSMAN. As we are spending some of this so as to familiarize the people with development loans, it is only natural that it would lead into requests. We wish you would, if you could, by corresponding with the field, ascertain from your people there the aggregate

amount of applications presently being considered for loans. I am not talking about this country. I am talking about your entire region.

Mr. HUTCHINSON. We have that figure for you.

Mr. PASSMAN. Mr. Hutchinson, I do not believe you have it, when you just told us you had no applications or no information on any loans for the Central African Republic, but it could well be that the field people had been considering it. I do not see how you could say you do not have it, because it could be in the field, and then you say you do have it. Let me suggest that you wait until you get the complete answer.

Mr. HUTCHINSON. Sir, I testified that we had no information as to any discussions that the field might have had.

Mr. PASSMAN. That is correct, sir.

Mr. HUTCHINSON. We do have information as to applications which are under consideration. We do not have any applications under consideration in this case. I wanted to answer——

Mr. PASSMAN. You mean from the Central African Republic?

Mr. HUTCHINSON. Yes, sir. I wanted to answer your question with complete candor and say it is possible that the field has had discussions of possible projects which could eventuate in applications.

Mr. PASSMAN. We want you to find out, if you will.

BUREAU OF BUDGET REVIEW PROCEDURES

Mr. FORD. I am inquisitive about the process by which the Bureau of the Budget went into these requests on an individual country basis in Africa. What kind of interrogation or investigation did they make?

Mr. MOSSLER. Last year in approximately July, we requested the field to come in with their recommendations as to requirements for all categories of funds for the fiscal year commencing 1963. We had an internal agency review in which the Bureau of the Budget participated. In other words, they sat right in on our agency hearings on a country-by-country basis.

Now, in the case of loans, since we do not program them—each mission came in with their estimate of the sort of lending activity—where there might be possibilities for a loan. In working out the President's budget, we developed a single worldwide figure as a rough estimate of total loans that could be entered into during the year. It was a joint participation all the way through the review process.

Mr. FORD. In other words, you didn't work up your budget and then the Bureau of the Budget conduct a subsequent review?

Mr. MOSSLER. No, we worked very closely with the Bureau on a country-by-country basis. After they sat through our hearings, they then came up with their conclusions as to whether or not they agreed with us by appropriation categories. If we disagreed with them we tried to appeal it and reach agreement on what the final appropriation category would be.

Mr. FORD. Was there a figure which your agency thought you needed for this area which was subsequently revised, reduced by the Bureau of the Budget?

Mr. MOSSLER. I will have to give you this from memory and tell you how it generally works. I can say that the agency came up with its recommendation for lending activity. I do not recall whether the

Bureau in this instance reduced the worldwide estimates for development lending. I know in some years they do and in some years they don't. I do not recall for the past year.

Mr. FORD. What about the grant program, the development grants? You have been speaking, I gather, more about development loans. What about the grants?

Mr. MOSSLER. The grant programs are handled through the same process. In other words, the field submission—except that we do have more specific itemization on the grant. As we have shown you here on the books we have detailed project descriptions on the grant programs whereas in all cases on the loans we do not.

Mr. HUTCHINSON. But the process was a participation by the Bureau and the agency in review and it was done the same way.

Mr. FORD. It was done simultaneously?

Mr. HUTCHINSON. It was done simultaneously.

Mr. PASSMAN. Does the Bureau of the Budget make available to you information that your people give to them from the field?

Mr. MOSSLER. I believe the Bureau of the Budget has access to certain programing documents that the field makes available to us. They, in effect, are working with the same material that we have.

Mr. PASSMAN. You have to justify to the Bureau of the Budget the items that you have in your justification?

Mr. MOSSLER. Our programs are——

Mr. PASSMAN. I mean your programs. The overall costs. Do you go into detail at all?

Mr. MOSSLER. Yes, sir.

Mr. HUTCHINSON. Yes, sir. As we testified, the Bureau sits in with our own examination of the field submissions and asks questions as the process proceeds and goes over them as we go over them, and they reach their own conclusions with respect to them. It is not quite a review superimposed because of the time involved.

Mr. PASSMAN. Well, gentlemen, this is most interesting because we asked some questions a few days ago—I shall just take one particular item, but we could just as easily apply it to a thousand in the book:

Q. What does this represent, the $100,000?
A. Commodities.
Q. What commodities?
A. We don't know. We will have to wire the field.

You wire the field and they wire back and list these commodities. You did not have any information on it until that was done.

Is the Director of the Budget making recommendations on this kind of justification? Did they decide to wire the field or did they just say, "This is the President's program and he wants it"?

I think it is quite interesting that you did not have information for the committee, and you had to wire to the field to find out what the people wanted the money for, and yet you justified it for the Budget Bureau.

We shall adjourn until 10 o'clock tomorrow morning.

THURSDAY, JULY 12, 1962.

ATTITUDE OF CERTAIN AID RECIPIENTS

Mr. PASSMAN. The committee will come to order.

I should like to read into the record an expression of the feelings of one of our friends, the head of a country, the recipient of a lot of American aid:

Francisco Brochado da Rocha, Prime Minister of Brazil, elected yesterday, assumed the job declaring that:

1. He would continue the foreign policy of friendship for Russia advocated by President Goulart.

2. He would continue Goulart's policy of "hands off" the Cuban dictatorship of Fidel Castro.

3. And he said of the United States:

"The masses have already perceived that they are the victims of international capitalists who do not want to confine themselves to produce and to profit, but to prosper at the cost of impoverishment and spoilation of the country."

Francisco da Rocha was handpicked by President Goulart to be Prime Minister.

Da Rocha is a protege of leftist Governor Leonel Brizola, brother-in-law of Goulart. Da Rocha was Minister of Security and Justice in Brizola's Cabinet. Brizola said he was product of Da Rocha's selection.

Brizola, who openly espouses an anti-U.S. policy, runs the State of Rio Grande do Sul, has on two occasions illegally seized properties belonging to U.S. citizens, threatens to do it again.

Brizola has publicly cited Castro as heroic, while attacking the United States.

The Washington Daily News Tuesday, July 10, 1962, had this to say in a news report:

TWENTY MILLION DOLLARS ALLOTTED BY J. F. K.—MEXICO WILL USE NEW FUNDS FOR FARM EXPORTS TO CUBA

(By Richard H. Boyce, Scripps-Howard staff writer)

MEXICO CITY, July 10.—Much of the $20 million President Kennedy gave to Mexico through the Alliance for Progress during his recent visit here will be used to grow more wheat and corn for shipment to Communist Cuba.

Mexico already exports wheat and corn to Cuba at the rate of 300,000 tons a year.

Mexico's wheat production has increased by 50,000 tons a year in the past 2 years. But she needs increased agricultural technical aids, seeds, fertilizer—and this is what some of the $20 million will go for.

JUST A START

And the $20 million is only the beginning, according to Mexico's Agricultural and Colonization Affairs Department. Its spokesmen say the Alliance $20 million is only the first part of an eventual $60 million credit. The latter figure has not been announced in the United States.

The overall aim of the Alliance for Progress outlays is to fight communism in Latin America—by creating a solid, stable middle class from the masses of impoverished peasants.

Part of the first $20 million will be used to finish a large dam now being constructed on the River Grijalva in southeast Mexico. When the dam is finished—in 1964—it will make possible irrigation of a million acres of land that is now either highly arid or deep jungle. Bulldozer work in clearing the jungle is now going on, and approximately 11,000 acres are expected to be cleared by 1963.

DIVIDE LAND

The land will then be divided into "ejidos." These are small plots from 10 to 100 acres and farmed under a socialistic communal system. Each farmer's production is turned over to the leader of the ejido.

Because the "cacique" or overseer of each ejido has unlimited authority, many of the ejidos in Mexico are operated like feudal serfdoms. There are enforced kickbacks to the overseer. Farmers are charged too much for things they must buy through the overseer. Each ejido farmer makes his payments, for the purchase of his land on a 40-year-or-longer payout, to the overseer. The payment is not made in cash, but in harvest.

SELLS CROP

The overseer sells the crop, deducts enough for the mortgage payment and other charges, and is supposed to turn over the balance to the farmer. But frequently he cuts himself a juicy slice before the farmer gets his pittance.

All this has made many an overseer wealthy—and the Government looks the other way. So the farmer ends up with maybe $100 for a year's work. If he is lucky and gets two crops a year, as in some parts of Mexico, he may get as much as $200 to clothe and feed his family and himself.

Also this editorial comment:

INDIRECT AID TO CASTRO

Some of the difficulties—and contradictions—involved in the Alliance for Progress are illustrated by a grant to Mexico announced by President Kennedy during his recent visit to that country.

We don't do business with Communist Cuba, but Mexico does. Mexico exports wheat and corn to Cuba at the rate of 300,000 tons a year. So we are granting Mexico $20 million, most of which will go for seeds, fertilizer, technical aids, etc., so the Mexicans can grow more corn and wheat for themselves and for export to Cuba. Mexican spokesmen say there will be another $40 million, though that has not been announced in Washington.

Presumably the U.S. Government countenances this indirect aid to Castro's Cuba on the theory it is improving the lot of the Mexican farmer. But there's small chance even of that, according to our reporter, Richard H. Boyce, who has been writing from Mexico.

The reason is that farmland is divided into small plots under a socialist system which puts a Government agent in charge of everything the farmer buys or sells, leaving him only a pittance for his labors.

Progress in Latin America, as in other struggling areas of the world, awaits realization that the farmer knows more about farming than a government bureaucrat—that he produces best when permitted control over the fruits of his own labors, with direct incentive for harder work. This realization is a long and costly time coming.

AID Program in Chad

We are going to go into the AID program for Chad. I do not know whether they have actually established this as a name or not, the nation is so new.

In the 1962 program you had $335,000 and the estimate for 1963 is ———. That is an increase of ——— over 1962?

Mr. Hutchinson. Yes, sir.

Mr. Passman. Is this also one of the original colonies, or possessions, of France?

Mr. Hutchinson. Yes, sir.

Mr. Passman. It would appear that in 1961 we had only $56,000 for Chad. Had they obtained their independence at that time?

Mr. Hutchinson. August 11, 1960, is when they got their independence.

Mr. Passman. Did we have any program at all before they got their independence?

Mr. Hutchinson. We had the $56,000.

Mr. PASSMAN. The first year they got their independence we were in with a $56,000 aid program?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. It grew from $56,000 to $355,000 in fiscal year 1962, and it is going up to ——— in 1963?

Mr. HUTCHINSON. That is the anticipation; yes, sir.

PURPOSE OF AID TO CHAD

Mr. PASSMAN. What projects in the gray book are to aid Chad in diversifying agriculture?

Mr. MOSSLER. Our first project is for livestock improvement, and it is on page 275 of the project book where we have an explanation of it. The total cost estimated for 1963 is $225,000.

Mr. PASSMAN. How are you going to diversify? Give us a little bit more information.

Mr. HUTCHINSON. The purpose of the project is as set forth. It is to build slaughter and drying shed establishments throughout central and southern Chad to attempt to enable them to increase the income they earn from meats, hides, and skins.

Mr. PASSMAN. Would you say you were diversifying agriculture by the slaughtering pens, and so on?

On page 84, it is indicated that the program consists of ——— in development grants. The principal thing is to aid Chad in agriculture. So far you have talked about slaughter pens and livestock. Is that the extent to which we are going to diversify, or do you have any other information on it?

Mr. HUTCHINSON. I do not find any in here.

Mr. PASSMAN. So, if they decided they were not going to build slaughter pens, you could salvage some of this money?

That is a limited diversification program if it just is pens for livestock.

COSTS OF TECHNICIANS IN CHAD

You indicate a U.S. technician, $20,000. How many technicians will you use?

Mr. HUTCHINSON. One.

Mr. PASSMAN. For how long a period of time?

Mr. HUTCHINSON. He will certainly be there for the full year of 1963. He would probably be there through 1964.

Mr. PASSMAN. This sum is to pay for 2 years, or 1 year?

Mr. HUTCHINSON. One year.

Mr. PASSMAN. We were discussing a few days ago technicians to one of the African countries. I think they were road engineers, and they were going to cost $30,000 per technician per year. We got in another African country where you had $39,000 for two technicians. Now, for Chad, you have one technician for $20,000.

Why do you have such a variation in the cost of these technicians?

Mr. HUTCHINSON. There is a variation in the cost of technicians on several counts, sir.

First, in terms of the type of technician that is provided; second, in terms of whether he is being provided on a direct hire or on a contract basis.

Mr. PASSMAN. Is this direct hire?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. Would that also be true of the highway engineers?

Mr. HUTCHINSON. No; those are contract technicians. They are the ones we are preparing the cost breakdown for.

Mr. PASSMAN. Does this mean that you have other costs that would be added to it to get the total?

Mr. HUTCHINSON. There would be some general support costs associated with having the technician there.

Mr. PASSMAN. We are trying to arrive at the reasons for the difference between $30,000 and $19,500 and $20,000.

Would part of it be additional cost that is not paid to the individual?

Mr. HUTCHINSON. Would you like me to give you a breakdown of how we arrived at the $20,000?

Mr. PASSMAN. Surely.

Mr. HUTCHINSON. The salary and differential for this technician is $10,900.

Mr. PASSMAN. Am I making a statement of fact, that you could not give us the individual salary on the others yesterday?

Mr. HUTCHINSON. I told you we had to use factors.

Mr. PASSMAN. You could not answer the question directly as to the salary of the two we discussed yesterday?

Mr. HUTCHINSON. That is correct.

Mr. PASSMAN. But you can give us the salary on this one?

Mr. HUTCHINSON. I can give you an estimate of the salary, and we promised Mr. Rhodes we would give a breakdown of how we arrived at the $30,000.

Mr. PASSMAN. I am trying to find out why one day you do not have it and the next day you do have it.

Mr. HUTCHINSON. Insofar as that question is concerned, you asked us to give you the breakdown yesterday on the $30,000, so we felt that today you would be interested in the breakdown on the $20,000.

Mr. PASSMAN. Do you have it for the $30,000?

Mr. HUTCHINSON. We have it on a piece of paper for submission. It is ready.

Mr. PASSMAN. You may proceed on the other.

Mr. HUTCHINSON. The salary is $10,900.

Mr. PASSMAN. Against $12,000 for this one I have here.

Mr. HUTCHINSON. The travel is $1,600.

Transportation of household effects, $2,000; household furnishings, $2,000; housing, $3,500; total $20,000.

Mr. PASSMAN. This is for 1 year?

Mr. HUTCHINSON. This is for 1 year.

We generally fund direct-hire technicians from year to year as we do other U.S. Government personnel.

Mr. PASSMAN. What if you decided you were only going to keep the man for 1 year. What would you do with the other plus items?

We want to ascertain what the 1 year will lead us into the following years. You have a 1-year technician, $20,000, and almost 50 percent of the total would go for something other than the individual's salary. Travel is a substantial amount. But the household effects are how much?

Mr. HUTCHINSON. $2,000.

Mr. PASSMAN. You have not selected this individual yet?

Mr. HUTCHINSON. No, sir.

Mr. PASSMAN. What would happen if this man is a bachelor and did not want to set up housekeeping?

Mr. HUTCHINSON. We would probably save some money.

In Chad he would probably have to have a house of his own because public facilities are quite meager.

Mr. PASSMAN. If there are no hotel accommodations, or any other place to live, the chances are we should not be going in this early, anyway. If we revert back to the $30,000 for the contract personnel, the 25-percent post differential is paid in addition to the salary?

Mr. HUTCHINSON. That is correct.

Mr. PASSMAN. The salary would be $15,000 and not $12,000, in effect?

Mr. HUTCHINSON. That is correct. I think those figures are correct.

CONTRACTOR'S FEE

Mr. PASSMAN. The presentation indicates that the contractor's overhead fee is 80 percent of average salary. Is that the average figure used on all contractual personnel?

Mr. HUTCHINSON. That is the average figure we use in calculating the cost. The actual overhead by contract may vary, but that is the average.

Mr. PASSMAN. This is the average figure?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. Would you give us a little information on the maximum that you could add for the contractor's overhead fee?

Mr. HUTCHINSON. I do not know that there is any maximum. There are contracting regulations, I am sure, which provide standards. They are applied unless there are exceptional reasons for doing otherwise.

Mr. PASSMAN. This is an average?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. If this is an average, that would mean there is a minimum and a maximum.

Mr. HUTCHINSON. There is probably a maximum.

Mr. PASSMAN. You do not have any information on that matter this morning?

Mr. HUTCHINSON. I do not have any information on that this morning, nothing.

Mr. PASSMAN. How does this contractor justify 80 percent of the average salary?

Mr. HUTCHINSON. We have not entered into the negotiation with the contractor, sir. These are factors we use in estimating the cost. We would have to examine what his costs actually are, the sort of personnel he intends to make available back in his home office in support of the operation, what kind of facilities he might have to establish within the country itself in support of the operation, before we can arrive at a final figure.

Mr. PASSMAN. This is a "guess" figure?

Mr. HUTCHINSON. This is an estimated figure, as we told you yesterday.

Mr. PASSMAN. When you make an estimate, you have something by which you establish an estimate. There is a difference between an estimate and a guess.

If this is an estimate, we want to find out something about your worksheet. You are paying 80 percent of the average salary as a contractor's fee.

This is just one item that we are clearing up, and that is for one technician for 1 year in one country, and when we see that the contractor's overhead fee is 80 percent of average salary, we can just imagine what a lush thing that is.

Could you try to get for us information as to how they arrived at this fee for a contractor?

Mr. HUTCHINSON. Sir, I think you will find that this, if anything, is on the low side of standard practice, both in this country and in other countries, with respect to contracts of this sort.

Mr. PASSMAN. We asked that question before, trying to get the minimums and the maximums, and you did not have them.

Mr. HUTCHINSON. I said of "standard practice." I know that we in our practice do tend to pay on the low side insofar as overhead costs and that sort of thing are concerned.

Mr. PASSMAN. Did you tell us this was the average?

Mr. HUTCHINSON. I told you this was an average based on the ICA experience. Now——

Mr. PASSMAN. Now, you say it is on the low side.

Mr. HUTCHINSON. I said of standard practice.

Mr. PASSMAN. What is the difference between standard practice and regular practice?

Mr. HUTCHINSON. Sir, the ICA has been examining contracts very carefully to try to reduce costs. My statement goes to the point that you will find in the usual situation, the overhead charge that ICA is successful in negotiating is usually lower than standard practice.

Mr. PASSMAN. Lower than standard practice. By what standard?

Mr. HUTCHINSON. By regular prevailing commercial standards in this country.

Mr. PASSMAN. You do not have any commercial people out there, do you?

Mr. HUTCHINSON. I beg your pardon.

Mr. PASSMAN. This is a new country. It was only brought into being in fiscal year 1961, calendar year 1960. You are comparing this with what the commercial people do.

Mr. HUTCHINSON. When I said "commercial," I meant the regular practice of business organizations engaged in contracting in which overhead is assigned as a part of a charge of a contract.

Mr. PASSMAN. If we have a contractor in Washington constructing a Federal building, we may award the contract on a basis of cost plus 10 percent?

Mr. TENNANT. I think there is a General Accounting Office decision which has made it improper insofar as Government regulations are concerned to have a cost plus a percentage of cost contract.

Our contracts on the cost side are written on the basis of cost plus actual overhead. Actual overhead is determined by the terms of the contract, the same as the Armed Services Procurement Regulations, and they are audited out to actual amounts.

Mr. PASSMAN. We have had in the past policies whereby we awarded contracts on a cost-plus basis?

Mr. TENNANT. That is correct.

Mr. PASSMAN. And some large contracts were awarded at cost plus 10 percent?

Mr. TENNANT. That is true, some years ago.

Mr. PASSMAN. On this particular item, it would be the same thing as awarding a contract on the basis of cost plus and 80-percent fee to the contractor?

Mr. TENNANT. No. Those contracts are written on the basis of cost plus a provisional overhead of 80 percent.

Mr. PASSMAN. What is provisional overhead?

Mr. TENNANT. This means we will make advance payments on the basis of 80 percent, subject to audit; that subsequent to the completion of the contract an audit is made and the exact amount of overhead is determined, and if it is less than 80 percent, the contractor is required to refund us the difference.

Mr. PASSMAN. When you pay this man his salary of $12,000, at the same time you obligate yourself to pay the contractor 80 percent of that amount, which is $9,600, subject to a subsequent audit?

Mr. TENNANT. That is correct.

Mr. PASSMAN. How many contract personnel would fall in this category?

Mr. MOSSLER. I think we have 10 people for 2 years.

Mr. PASSMAN. Who would be the contractor in this instance?

Mr. HUTCHINSON. We have not entered into a contract on this.

Mr. MOSSLER. These are estimates of our contract cost. They may turn out to be something different.

Mr. PASSMAN. All of these things are projected—it may be this or it may not be.

Mr. HUTCHINSON. We must make estimates in order to request an appropriation. We cannot be entering into the contract before we receive the appropriation.

SERVICES RENDERED BY CONTRACTORS

Mr. ANDREWS. May I ask a question?

Just what services does the contractor render to deserve 80 percent overhead fee?

Mr. TENNANT. The firm hires the employee. Then the firm has the normal overhead of its permanent installation.

Mr. ANDREWS. Will the technician be an employee of the contractor?

Mr. TENNANT. Yes. His orders will be from the contractor.

Mr. ANDREWS. Give me a concrete case.

Mr. TENNANT. The one they are talking about is 10 technicians.

Mr. PASSMAN. Let us put it together in that context.

They will have 10 technicians, and the total basic salary will be $120,000. The contractor's overhead fee would be, as originally set up, $96,000, subject to an audit, and this is on the low side. It could even be higher; is that correct?

Mr. TENNANT. That is correct.

Mr. ANDREWS. So the contractor will have an office in the United States?

Mr. TENNANT. Yes, presumably.

Mr. ANDREWS. The technicians will go out in the field?

Mr. TENNANT. That is correct.

Mr. ANDREWS. And the contractor, for just putting the man out in the field, will get 80 percent of what the technicians get who are in the field working; is that correct?

Mr. TENNANT. That is correct, subject to audit.

Mr. ANDREWS. What I want to know is, what contribution does the contractor make, or what services does the contractor render? He puts the man out in the field. We pick up the check for all the technician's expenses in the field; is that correct?

Mr. PASSMAN. Yes. It is listed on the sheet here.

Mr. ANDREWS. I thought it was.

What does the contractor do other than select the technicians?

Mr. TENNANT. Well, if you contract with any established outfit, he provides the know-how of getting the proper technicians to go and gives them backstopping. What we are doing here on overhead is standard throughout the Government.

Mr. ANDREWS. I do not care whether it is standard or not. It is wrong and it ought to be corrected.

Mr. PASSMAN. We are in a relatively new field in this foreign aid, which is only 15 years old.

Let us read into the record that you have a 25-percent post differential, which is added to the salary. Then you have allowance for international travel, replacement, sickness of personnel, $3,000.

Now, personnel costs, OASI?

Mr. HUTCHINSON. Old age and survivors insurance.

Mr. PASSMAN. So, in effect, if we pick up 80 percent, and we pick up the 20 percent, then the overhead applicable would be exactly that of the salary, not counting travel. Overhead fee and your OASI amounts to $12,000, which is 100 percent of the base salary.

Mr. GARY. Will the chairman yield?

You say the contractor gets 80 percent, subject to audit. What do you mean, "subject to audit"?

Mr. TENNANT. There is a decision by the Comptroller General of the United States, which says in making contracts on a cost-plus basis, the provision of the contract shall allow overhead based on an actual audit. Periodically through the contract, auditors of the U.S. Government, and sometimes the General Accounting Office—we have had both in our cases—make visits to the contractor's home office site, review his books, determine that the overhead is in accordance with the terms of the contract—what charges he is entitled to under the overhead provisions of the contract, and makes an allowance.

Mr. GARY. Does the contract provide he shall get 80 percent?

Mr. TENNANT. No. It says he shall get 80 percent subject to audit.

Mr. GARY. That is what I am talking about. What is going to determine his overhead?

Mr. TENNANT. There is an annex in the contract which roughly has the provisions of the armed services procurement regulations, which determines what is eligible for overhead in accordance to general accounting principles.

Mr. GARY. An audit as a usual thing is simply to determine that correct figures are used?

Mr. TENNANT. That is right.

The provision of the annex on the contract will say under "Overhead" he is entitled to rent, light, telephone, and so forth, certain specific things. The auditors will determine how much has been paid out for these things and pro rate such charges either to the contractor's regular business or to the AID contract.

Mr. GARY. Does he get 80 percent of that overhead charge for his fee?

Mr. TENNANT. No. He would get whatever the audit turns up in relation to the salary cost. If it is 60 percent of the salary cost, he would get 60 percent. If it were 85, he would get 85 percent.

Mr. GARY. What does he get as compensation, as profit?

Mr. TENNANT. Overhead does not include profit.

Mr. GARY. What determines his profit on the contract?

Mr. TENNANT. He would negotiate with the contract officer for the amount of fee he would get. Technically, the fee is his profit.

Mr. GARY. That is what I am trying to get at.

This 80 percent is merely an estimate of the overhead; is that right?

Mr. TENNANT. That is correct.

Mr. GARY. If his overhead does not amount to 80 percent, he does not get the 80 percent?

Mr. TENNANT. I have not seen——

COMPUTATION OF OVERHEAD FEE

Mr. PASSMAN. Let us get the record straight.

I am reading the figures from downtown. The contractor's overhead fee, 80 percent of average salary. Supose you have a firm set up downtown, which employs 10 people. The firm may have a fixed overhead of lights, electricity, and air conditioning of 12 percent, and the head man may be drawing $35,000 a year salary. All of that is a part of the overhead, is it not?

Mr. TENNANT. That is correct.

Mr. PASSMAN. But you do not determine that man's salary. The head of the firm determines his salary?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. It could be that 78 percent of the 80 percent could be salary and 2 percent could be the fixed overhead? This is all in the same category?

Mr. TENNANT. That is possible, but unlikely.

Mr. PASSMAN. It is possible. You do not know.

He fixes his own salary, if he is boss of the firm.

Mr. TENNANT. That is correct.

Mr. PASSMAN. His salary would be included as a part of the 80 percent fee?

Mr. MOSSLER. On this sheet, the money we have is for overhead and fee.

Mr. PASSMAN. His salary would be part of the overhead?

Mr. HUTCHINSON. Not the technician.

Mr. PASSMAN. I am not talking about the salary in the field. I am talking about this $96,000 overhead. You are not going to tell us that

you pay this employer, the firm, a salary in addition to this amount appearing on the sheet?

Mr. HUTCHINSON. No, sir.

Mr. PASSMAN. So his salary is a part of the overhead you are talking about; is that not correct?

Mr. TENNANT. Probably true.

As I recall the technical regulations, I am not sure if the full executive salary can be charged as overhead.

Mr. PASSMAN. If it is a firm doing nothing but employing technicians for AID, all his salary would come out of the fee he receives for AID?

Mr. TENNANT. Yes, if the conditions you express are correct.

DEFINITION OF CONTRACTOR

Mr. PASSMAN. As we think in terms of a contractor, who would be applicable to this type of operation?

Could you give us a general idea who a contractor is?

Mr. MOSSLER. It could be a university.

Mr. HUTCHINSON. An individual, and engineering firm, almost any kind of firm.

Mr. PASSMAN. For clarification, if a member of this committee should either voluntarily or involuntarily quit, he could go downtown and open up an office, become an expert, qualify, and employ 10 technicians for AID, and if that were acceptable he would be a contractor?

Mr. HUTCHINSON. If you had the qualifications to perform the work.

JUSTIFICATION FOR USE OF CONTRACTORS

Mr. ANDREWS. Why do you have to go to a contractor to get these people? Do you not have enough people in your own organization?

Mr. HUTCHINSON. No, sir. We find, sir, on special jobs of this sort it is much more effective and efficient to go to a firm which either has the people on its rolls with the specialties that are needed, or is in a position to recruit them, and which is in a position also to take responsibility for the project and put its reputation in.

Mr. ANDREWS. I wish you would insert in the record at this point—I ask permission it be done—a list of the contractors with which you have done business in the last 2 years, and I would like to know where the companies are located. I would like to know how long the companies have been in business. I would like to know if any of the officials of those companies are former members of the ICA organization and a little background on the heads of those organizations.

Mr. MOSSLER. Is this for Africa only, sir?

Mr. ANDREWS. Your shop.

(The information supplied follows:)

CONTRACTORS FOR AFRICA PROGRAMS OVER THE PAST 2 YEARS

Attached are listings of 20 commercial and 41 nonprofit institution contractors located in the United States. These are contractors with whom AID has signed contracts for the period July 1, 1960, to June 30, 1962, for services in the African countries listed on the attachments.

Included on each listing is the name of the contractor, location of the contractor, date the organization was established, and a brief biographical summary

of the principals of these organizations including former employment with ICA.

Contractor: African-American Institute, 345 East 48th Street, New York, N.Y.
Date established: 1953.
Officials:

Waldemar A. Nielsen, president. Former executive of the Ford Foundation and specialist in world educational and cultural development. Elected president to AAI in November 1961. Graduate of Universities of Missouri and Wisconsin and Rhodes scholar at Oxford; university teacher, research social scientist, Government official, and foundation administrator of economic, social, and educational development projects throughout the world. Served as assistant to the U.S. special representative in Paris, ECA, and as director of information programs. Served as consultant to the White House and other governmental agencies on foreign policy and scientific problems.

E. Frederick Morrow, vice president. Educated at Bowdoin College and LL.B., Rutgers; 12 years field secretary of the NAACP; 3 years public affairs staff of CBS; 1952, consultant to Eisenhower campaign; 1953, assistant to Secretary of Commerce Weeks; 1955–61, administrative assistant to the President of the United States; vice president to AAI since 1961.

E. Ladd Thurston, secretary. Graduated from Harvard; LL.B., Harvard; District of Columbia bar 1949; associated Kirkland, Ellis, Hodson, Chaffetz & Masters; presently partner with Purcell & Nelson; member of District of Columbia and American Bar Association; legal adviser for African-American Institute.

Lansdell K. Christie, treasurer. Graduated U.S. Military Academy 1927; president and director, Liberia Mining Co., Monrovia, Liberia, 1946; Monrovia Port Management Co., Ltd., Hokenui Ranch, Southern Rhodesia; Department of Commerce, public affairs staff; director, American Foundation of Tropical Medicine; trustee, Phelps Stokes Fund, University of Liberia; advisory council, Department of Politics, Princeton University; member of Council on Foreign Relations.

AID contract in following countries: African regional, Guinea, and Tanganyika.

Contractor: Agricultural Technical Assistance Foundation, Inc. (Congo Polytechnical Institute), 5236 Santa Monica Boulevard, Los Angeles 29, Calif.
Date established: 1960.
Officials:

Keith Smith, president-owner, Wings Van & Storage Co. of Long Beach, Calif.; also president of Agricultural AIDs Foundation which is a representative of Congo Polytechnical Institute in the United States. Member of Africa Research Foundation; board member of Albert Schweitzer Fellowship.

Theodore Tucker, executive secretary of Africa Committee of Division of Foreign Missions of National Council of Churches.

Joseph Strick, vice president and part owner of Strick Co., largest privately owned truck-trailer company; 1955 established Electric Solids Corp. and is chairman of board.

Robert Magdleer, lawyer since 1933; in World War II Staff Judge Advocate General Office. Active in California Bar Association and charitable organizations.

AID contract in following country: Congo.

Contractor: Airway Engineering Corp., 1212 18th Street NW., Washington, D.C.
Date firm established: 1943.
Officials:

R. C. Phillips, Jr., president: President since the foundation of the company; formerly senior partner in Colsax-Phillips, Inc., consulting engineers; registered professional engineer since 1929.

R. C. Phillips III, assistant to the president for past 4 years. Registered professional engineer.

Harry L. Ryan, Jr., secretary, since foundation of the company; attorney but not active in company; associated with Whiteford, Hart, Carmody & Wilson.

E. R. Trammell, treasurer and chief engineer since 1945. Registered professional engineer; American Society of Civil Engineers.

AID contract in following country: Liberia.

Contractor: American Foundation for Tropical Medicine, 551 Fifth Avenue, New York, N.Y.
Date established: 1945.
Officials: Dr. Max Miller, president. Joined the organization April 1953.
AID contract in following country: Liberia.

Contractor: American Institute for Research, 410 Amberson Avenue, Pittsburgh, Pa.
Date established: 1946.
Officials:
John C. Flanagan, B.S., M.A., Ph. D.; president and director for research, American Institute for Research since 1946; previously taught in public schools, professor at Harvard University and Columbia Teachers College.
Paul Horst, chairman of the board; professor, University of Washington, Seattle.
Rains Wallace, vice president; director of research of Life Insurance Agency Management Association of Hartford, Conn.
Paul M. Fitts, secretary, professor, University of Michigan.
AID contract in following countries: Africa regional.

Contractor: American ORT Federation (Organization for Rehabilitation Through Training), 222 Park Avenue South, New York, N.Y.
Date established: 1922.
Officials:
William Haber, president; chairman, Department of Economics, University of Michigan; serves as adviser to the U.S. Secretary of Labor; member of the Federal Advisory Council on Employment Security.
George Backer, honorary president; self-employed; formerly member of the City Council of New York; newspaper and businessman.
Charles Kreindler, secretary; vice president, International Ladies' Garment Workers' Union.
AID contract in following countries: Africa regional, Guinea.

Contractor: The Architects Collaborative, 63 Brattle Street, Cambridge, Mass.
Date firm established: 1945.
Officials:
Walter Gropius, University of Charlottenburg, Berlin, 1903–06; University of Munich, 1906–07; registered architect in four States, associated with Architects Collaborative for 17 years.
Norman Fletcher, Yale University, 1940, traveling fellowship, 1941, registered architect in four States, associated with Architects Collaborative for 17 years.
AID contract in following countries: African regional, Libya, Mali, Nigeria, Tunisia.

Contractor: Harland Bartholomew & Associates, 317 North 11th Street, St. Louis, Mo.
Date firm established: 1919.
Officials:
Harland Bartholomew, Civil engineer, Rutgers University; member of American Institute of Planners, National Conference on City Planning, American Society of Civil Engineers; registered professional engineer in five States; associated with this firm for 42 years.
Russell H. Riley, Civil engineering course, University of Illinois; B.S., Iowa State University; member of American Institute of Planners, American Society of Landscape Architects, Society of Professional Engineers; registered professional engineer in three States, registered professional land architect in one State; associated with Harland Bartholomew & Associates for 27 years.
AID contract in following country: Morocco.

Contractor: Louis Berger & Associates, 2d and Locust Streets, Harrisburg, Pa.
Date firm established: 1950.
Officials:
Louis Berger, B.S.C.E., Tufts College; M.S. Massachusetts Institute of Technology; Ph. D., Northwestern University; registered civil engineer in 12 States.

Jacob J. Berger, B.S.C.E., Tufts College; member of Society of Professional Engineers; registered civil engineer in four States; associated with Louis Berger & Associates for 7 years.

AID contract in following country: Nigeria.

Contractor: Byrne Associates, Inc., 50 Church Street, New York, N.Y.
Date firm established: 1944.
Officials:

William H. Byrne, Polytechnical Institute of Brooklyn, Society of Mechanical Engineers, Technical Valuation Society, New York State Society of Professional Engineers, American Society of Appraisers; registered professional engineer in 48 States and Canada.

James W. Howorth, Columbia University, New York University, American Institute of Accountants, New York State Society of Certified Public Accountants, American Ordnance Association; associated with Byrne Associates for 8 years.

John B. Stack, Pratt Institute, American Institute of Electrical Engineers, Society of Naval Architects & Maine Engineers; associated for 11 years with Byrne Associates, Inc.

AID contract in following country: Libya.
Contractor: University of California, Berkeley, Calif.
Date established: 1868.
Officials:

Clark Kerr, A.B., M.A., Ph. D., LL. D.; president since 1958; chancellor, 1953–58; professor of industrial relations.

Harry Wellman, executive vice president; A.B., Oregon State College; M.A., University of California; Ph. D., University of California; associated with the university since 1925.

Ray Kettler, controller since 1955; previously business manager at Purdue University.

AID contract in following country: Nigeria.

Contractor: Cooperative for American Relief Everywhere, Inc. (CARE), 660 First Avenue, New York, N.Y.
Date established: 1945.
Officials:

Richard W. Reuter, executive director; worked with international problems in CARE since 1946; served as assistant executive director; appointed executive director 1955; economics from Amherst, 1938, with high honors; previously with Abraham & Straus Department Store; 2 years, American Friends Service Committee.

Fred W. Devine, deputy executive director since January 2, 1958; served 11 years for CARE overseas prior to that date. Associated with CARE since 1948.

Frank Goffio, deputy executive director; with CARE for 15 years; deputy assistant director, 1956.

AID contract in following country: Algeria.
Contractor: Checchi & Co., 1612 K Street, NW., Washington, D.C.
Date firm established: 1951.
Officials:

Vincent V. Checchi, A.B., University of Maine, 1940; student, Harvard University, 1941; M.A., George Washington University 1942; statistican-economist, WPB., 1941–45; Allied Military Government in Italy, 1945–46; Director of Program Coordination, UNRRA, Italy, then assistant chief to mission in China, 1946–47; loan officer, IBRD, 1947; ECA, 1947–49; special representative in Philippines, 1950–51; Reporter Magazine, 1951; since chairman of the board and president of Checchi & Co.; director, Italian Bank for Cooperatives, Philippines Investment Management Consultants, Inc., Philippine Wood Products, Inc.

Harry G. Clement, A.B., Denison University; FOA 1954; 7 years with Checchi & Co.

Solomon Chafkin, vice president, City College of New York: Harvard University, 1948; U.S. Treasury Department, 1949–54; former ICA employee.

Jack Corbett, vice president, Harvard University; World Bank; Department of State; associated with Checchi & Co. since 1957.

Arthur Checchi, vice president, University of Maine, 1943; Harvard University, 1944–45; Food and Drug Administration 1945–49; with Checchi & Co., since 1957.

AID contract in following countries: Liberia, Senegal, and Somali.

Contractor: Columbia University Teachers College, New York, N.Y.
Date established: 1887.
Officials:

John W. Fischer, president since July 1, 1962, former dean of teachers college for 2 years, superintendent of public instruction, Baltimore.

Dean: vacant.

Russell L. Reed, controller; assistant controller, 1 year; bursar; associated with university for 10 years.

Prof. R. Freemen Butts, director of international studies, February 1961; associated in various capacities for 25 years.

AID contract in following country: African regional and Kenya.

Contractor: Cornell University, Ithaca, N.Y.
Date established: 1865.
Officials:

Deane W. Malott, B.A., M.B.A.; president since 1950; chancellor, University of Kansas; serves as a consultant for Department of Commerce.

Sanford S. Atwood, B.A., M.A., Ph. D.; provost since 1955; dean of graduate school; associated with the university since 1944.

Arthur H. Peterson, A.B., M.A.; controller since 1956; associated with the university since 1939.

AID contract in following country: Liberia.

Contractor: Council on Social Work Education, 345 East 46th Street, New York, N.Y.
Date established: 1952.
Officials:

R. Smalley, president; dean of School of Social Work, University of Pennsylvania.

Mrs. Anna Budd Ware, first vice president; executive secretary of Family Service Association.

Fred H. Steininger, second vice president; director Lake County Welfare Department, South Bend, Ind.

Dorothea Spellman, third vice president; professor, University of Denver.

M. E. Mossman, secretary; dean of women, Woman's College of North Carolina.

AID contract in following country: Rhodesia.

Contractor: Daniel, Mann, Johnson & Mendenhall International, 3325 Wilshire Boulevard, Los Angeles, Calif.
Date firm established: 1950.
Officials:

Phillip J. Daniel, University of Southern California, University of California, member of American Institute of Architects, California Council of Architects, associated for 15 years with the present firm.

Arthur E. Mann, member of American Institute of Architects, California Council of Architects, registered architect in six States, associated with the firm for 15 years.

Kenneth S. Johnson, civil engineer, Los Angeles City College, University Southern California, member American Institute of Architects, registered architect in 10 States, associated with this firm for 15 years.

Irvan F. Mendenhall, civil engineer, University of California, member of American Society of Civil Engineers, American Roadbuilders Association, International Commission on Irrigation and Drainage, California Sewage and Industrial Waste Association, registered civil and structural engineer in nine States, associated with this firm for 9 years.

AID contract in following country: Sudan.

Contractor: Delgado Trades, technical institute, New Orleans, La.
Date firm established: 1921.
Officials:

Marvin E. Thames, president; 8 years as president; professor at Tulane University, years of teaching and Government administrative services; served as Foreign Service Institute officer and Ambassador of Honduras; formerly with MSA (now AID).

Dr. David Heiman, chairman of the board of manager. Chairman for past 6 years. Philanthropist and has made many contributions to civic and educational causes.

Henry Nebe, director of rehabilitation; vocational counseling and industrial arts and education work for 10 years.

A. C. Eagan, Jr., comptroller, 10 years' experience with Kaiser and Chrysler in business management.

AID contract in following countries: Morocco, Rhodesia, Tunisia, and Uganda.

Contractor: Earlham College, Richmond, Ind.
Date established: 1847.
Landrum R. Bolling, B.A., M.A., president since 1958, previously general secretary of the college, professor of political science, associated with Earlham College since 1948.
Harold Cope, B.S., business manager since 1958, associated with the college since 1946.
Eric G. Curtis, B.A., B.S., dean of students, graduate of Oxford University, associated with Earlham College since 1948.
AID contract in the following country: Liberia.

Contractor: English Language Services, Inc., 919 18th Street NW., Washington, D.C.
Date firm established: 1956.
Officials:

E. Cornelius, president since 1956, American University language services 1952–56, cultural center, Lima, Peru (USIA) 1950–52, private school, Paraguay 1948–50, Yale graduate.

R. A. Hill, Secretary; Department of Interior for 25 years.

W. Scheeler, vice president since 1956, former Director, English Language Teaching Branch, USIA; cultural center, Guatemala, USIA; Cornell graduate.

AID contract in following countries: Guinea, Morocco, Upper Volta, Congo, and Libya.

Contractor: Farmers Educational & Cooperative Union of America (National Farmers Union), 1404 New York Avenue NW., Washington, D.C.
Date firm established: 1902.
Officials:

James G. Patton, president since 1940, former president of International Federation of Agricultural Producers, now on the board of IFAP, has devoted his life to causes of agriculture in United States and abroad, associated with numerous organizations connected with agriculture.

Glenn J. Talbott, vice president, former president of North Dakota Farmers Union for 25 years, member of executive board of union.

Tony Dechant, secretary-treasurer, associated with the union for 18 years.

AID contract in following countries: African regional.

Contractor: The FCH Co., Inc. (Foundation for Cooperative Housing), 322 Main Street, Stanford, Conn.
Date firm established: 1955.
Officials:

Roger Wilcox, president since 1951, city planner, Harvard graduate, M.A. from MIT, taught city planning at Cooper Union College, officer in Army during World War II, worked on the development of Kittimac in Canada.

George Schechter, vice president since 1951, City College of New York; lawyer, officer in Army during World War II.

Rexford Thompkins, secretary; attorney; president of City & Suburban Homes in New York City.

S. F. Broden, treasurer: executive vice president of Middle Income Housing Corp. in New York City.

Winslow Carlton, chairman of board, also chairman of board of Group Health in New York City and president of Henry Street Settlement House. Active in mobilization of youth.

AID contract in following country: African regional.

Contractor: Fresno State College, Fresno, Calif.
Date established: 1911.
Officials:

Dr. Arnold Joyal, president since 1948; dean, school education, University of Oklahoma. A.B., M.A., Ph. D.

Dr. Irwin Addicott, A.B., M.A., B.D., E.D.D.; vice president since 1958, associated with college since 1950.

Carl Levin, busines manager, associated with college since 1942.
AID contract in following country: Sudan.

Contractor: Graduate School, USDA, Washington, D.C.
Date established: 1921.
Official: John B. Holden, Ph. D.; director since 1958; specialist in adult education for U.S. Office of Education, 1956–58; consultant at the Continuing Education Service, 1950–56; director of adult education for public schools in Hamilton, Ohio.
AID contract in following country: Congo.

Contractor: Griffith Construction Co., Inc., Goldstar Homes, Inc., 3015 West 147th Street, Posen, Ill.
Date established: 1955.
Officials:
Paul E. Pickle, president, in construction business for past 16 years.
Harry M. Little, executive vice president, associated with prefab industry for 14 years; general manager, Goldstar Homes for 6 years.
Willare Wilson, vice president and assistant secretary and treasurer, in construction business for 16 years.
Arber Johnson, secretary and attorney.
AID contract in following country: African regional.

Contractor: Hampton Institute, Newport News, Va.
Date established: 1868.
Officials:
Jerome H. Holland, B.S., M.S., Ph. D., president since 1961; president, Delaware State College, 1953–60.
Dr. William H. Martin, B.S., M.A., Ph. D., dean of faculty since 1955; dean, Texas College, Tyler, Tex.; dean, Dunbar College, Little Rock, Ark.
James Bryant, B.S.; business manager since 1957; assistant business manager, 1956–57; business manager, Texas College, Tyler, Tex., 1953–56.
AID contract in following country: Sierra Leone.

Contractor: Harvard University, Cambridge, Mass.
Date established: 1636.
Officials:
Nathan Marsh Pusey, A.B., A.M., Ph. D., LL.D., LHD; president since 1953; president, Lawrence College, Wis., 1944–53.
Lewis Gard Wiggins, S.B.; administrative vice president since 1960; comptroller, Harvard University, 1954–60; treasurer and secretary, Chilcott Laboratories, Ins., 1947–54.
Paul C. Cabot, A.B., M.B.A.; treasurer since 1948; State Street Investment Corp. since 1924; formerly president and now serves as chairman of board.
AID contract in following country: Nigeria.

Contractor: Indiana University, Bloomington, Ind.
Date established: 1820.
Officials:
Elvis J. Stahr, Jr., president since July 1, 1962; Secretary of Army, Department of Defense; president, University of Virginia.
Joseph A. Franklin, vice president, treasurer since 1946, assistant treasurer, 1942–46; associated with university since 1927.
AID contract in following countries: Africa (regional), Nigeria and Sierra Leone.

Contractor: International Development Services, Inc., 1270 Avenue of the Americas, New York, N.Y.
Date established: 1953.
Officials:
Robert W. Hudgens, president; B.S., the Citadel, LL.D. from Hampden-Sydney in 1960; associated with this firm for 9 years.
Raub Snyder, associated with this firm for 6 years. Mr. Snyder is a former employee of ICA.
Oscar Meier, B.S., University of Maryland, graduate studies in economics, Washington University; associated with this firm for 4 years.
Walter Strand, Jr., associated with this firm for 9 years; member of American Institute of Accountants and is a certified public accountant.
AID contract in following countries: Ghana and Nigeria.

Contractor: International Engineering Co., Inc., 74 New Montgomery Street, San Francisco, Calif.
Date firm established: 1945.
Officials:

Lyman D. Wilburn, A.B. civil engineer, Stanford University; member, American Society of Civil Engineers, International Association of Hydraulic Research, U.S. National Committee on Irrigation and Drainage; registered civil engineer in two States; associated with International Engineering Co. for 9 years.

Edward G. Herb, U.S. Military Academy, 1933; member, American Society of Civil Engineers, Society of Military Engineers; registered civil engineer; associated with International Engineering Co. for 4 years.

AID contract in following country: Tunisia.

Contractor: International Schools Foundation, Inc., 147 East 50th Street, New York, N.Y.
Date firm established: 1955.
Officials:

Huntington Gilchrist, A.B., Williams College, A.M., Harvard University, Ph. D., Columbia University; member, American Society of International Law, American Council on Foreign Relations, League of Nations, United Nations; associated with International Schools Foundation, Inc., for 7 years.

Arthur Sweetser, A.B., Harvard, LL.D., Rollins College, Litt. D., Muhlenberg College; official, League of Nations, United Nations; associated with International Schools Foundation, Inc., for 7 years.

AID contract in following country: Nigeria.

Contractor: International Voluntary Service, Inc., 3636 16th Street NW., Washington, D.C.
Date established: 1953.
Officials:

Dr. Russell Stevenson, executive director since 1961; former program director for Church World Service.

Dr. Merwin G. Smith, president; chairman of Department of Agricultural Economics and Rural Sociology, Ohio State University; board of directors is made up of representatives of church service organizations, Foreign Service personnel and U.S. university officials include university presidents.

Glen Riddell, program director since January 1, 1961; former ICA employee.

Stanley Andrews, former head of Technical Cooperation Administration; member of executive committee.

AID contract in following country: Liberia.

Contractor: Kent State University, Kent, Ohio.
Date established: 1910.
Officials:

George A. Bowman, president, A.B., M.A., LL.D.; president since 1944; superintendent of schools, Youngstown, Ohio, about 5 years; superintendent of schools, Lakewood, Ohio.

Dr. Robert White, A.B., M.A., Ph. D.; vice president for academic affairs since 1960; dean, College of Education, Kent State University, for 14 years.

John W. Bunn, A.B., M.A.; vice president for business and finance since July 1, 1962; assistant business manager for 2 years; associated with Bolling Green State University for 20 years.

AID contract in following country: Tanganyika.

Contractor: Klein & Saks, 1001 Connecticut Avenue NW., Washington, D.C.
Date firm established: 1935.
Officials:

Julien M. Saks, B.S. in economics, Wharton School, University of Pennsylvania. Associated with this firm for 27 years.

Richard L. Davies, Yale University, 1931; member, American Chemical Society, Society of Chemical Industry, Electro-Chemical Society, Chemical Market Research Association, American Statistical Association. Associated with Klein & Saks for 6 years.

AID contract in following country: Liberia.

Contractor: Leonard Wood Memorial for Eradication of Leprosy, I Madison Avenue, New York, N.Y.
Date established: 1928.
Officials:

Cyril Irwin Crowther, president since 1958; B.A., New York University; assistant comptroller, Near East Relief 1920–30; assistant comptroller, New East Foundation, 1930–45; comptroller, New East Foundation, 1945–57; executive director, Near East Foundation, 1957–58.

Dr. James Doull, medical director; B.A., M.D.C.M., Dalhousie University; D.P.H., Cambridge University; D.P.H., Johns Hopkins University; member, U.S. delegation, UNCIO, 1945; First World Health Assembly, 1948.

Aid contract in following country: African regional.

Contractor: Litchfield, Whiting, Bowne & Associates, 292 Madison Avenue, New York, N.Y.
Date firm established: 1957.
Officials:

Lester S. LaPierre, Columbia University, foreign travel scholarship, member of American Institute of Architects, registered architect in six States; associated with this firm for 4 years; previously operated his own business for 40 years.

Sidney Bowne, B.S., Lehigh University; member of American Society of Civil Engineers, Society of Professional Engineers, and American Water Works Association; registered professional engineer.

Clarence B. Litchfield, A.B., University of Pennsylvania; member of American Institute of Architects, American Prison Association, and New York Building Congress; registered architect in four States; previously operated his own firms for 27 years.

Edmund J. Whitting, A.B., Columbia University; member of American Institute of Architects, American Hospital Association, and International Hospital Federation; Registered architect in three States; previously operated his own firm for 9 years.

Aid contract in following countries: African regional, Ghana, Liberia, and Senegal.

Contractor: Arthur D. Little, Inc., Acorn Park, Cambridge, Mass.
Date firm established: 1886.
Officials:

Raymond Stevens, Massachusetts Institute of Technology; member, American Chemical Society and American Academy of Arts and Sciences; associated with Arthur D. Little, Inc., for 36 years.

Earl P. Stevenson, Wesleyan University, Massachusetts Institute of Technology; member, American Chemical Society, American Institute of Chemical Engineers, and American Association for the Advancement of Science; associated with Arthur D. Little for 31 years.

AID contract in following country: Nigeria.

Contractor: University of Massachusetts, Amherst, Mass.
Date established: 1863.
Officials:

John W. Lederle, A.B., M.A., LL.B., Ph. D., president since 1960, previously director of the Institute of Public Administration at the University of Michigan, controller of State of Michigan.

Kenneth W. Johnson, treasurer since 1952. Previously assistant to the provost at Champlain College.

AID contract in following country: Uganda.

Contractor: McLeod & Ferrara, 1223 Connecticut Avenue NW., Washington, D.C.
Date firm established: 1936.
Officials:

John W. McLeod, Columbia University, New York University, Beaux Arts Institute of Design, registered architect in six States, member of American Institute of Architects, Building Research Institute, Building Congress, Adult Education Association, Producers Council, associated with this firm for 25 years.

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Anthony Ferrara, Columbia University, New York University, Beaux Arts Institute of Design, member of American Institute of Architects, Church Architects Guild of America, associated with this firm for 25 years.

AID contract in following countries: African regional, Ethiopia.

Contractor: Michigan State University, East Lansing, Mich.
Date established: 1855.
Officials:

John A. Hannah, B.S.; president since 1941; secretary, 1935–41; associated with the university since 1923.

Clifford Erickson, provost since 1961, dean of College of Education 1953–61; dean of University College 1951–53; associated with the university since 1944.

Philip J. May, B.B.A., C.P.A., vice president of business and finance and treasurer, appointed vice president 1957, controller 1947–57.

AID contract in following country: Nigeria.

Contractor: National Academy of Sciences, 2101 Constitution Avenue, Washington, D.C.
Date established: 1863.
Officials:

Frederick Seitz, president; head of Department of Physics, University of Illinois and formerly science adviser to NATO.

Hugh Dryden, home secretary, Department of Administration, NASA.

Harrison Brown, foreign secretary; professor of Geochemistry, California Polytechnical Institute.

Lloyd Berkner, treasurer; president of Good Research Center, Dallas, Tex.; formerly president of Associated Universities, Inc.

J. S. Stratton, vice president; president of Massachusetts Institute of Technology.

AID contract in following country: African regional (south of Sahara).

Contractor: National Association of Educational Broadcasters, 1346 Connecticut Avenue NW., Washington, D.C.
Date firm established: 1925.
Officials:

William G. Harley, president, formerly program director of Wisconsin educational radio network; professor of speech, radio and television at University of Wisconsin; on leave of absence from university.

Richard B. Hull, chairman of the board, director of Telecommunication Center, Ohio State University.

Harold E. Hill, vice president for past 8 years.

AID contract in following country: Sudan.

Contractor: Northwestern University, Evanston, Ill.
Date established: 1851.
Officials:

Dr. J. Roscoe Miller, M.D., LL.D., S.C.D., president since 1949, dean Northwestern University Medical School 1941–49.

Payson S. Wilde, Ph. D., LL.D., vice president and dean of faculties since 1949, professor of government and dean of Graduate School of Arts and Sciences at Harvard University 1946–49.

William S. Kerr, vice president and business manager since 1954, 1952–53 consultant to State Department to consider means to rehabilitate the railroads of Brazil.

AID contract in following country: Liberia.

Contractor: Ohio University, Athens, Ohio.
Date established: 1804.
Officials:

Vernon R. Alden, A.B., M.B.A., LL.D., president since January 1962, associate dean of Harvard University School of Business Administration 1956–61.

Thomas E. Smith, vice president for academic affairs since June 1962, assistant to president 1961–62, professor of physics at the university prior to 1961.

Paul O'Brien, vice president for business affairs since June 1962, treasurer from 1948–62.

AID contract in following country: Nigeria.

Contractor: Oklahoma State University, Stillwater, Okla.
Date established: 1890.
Officials:

Dr. Oliver S. Willham, B.S., M.S., Ph. D., president since 1952, executive vice president 1951–52, assistant dean, agriculture, prior to 1951, associated with university since 1922.

Robert MacVicar, vice president for academic affairs and dean of the Graduate School, staff member of the university since graduation.

J. L. Sanderson, comptroller since 1943.

AID contract in following country: Ethiopia.

Contractor: University of Pittsburgh, Pittsburgh, Pa.
Date established: 1787.
Officials:

Edward H. Litchfield, Ph. D., B.C.S., LL.D., LH.D., S.C.D., chancellor since 1955, dean, Cornell School of Business and Public Affairs, professor at Brown University, director, civil affairs, under Gen. Lucius Clay in Germany, chairman of board Governmental Affairs Institute.

Charles H. Peake, vice chancellor for academic discipline since 1956, public school teacher, professor, University of Michigan, dean of Knox College.

Lawrence Monnette, Jr., assistant chancellor for business affairs, board chairman, Northeastern Life Insurance Co., vice president, Stevens, Perkins & Eubank, Inc.

AID contract in the following country: Nigeria.

Contractor: Prairie View A. & M. College, Prairie View, Tex.
Date established: 1876.
Officials:

Edward B. Evans, B.S., V.M.D., president since 1946, doctor of veterinary medicine, associated with the college since 1918, served various times as a consultant for the Department of Agriculture.

Horace Murdock, business manager since 1954, previously associated with Kansas Vocational College and Alcorn A. & M. College.

AID contract in following country: Liberia.

Contractor: Public Administration Service, 1313 East 60th Street, Chicago, Ill.
Date firm established: 1933.
Officials:

H. G. Pope, B.S./C.E. Purdue University; Indiana University, Valparaiso University, registered professional engineer in two States, associated with Public Administration Service for 23 years.

Laverne Burchfield, A.B., M.A. Ph. D. in political science from University of Michigan, associated with Public Administration Service for 6 years, previously associated with various other private firms.

John D. Corcoran, B.A., Ohio State University; M.A., University of Denver; associated with Public Administration Service for 20 years.

AID contract in following country: Liberia.

Contractor: Research Triangle Institute, Post Office Box 490, Durham, N.C.
Date firm established: 1958.
Officials:

G. C. Herbert, president, U.S. Naval Academy; worked at the Stanford Research Institute for 8 years and became executive director; treasurer of American Foreign Power for 3 years prior to joining Research Triangle Institute.

George W. Hill, chairman of board of governors; an industrialist, educated at University of North Carolina, controlling stockholder in North Carolina industries and banks.

Dr. Hugh W. Hunter, vice president, Ph. D. from Indiana University in field of physics, teacher for 10 years, head of Propulsion Department of U.S. Naval Ordnance Test Station, China Lake, Calif.

S. C. Ashton, vice president and secretary-treasurer, educated at U.S. Naval Academy, 11 years as assistant director of Physical Science Division of Stanford Research Institute before joining Research Triangle Institute.

AID contract in following country: Nigeria.

Contractor: Rutgers University, New Brunswick, N.J.
Date established: 1766.
Officials:

Mason W. Gross, A.B., M.A., Ph. D.; president since 1959, provost, 1949–59; professor of philosophy; associated with the university since 1946.

John L. Swink, vice president-treasurer since July 1962, dean of administration of the university since 1958.

Richard Schlatter, vice president and provost since July 1, 1962, associated with university since 1947.

AID contract in following country: Federation of Rhodesia.

Contractor: Lewis J. Sarvis, architects, Battle Creek, Mich.
Date firm established: 1953.
Officials:

Lewis J. Sarvis, University of Michigan School of Architecture, member of Michigan Society of Architects, American Institute of Architects, Michigan Hospital Association, American Hospital Association. Registered architect in four States.

Gordon A. Belson, B.A., University of Michigan, member of American Institute of Architects, registered architect in one State, associated with Lewis J. Sarvis, architects, for 9 years.

AID contract in following country: Nigeria.

Contractor: Syracuse University, Syracuse, N.Y.
Date established: 1870.
Officials:

William P. Tolley, A.B., M.A., B.D., Ph. D., chancellor since 1942, president of Allegheny College, 1931–52.

Frances Wingate, A.B., M.B.A., Ph. D., vice president and treasurer since 1959, associated with Syracuse University since 1946, associate professor at Clarkson College, 1936.

AID contract in following country: Kenya.

Contractor: Walter Dorwin Teague Associates, 415 Madison Avenue, New York, N.Y.
Date firm established: 1926; partnership, January 1945.
Officials:

Robert J. Harper, senior partner and director of design; bachelor of architecture, Cornell University. Entered firm in 1935.

W. Dorwin Teague, director of engineering; mechanical engineer; graduate of MIT; handles most of the U.S. Government work including foreign trade. Entered firm in 1935.

Milton Immermann, specialist in marketing and client services; B.S. in mechanical engineering, Ohio State University. Entered firm in 1946.

Robert H. Ensign, director of product design. A.B. in mechanical engineering from Brown University. Entered firm in 1937.

Darl R. Conrad, director of architectural design; bachelor of science, from Penn State College. Entered firm in 1937.

Frank Del Giueice, director of the Teague forces located at the Bowing Co. plant in the State of Washington; graduate of Pratt University. Entered firm in 1938.

John D. Brophy, controller in the firm since 1932.

AID contract in following country: Libya.

Contractor: Texas A. & M. College, College Station, Tex.
Date established: 1862.
Officials:

Earl Rudder, president since 1960; vice president, 1958–59; commissioner of general land office of State of Texas, 1955–58; vice president of Brady Aviation Corp., 1953–55; member of State board of public welfare.

Dr. M. T. Harrington, chancellor of Texas A. & M. College system since 1953. Associated with the college since 1924.

AID contract in following country: Tunisia.

Contractor: Texas Instruments, Inc., 100 East Exchange Park, North Dallas, Tex.
Date firm established: 1930.

Officials:

W. D. Black, B.A., University of Toronto; member, Society of Explorers and Geophysicists, American Geophysicists Union, European Association of Explorers and Geophysicists. Associated with Texas Instruments, Inc., for 13 years.

H. M. Rackets, B.S., Colorado School of Mines; member, Society of Explorers and Geophysicists Union. Associated for 3 years with Texas Instruments, Inc.

AID contract in following country: Sudan.

Contractor: Tuskegee Institute, Tuskegee, Ala.
Date established: 1881.
Officials:

Luther H. Foster, B.S., M.B.A., M.A., Ph. D., president since 1953; business manager and treasurer, 1942–53; budget officer at Howard Unisity.

Russell W. Brown, B.S., M.S., Ph. D., vice president and dean of graduate program since July 1962; dean of research; director of George Washington Carver Research Foundation. Associated with the university since 1936.

Harold K. Logan, A.B., M.B.A.; business manager with the university since 1947.

AID contract in following countries: Liberia.

Contractor: United States Book Exchange, 3335 V Street, NE., Washington, D.C.
Date firm established: 1946.
Officials: Miss Alice D. Ball, executive director. Joined the American Book Center as executive director and has continued in this capacity when the organization became the United States Book Exchange.
Board of directors:

Mr. Gerald Orne, president and also librarian at University of North Carolina.

Mr. Benjamin A. Custer, vice president and also editor of the Dewey Decimal Classification Office, Library of Congress.

Mr. Joseph E. Jeffs, secretary and also librarian at Georgetown University.

Mr. Samuel Lazerow, treasurer and also chief of technical service, National Library of Medicine, U.S. Government.

Mr. McGuire, assistant director of operations.

AID contract in following countries: African regional.

Contractor: West Virginia University, Morgantown, W. Va.
Date established: 1867.
Officials:

Paul A. Miller, B.S., M.A., Ph. D., president since 1962, provost at Michigan State University 1959–62, associated with Michigan State University from 1947–59.

John F. Golay, A.B., M.A., Ph. D., provost since 1961, dean of faculties and profesor of history at Roosevelt University, executive secretary to High Commissioner for Germany 1952–53.

Louise Keener, controller and director of business affairs since 1954, associated with the university since 1929.

AID contract in following country: Tanganyika.

Contractor: Western Michigan University, Kalamozoo, Mich.
Date established: 1903.
Officials:

James W. Miller, Ph. D., president since 1961, served 6 years as controller and secretary of the administrative board for the State of Michigan, Director of Federal Reserve Bank, Detroit, advisory commissioner on college housing for the Community Facilities Commission of the Federal Housing Administration.

Russell H. Seibert, Ph. D., vice president for academic affairs since 1956, associated with the university since 1936.

Robert B. Wetnight, controller since July 1962, head of accounting department, school of business, associated with the university since 1951.

AID contract in following country: Nigeria.

Contractor: William Hood Dunwoody Industrial Institute, Minneapolis, Minn.
Date established: 1941.
Officials:

Paul B. Wishart, chairman of the board; chairman of board of Minneapolis-Honeywell Regulator Co.

Joseph R. Kingman, Jr., president and treasurer.

George C. Crosby, vice president; chairman of the board of S. T. McKnight, Minneapolis, Minn.

E. W. Rawlings, second vice president; president of General Mills, Inc.

John S. Pillsbury, Jr., secretary; president of Northwestern National Life Insurance Co.

AID contract in following country: Sudan.

Contractor: Wolf Management Co., 7 South Dearborn Street, Chicago, Ill.
Date firm established: 1916.
Officials:

Harry H. Wolf, Willis Business College, special studies Wittenberg College and Defiance College, certified public accountant in eight States, member of National Association of Accountants.

Howard E. Summer, A.B. Dartmouth College, M.B.A. Harvard University, member American Management Association, American Marketing Association.

AID contract in following country: Tunisia.

QUALIFICATIONS OF CONTRACTORS

Mr. ANDREWS. Is this not just like that situation we ran into 3 or 4 years ago—the Governmental Affairs Institute?

Mr. PASSMAN. That is correct.

I may also state that Johns Hopkins had a contract. They were paid a fabulous fee for tuition, to let them use their name.

Mr. ANDREWS. John Murphy was one of the lecturers down there, as you will recall.

We also were told that one of the scheduled lecturers was a staff member of a Senate committee. He subsequently informed the committee that he had never been down there lecturing.

It does not make sense to me to pay a contractor 80 percent of the salary of a technician when it appears that the contractor sits here in America and does nothing but furnish the technician.

Mr. PASSMAN. Let the record show that the 80 percent is on the low side. It could be much higher. Let the record also show that you have these contractors, universities, and colleges, in practically every State in the Union.

CLARIFICATION OF CONTRACTOR'S OVERHEAD FEE

Mr. GARY. I am confused about this 80 percent.

I would like to get some more information just to clear up this 80 percent.

Is that a fee, or what is it now?

Mr. TENNANT. I have not read the paper the chairman has in his hand. When statements were made about the item on the paper, one time it was referred to as overhead and another time it was referred to as overhead and fee. I now assume it is an estimate for the cost of overhead plus fee.

When you raised your question, Mr. Gary, I assumed that we were talking about the computation of overhead, and I only directed my comments to overhead. Fee, as you know, with any contractor, is a

matter of negotiation as to what he will get which represents basically his profit.

Mr. HUTCHINSON. Let me also say that this is the reason we were hesitant to introduce this particular piece of paper at this particular point. We also had not had a chance to review the particular piece of paper and the wording on it. You can see it is marked up in pencil.

I would also like the record to show that the contractor's overhead, under the practice followed by the AID at this time, is subject to audit as to the actual cost before the payment is made to him.

Mr. GARY. Do I understand, then, that this 80 percent is merely an estimate of what the overhead, plus the fee, of the contractor will be when the contract is entered into?

Mr. HUTCHINSON. Yes. That is the factor we use to arrive at that.

Mr. GARY. The fee will be a matter of negotiation when the contract is entered into and the overhead will be a matter of audit after the contract is completed?

Mr. HUTCHINSON. That is correct, sir.

Mr. PASSMAN. If you have an institution such as some we have referred to in the past, where they have only one responsibility, and that is to recruit personnel for the AID general situation, there is a serious question whether you would have the right—and I want you to find out—to fix this man's salary.

I happen to own two businesses and I know if I am president of a company I have a salary and that salary is a part of the overhead. It is a question of where you could go in and say, "Mr. So and So, you are paying yourself too much salary. We are going to adjust this on a salary basis of this figure rather than that." I do not think you have that right. Nevertheless, give us some information as to whether or not you have the right to question the contractor's payroll records as to the salaries paid to those who may be in the office.

I am not thinking entirely of universities. You have other contract agencies you may do business with, that are purely in this business of recruiting technicians, and they may have 15 working in the office. Perhaps the top man gets one salary and the assistants get other salaries, but it follows, nevertheless, that the 80 percent you refer to here of the $12,000, whether it is fees paid to the individual, as such, or whether it is lights, air conditioning, and so forth, the 80 percent, or $96,000 fee on the $120,000, is the average, and may be on the low side.

Mr. MOSSLER. Yes, sir.

Mr. PASSMAN. Is that right?

Mr. MOSSLER. I think I can answer your question now.

Mr. PASSMAN. Is it correct that if we take these 10 technicians, $120,000, then the 80 percent would be $96,000, which is 80 percent of $120,000, and that would be subject to audit so as to establish whether or not your estimate is high or low?

Mr. MOSSLER. No, that is not correct. The $96,000 includes both overhead and fee.

Mr. PASSMAN. I stated as plainly as I could that it was the total outlay. Eighty percent would be the maximum, we hope, that you

would have to pay to the contractor for employing the technicians.

Mr. MOSSLER. That is correct.

Mr. PASSMAN. But it may be adjusted up or down, depending upon the audit.

Mr. MOSSLER. Only the overhead part. On the fee part, to the extent there is a fee involved in this amount and to the extent that a fee is used for the supervisor of the employees or other people back here, when we enter into the contract we will negotiate for that fee.

Mr. PASSMAN. But it will come within the 80 percent.

Mr. HUTCHINSON. As we have indicated, this is a factor we use in estimating what those costs would be. Whatever it is would be within the charges that we used.

Mr. PASSMAN. Whatever it may be, if the overhead is 98 percent and the fee 2, or the fee 98 percent and the overhead 2, whatever the composition may be, it works in this 80 percent.

Mr. HUTCHINSON. You are confusing me now, sir.

Mr. PASSMAN. Have you any other funds going to the contractor, if this is a correct estimate, other than the 80 percent for his services?

Mr. HUTCHINSON. Other than the items that are listed here, we would not be paying anything to the contractor.

Mr. PASSMAN. We are dealing entirely with the contractor's fee at this time. According to your own formula, the contractor's overhead and fee, 80 percent of average salary, and whatever the expense may be, would work in this range.

Mr. MOSSLER. We certainly hope so. This is our estimate.

Mr. PASSMAN. But it could be greater.

Mr. HUTCHINSON. It could be greater; yes, sir.

Mr. TENNANT. Mr. Chairman, if I said something that you interpreted to mean that we change the salaries of a contractor's employees, I did not mean to infer that.

Mr. PASSMAN. I did not think that you could, because you say you are going to negotiate the fee, and the man maybe has no fee but is working on a salary.

Mr. RHODES. May I ask a question, Mr. Chairman?

CONTRACT VERSUS DIRECT HIRE

Is one reason for the contract system the fact that technicians whom you want to hire to work around the world cannot be hired at the price the Government wants to pay?

Mr. HUTCHINSON. This is often the fact.

Mr. RHODES. Would you say it is usually a factor or often a factor?

Mr. HUTCHINSON. It is often a factor.

Mr. ANDREWS. The Government is paying $12,000 salary and about $12,000 fringe benefits.

Mr. RHODES. To the employee of the contractor.

Mr. ANDREWS. If the contractor can get a person as an employee, why could you not get the same person as an employee of the Government?

Mr. RHODES. Maybe he can answer that question.

Mr. CONTE. It may be that under a contract you can get rid of them, but if you hire them they are on the payroll.

Mr. HUTCHINSON. This is another factor which makes the contract device have some advantages over that of hiring employees. You do not build up employment rights. You do not take on the responsibility for trying to find the man a job when you are finished. There is also the factor that Mr. Rhodes mentioned, of the contractor's ability to get technicians who are able to command higher salaries, and we think perhaps because they have higher ability he can draw on a greater number of specialties than we can on a short-term basis without our having to hire people individually for this sort of thing. He can put his reputation on the line. There is a quite a number of advantages to this approach in many instances.

CONTRACT COST STUDY

Mr. RHODES. Have you ever done any studies on the relative costs of doing this job on a do-it-yourself basis as against doing it on a contract basis?

Mr. HUTCHINSON. I am not aware of any. Do you know whether we have, Mr. Tennant? Very frankly, I have had in the back of my mind that I would like to make such a study with particular reference to Africa, because I have the feeling that the contract device may have some very real advantages, as a matter of fact, in these countries of this sort so we do not have to build up our own personnel.

Mr. RHODES. I think it would be very helpful to us if you did perform such a study because it seems to me, at least, and I think to other members of the committee, that the amount of money paid a contractor is exorbitant in many instances. However, on the other hand, I am not sure we have a really clear idea what it would cost the Government to do the job.

Mr. HUTCHINSON. Exactly. If we take our own overhead into account and what it costs us to process the contracts, hire the technicians, get him out and take care of his dependents, I am not sure our overhead would not be higher than this.

Mr. RHODES. If you figure also the income tax that the contractor pays on what we pay him, the situation may also change.

Mr. CONTE. And fringe benefits which were mentioned.

Mr. PASSMAN. Let me say, and I say it respectfully, that this is a complicated program. We could take hearings in previous years and prove that you do not know what you are talking about, and we could take the hearings this year and prove that the other people did not know what they were talking about. In previous years the Government said they could hire personnel cheaper than contract personnel, but many times you had to go out to colleges and universities and other institutions and get them to train personnel. You can take one year's hearings and prove that the next year's hearings are incorrect. You might make a check. You can do a little research on that. You can find where you told us you could employ personnel yourselves a lot cheaper than contract personnel but you did not have the facilities and in many instances you had to get the contractor, whether it be a university or some other workshop, to do the training.

Mr. HUTCHINSON. I did not testify that we could hire them cheaper.

Mr. PASSMAN. I did not say that you testified to anything. I was merely making a statement for the record about the research that

you want to do on Africa, and I was merely suggesting you read previous hearings, and some of your predecessors, if there are any in your capacity, testified that the Government could do it cheaper. So, there you are. The record is there for you to check, if you like.

Mr. HUTCHINSON. We certainly would want to check and we certainly want to take their experience and judgment into account.

FEASIBILITY SURVEYS IN CHAD

Mr. PASSMAN. What feasibility surveys are you contemplating in Chad?

Mr. HUTCHINSON. None.

Mr. PASSMAN. Gentlemen, this again just confuses the committee. On page A-4 it appears that we are dealing with something already in existence, and I will read the last two sentences.

These activities are based on surveys being undertaken in fiscal 1962 and other feasibility studies are contemplated in fiscal 1963.

You say you have none. Shall we ignore what you said, or ignore what the book says?

Mr. HUTCHINSON. Sir, I was taking "feasibility surveys" to mean formally organized surveys. We do have some technicians in the field of date palm culture, sorghum culture, in the field of health, and a technician in connection with the curing of meat.

Mr. PASSMAN. Where do they show up in the project book?

Mr. MOSSLER. We have this on page 274 of the project book, and it is included in technical support. The reason we did this is that we have four technicians' costs in that item of $85,000.

Mr. PASSMAN. Would that be a different interpretation of technical support from what we have been told in the past?

Mr. MOSSLER. Technical support cost has usually been across-the-board program support type of operation. I think we have said that. These are a general look-see into four or five areas where we do not know whether we shall have a project or not. I think it might have been more appropriate in this case to have pulled these four technicians out. However, since we included it in the projects under $100,000, we have it included in the $85,000.

Mr. PASSMAN. It was easier to anticipate you would get by this year as easily as you did in the past, and you could fill up this space and let her ride?

Mr. HUTCHINSON. I do not think that would be fair.

Mr. MOSSLER. We never anticipate an easy time up here, Mr. Passman.

Mr. PASSMAN. I shall ask the question one more time, if I may. The gentleman, Mr. Hutchinson, says they have no feasibility studies, and the book on page A–8 says other feasibility studies are contemplated in fiscal 1963. So, either you are right or the book is right.

Mr. HUTCHINSON. I testified, sir, that we had not anticipated the formalized type of feasibility survey that we usually describe.

Mr. PASSMAN. What kind of type?

Mr. HUTCHINSON. Formalized feasibility survey.

Mr. PASSMAN. Is "formalized" different from the type of feasibility survey we discussed in these other countries? What is the difference

between the type you just mentioned and the information you gave us previously?

Mr. HUTCHINSON. I am not trying to make any kind of——

Mr. PASSMAN. I am trying to understand, Mr. Hutchinson.

Mr. HUTCHINSON. I am trying to explain, Mr. Chairman. I am not trying to make any distinctions between particular types of surveys, except to explain that when we speak of technical feasibility surveys, we usually think of entering into a contract with someone to go out and come back with formal reports, and that sort of thing. But there is also a feasibility study or survey in which a technician just goes out and looks the situation over and is on the spot to see whether there are things that it is feasible to do. We probably should have set these technicians up in this particular case as being feasibility surveys. In that sense, my testimony was incorrect when I said that we did not contemplate any.

LISTING OF FEASIBILITY STUDIES UNDER TECHNICAL SUPPORT

Mr. PASSMAN. How do you get it over in technical support?

Mr. HUTCHINSON. As we have testified, sir, we probably should not have put it in technical support.

Mr. PASSMAN. Either it should have been there or it should not. Could you define it? Is it incorrectly listed here?

Mr. MOSSLER. I do not know that it is incorrectly listed. This is one place of putting it.

Mr. PASSMAN. It is the exception, then, from the regular rule.

Mr. MOSSLER. In some of our smaller countries, we have done this because we expect to have people from Washington go out for 3- to 6-month periods, on TDY. It is not a full-time project. We want our people to go out and take a look at it. We think it is a proper charge to the country.

Mr. PASSMAN. What do you mean by "our people to take a look at it"?

Mr. MOSSLER. To see whether there are possibilities for doing something in the date palm business, for example, which is one of the examples we have here.

Mr. PASSMAN. It is a kind of extended vacation, by broad interpretation, then, because your people are not going out to do the work themselves, but to see how it is being done.

Mr. MOSSLER. To see whether we should embark upon a project.

Mr. PASSMAN. I thought you used your regular technicians or contract technicians for such purposes.

Mr. HUTCHINSON. We use people in the field, sir. We use contract technicians, and we send people from our own staff to the field from time to time to make this kind of study. Mr. Mossler indicated we think in these countries where the program is quite small and we are making this kind of study, this is an appropriate charge to the country program.

BREAKDOWN OF COMMODITIES FOR CHAD

Mr. PASSMAN. You have commodities here, $110,000. What does that sum represent? That is under the livestock improvement program.

Mr. HUTCHINSON. This represents the 22 prefabricated aluminum sheds which are to be used for slaughtering sheds and drying sheds.

Mr. PASSMAN. What does the shed part cost?

Mr. HUTCHINSON. I do not have the breakdown. Have you that for the sheds by themsleves?

I have it for what they will be equipped with.

Mr. MOSSLER. I have the entire breakdown here. It is 22 prefabricated aluminum sheds, of which 4 are 15 by 8, or 120 square meters. We have 14 at——

Mr. PASSMAN. You are giving it in meters. I cannot break that down into dollars. What is the cost of the sheds?

Mr. MOSSLER. It averages $5,000 per shed.

Mr. PASSMAN. Let us reconcile that with the statement on page 275:

The purpose of this project is to build approximately 10 rural slaughter and drying shed establishments in 10 towns situated throughout the cattle-raising areas of central and southern Chad.

Now it goes up to 22.

Mr. HUTCHINSON. You will notice this says approximately 10 rural slaughter and drying shed establishments.

Mr. PASSMAN. Is 10 approximately 22?

Mr. HUTCHINSON. Ten is not approximately 22, but you notice this says slaughtering and drying shed establishments. These are two sheds, a slaughtering shed and a drying shed, in each establishment.

Mr. PASSMAN. Why did you not put it in this book that way, gentlemen, so the committee and people who may have a look at it may understand it?

Mr. HUTCHINSON. It does say 10 rural slaughter and drying sheds.

Mr. PASSMAN. You just gave us the figure 22.

Mr. HUTCHINSON. We did, and 2 times 10 is 20, Mr. Chairman, which is approximately 22.

Mr. PASSMAN. Your answer to the question is different from what is listed in the book here.

Mr. HUTCHINSON. No, sir.

Mr. PASSMAN. I contradict that statement, because you told us 22.

Mr. HUTCHINSON. Sir, I will testify again——

Mr. PASSMAN. Did you say 22? If you said 10 sheds, I want to apologize.

Mr. HUTCHINSON. I said 22 sheds. I said in the book the purpose of this project is to build approximately 10 rural slaughter and drying shed establishments in 10 towns situated throughout the cattle raising——

Mr. PASSMAN. Is that two units?

Mr. HUTCHINSON. It is two units. It is a slaughtering shed and a drying shed.

Mr. PASSMAN. That would make 20. So, even taking your new figures, 10 and 10 is 20, not 22.

Mr. HUTCHINSON. Sir, you will notice I read the book, which says approximately 10. Eleven is very closely approximate to 10.

Mr. PASSMAN. Of course, there is no way we could find it in the book. If you had said 22 combination units or separate units, we would have understood it, but maybe we are not supposed to understand it.

What else have you listed under the $110,000?

Mr. MOSSLER. That is all, sir.

Mr. HUTCHINSON. With the equipment that goes with it.

Mr. PASSMAN. I am not talking about the equipment. I am talking about commodities. Did you get this information from the field? Equipment is included in that total?

Mr. HUTCHINSON. That is right, with the hook system, water pumps——

Mr. PASSMAN. What was the cost of these 22 sheds?

Mr. HUTCHINSON. $110,000.

Mr. PASSMAN. All the other accessories are a part of this?

Mr. HUTCHINSON. All of the imported accessories are a part of that.

Mr. PASSMAN. Imported?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. From the United States?

Mr. HUTCHINSON. That is right.

Mr. PASSMAN. So this is a part of a greater cost.

Mr. HUTCHINSON. Yes, sir; it is part of a greater cost.

ORIGIN OF COMMODITY COST INFORMATION

Mr. PASSMAN. Did you get this information from the field, or did you have that in Washington?

Mr. MOSSLER. We had to get this particular bit of information, sir. After we saw that you were going into some of this detail, we found on some of these projects we needed more detail, and we had to get it.

Mr. PASSMAN. You said you had to get it. You did not say where you got it. Where did you get the information?

Mr. MOSSLER. I got this from our desk officer, and I am not sure where he got it.

Mr. PASSMAN. Did you have to wire Chad to get this information?

Mr. MOSSLER. I do not know that we did, sir.

Mr. PASSMAN. Why did you not have the information the other day? You said you did not have the information here. You had to cable the country for it. Why would you have it here on some countries and in other cases you have to go out to the country to get it?

Mr. HUTCHINSON. Because, as we testified earlier, under the procedure this commodity detail is available in the country before it is available here, and it does not become available here until the process is much further along than was the case in the particular project you asked about. In this particular case I would have to check to be sure that the desk did not go to the field, but I am reasonably positive that they did not. The project had progressed far enough in the review that we had the data here in Washington.

Mr. PASSMAN. Tell us when you started this project. This is a new country we are in now. You actually did not have any program for fiscal 1961. Now it is $56,000.

Mr. HUTCHINSON. We have not started it, sir. It is a 1963 project.

Mr. PASSMAN. When did you get your work papers started on these? It takes some time to go out and get these things started.

Mr. HUTCHINSON. I am sure I do not know.

Mr. PASSMAN. Then you do not know whether you actually wired the field. That is to be determined later.

Mr. HUTCHINSON. I can find out. I am almost positive that the desk officer did not wire the field. We asked him for the information.

Mr. PASSMAN. At least you do not know positively.

Mr. HUTCHINSON. I cannot testify absolutely about it. I am reasonably sure that he did not go to the field.

CONTRACT SERVICES

Mr. PASSMAN. Now, "Contract services," $95,000. What does that item represent?

Mr. HUTCHINSON. That is the cost of the contract for actually transporting the sheds to the site once they arrive in the country, and erecting them on the site, and the ancillary local equipment necessary to get them constructed.

Mr. PASSMAN. The contracts for $95,000 and the commodities at $110,000, for a total of $205,000, are one and the same thing, dealing with the same project?

Mr. HUTCHINSON. With the same installation; yes, sir.

Mr. PASSMAN. Again, we would never know, without asking the question, that it is one and the same thing. You buy the wheel and get an invoice, and then you get the tire to go on it and get another invoice to make up the wheel with the tire.

Mr. MOSSLER. I believe you would, Mr. Chairman, because the whole project is described in the book, and it indicates that this is what we are doing.

Mr. PASSMAN. There are many discrepancies between what you say and what is in this book.

How about the $20,000? Is that also a part of the workshed, slaughter shed, or whatever it is?

Mr. HUTCHINSON. No, sir; this is for the technician.

Mr. PASSMAN. That is the technician we referred to earlier?

Mr. HUTCHINSON. That is correct, sir.

Mr. PASSMAN. Mr. Natcher?

Mr. NATCHER. No questions, Mr. Chairman.

Mr. ALEXANDER. How many people are there in the country of Chad?

Mr. MOSSLER. There are 2.7 million, Mr. Alexander.

TYPE OF PROGRAM IN CHAD

Mr. ALEXANDER. What kind of program do they have over there now with regard to the type of thing you are advocating?

Mr. HUTCHINSON. You mean in terms of slaughtering? This country is arid, dry, flat primarily, and basically suitable for cattle raising. They do have their own local slaughtering practices and slaughtering sheds. However, they are wasteful, the meat spoils, and they are unsanitary. It appears to us that this would be a very appropriate way of increasing the availability of a local resource for the production of which they are very well suited.

Mr. ALEXANDER. Have they any electricity in this country?

Mr. HUTCHINSON. I am sure there is some electricity in the capital city.

Mr. ALEXANDER. Have you any way of preserving the cattle or the food that is processed after it is killed?

Mr. HUTCHINSON. One of the things we are trying to accomplish with this program, as a matter of fact, is to improve the curing. This is the reason for the drying shed as a part of this particular project.

Mr. ALEXANDER. In other words, you do not have any cooling devices that would preserve the food; you preserve it by curing it, similar to the way we would cure dried fruit, I take it, except this is meat.

Mr. HUCTHINSON. This is basically correct. You asked about electric power. The consumption is shown as an average of 2 kilowatts per person per year, as compared with an average in underdeveloped areas of 80. So the electric power consumption is extremely low in this country.

HEALTH SERVICE PROJECTS

Mr. ALEXANDER. You have some programs other than livestock improvement, slaughter houses, and drying sheds, have you not?

Mr. HUTCHINSON. Yes, sir, we have the health service projects.

Mr. ALEXANDER. Is this the type of thing we do in every nation we go into—try to teach them the way to handle our health program?

Mr. HUTCHINSON. I think not to try to teach them the way we handle the health program, sir. We certainly do try in a number of countries, and in particular those which are in this extremely underdeveloped stage—

HEALTH PROGRAMS IN AFRICA

Mr. ALEXANDER. Is there any country in which we are not involved in the health program?

Mr. HUTCHINSON. We are not emphasizing health strongly as one of the areas of primary concentration in the African program, but I would like to check the list.

Mr. ALEXANDER. Would you put in the record those countries where we are not doing anything in the form of health programs or assistance?

Mr. HUTCHINSON. Yes, sir.

(The information requested follows:)

HEALTH PROGRAMS IN AFRICA

We are not engaged in health activities and are not requesting fiscal year 1963 funds for health programs in the following African countries: Cameroon, Congo (Leopoldville), Congo (Brazzaville), Guinea, Kenya, Malagasy Republic, Morocco, Nigeria, Federation of Rhodesia and Nyasaland, Tanganyika, Tunisia, and Uganda.

PARTICIPANTS IN FIELD OF EDUCATION

Mr. ALEXANDER. Are we sending any students from Chad to this country or to any other countries in the educational field?

Mr. HUTCHINSON. Yes, we have $50,000 for sending participants to the States.

Mr. ALEXANDER. How many students will you send, and where will you send them?

Mr. HUTCHINSON. The program has not developed that far, sir. This is an estimate of what we think we might be able to in this field.

Mr. ALEXANDER. How did you arrive at this figure?

Mr. HUTCHINSON. Mr. Mossler tells me we have the figure of 10.

Mr. MOSSLER. I have the number, but we do not know where we are going to send them at this point until we are sure we get such a program.

Mr. ALEXANDER. What kind of school system have they in Chad?

Mr. HUTCHINSON. It is based on the French system, primarily lycees. It reaches, I am sure, a very small proportion of the total population.

Mr. ALEXANDER. Is there a public school system or religious schools. or what type of schools are they and how far do they ordinarily go in school?

Mr. HUTCHINSON. They do not go very far in the school system, sir. The literacy rate is only 5 percent, and only 3 percent of the population in the primary and secondary schools. So they do not go very far as a general rule in the school system.

Mr. ALEXANDER. Do they require their children to go to school?

Mr. HUTCHINSON. This I do not know.

Mr. TROXEL. No; they do not. At least, there has never been an effective system of requiring children to go to school. They do not have enough schools actually to take care of more than a fraction of the population eligible for schooling. There is nothing above the secondary school level in Chad.

Mr. HUTCHINSON. The French are very heavily in the educational system, and we would want anything we did to be quite marginal and supplementary to the French. When I say heavily into it, obviously no one is heavily into it, but I mean such education as is done is supported by the French.

U.S. TECHNICIANS TO BE SENT TO CHAD

Mr. ALEXANDER. How many people in all are you to send to this country from America as advisers or technicians?

Mr. HUTCHINSON. We anticipate six by the end of fiscal 1963, sir.

Mr. ALEXANDER. Will that come out of the grant, or will that come out of some other program?

Mr. HUTCHINSON. This would be a part of the development grant program and of the "Administrative expenses" appropriation, sir.

Mr. ALEXANDER. What is the total amount you are requesting in overall aid in every category for this country?

Mr. HUTCHINSON. ——— I believe.

Mr. ALEXANDER. About ——— dollars.

That is all, Mr. Chairman.

INCREASE IN AID PROGRAM TO CHAD

Mr. PASSMAN. The type of program you have in Chad for fiscal year 1963 could, in all probability, lead to requests for aid out of other categories of the overall aid program, could it not?

Mr. HUTCHINSON. It might, sir, although I would hasten to say that Chad is not a country in which we anticipate there will be sharp increases in the level of aid. This is one of the reasons we do not have money in for—I hesitate to bring the subject up, but the reason we do not have money in for anything except feasibility surveys of the sort that one person will be there for a little while, because we do

not feel there is the prospect of very much aid flowing in. We do feel such aid as we provide in this type of country ought to be basically of the sort that has a beginning and an end, to permit us to get in and get out without having to build up continuing programs over the years, which require large logistic support operations and that sort of thing.

Mr. PASSMAN. But it could. If they should ask for a feasibility survey on a development bank, you would consider making it for them, would you not?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. And that, within itself, could lead to application at some subsequent date for consideration?

Mr. HUTCHINSON. It could; yes, sir.

Mr. PASSMAN. As far as this getting in and getting out, let us show how we are getting in and getting out of this thing. When this little country was still wet behind the ears, actually before it was born, we were in with a $56,000 program, and we "reduced" that to $355,000 for fiscal 1962, and we are "reducing" it to ——— for fiscal 1963. That is how we are getting out.

Mr. HUTCHINSON. May I comment on that?

Mr. PASSMAN. If it will help your case, go ahead.

Mr. HUTCHINSON. Speaking of getting in and getting out, I am talking about insofar as particular years are concerned, and substantial amounts of assistance and undertaking a particular project now, and then when it is terminated, undertaking perhaps at some subsequent time, but not necessarily in the following year, another project if it makes sense to do that. There is a certain level or a certain amount that might continue in small amounts. If you apply percentages to $56,000 and the amount as proposed here, you certainly will get a very large increase, but the absolute amounts are still quite small and we would expect over time they will continue to be small.

CUMULATIVE PROGRAM EXPENDITURES IN CHAD

Mr. PASSMAN. Let us state for the record what your expenditures have been in this country since you started this program in fiscal 1961.

Mr. MOSSLER. We expect——

Mr. PASSMAN. I asked you what your expenditures have been. Give us the last report.

Mr. MOSSLER. The latest figure we have, which is as of the end of March, was $49,000.

Mr. PASSMAN. Out of the $56,000 that you got in 1961 and the $335,000 that you got in fiscal 1962, you have spent $46,000. Yet you are asking for $——— for fiscal 1963.

Mr. HUTCHINSON. Sir, as I testified earlier in connection with this type of country, when you are just starting programs, your expenditures are always slow.

Mr. PASSMAN. Mr. Hutchinson, we did not come on this committee day before yesterday. We have been sitting over here for years handling this. We know that you do not make these expenditures the day we appropriate the money. That we understand. I wanted the record to show what you had spent up to your last report.

Mr. HUTCHINSON. And I wanted the record to show the reason for it.

Mr. PASSMAN. I think we knew that reason.

Mr. ALEXANDER. May I ask one other question, Mr. Chairman?

POLITICAL VIEWS IN CHAD

In your opinion, how many of the people in this country would know the difference between communism and democracy? What percentage of the people would know the difference?

Mr. HUTCHINSON. Sir, that is a question that I certainly would hesitate to give an answer to. Certainly if your point is that the great majority of the people are unsophisticated in political matters and might be unable to make distinctions of this sort, I would certainly agree with you that the percentage would be very high.

Mr. ALEXANDER. And they will be that way for a long time to come; will they not?

Mr. HUTCHINSON. In all probability, sir. It is our feeling, however, that it is still worthwhile and in the interest of the United States to build the position in these countries where there is some growth and some hope of progress, in order to maintain some kind of stability, even if they are not able to make sophisticated political distinctions.

Mr. ALEXANDER. Does that come from our giving it to them, or does that come from within the people themselves?

Mr. HUTCHINSON. I think fundamentally it comes from within the people themselves, sir, but I think that by virtue of providing the means of some growth, there is a much greater prospect for this to develop from within the people themselves. I do not think it is the act of giving that cultivates this, but I think the possibilities of growth and the fact of growth can be very significant in developing this.

Mr. ALEXANDER. In fact, very few people in that country would know we were doing anything for their assistance. Is that not a fairly true statement?

Mr. HUTCHINSON. I suspect a larger number than you might think, sir, would know about it. This is one of the reasons for selecting projects of the sort that we were talking about here, where we can put the slaughtering sheds out in a number of locations throughout the country and in locations where you can reach the people at levels that you do not normally reach if you just stay in the capital. That is also the reason for a program such as the health program which we mentioned, which is mobile and will be moving about from location to location, from school to school. So we think, with a relatively small amount of resources, we will, in fact, be reaching a significantly large number of people.

Mr. PASSMAN. Let us hope it works out that way, because there are countries where we have spent billions of dollars and have had every reason in the world to feel the people would be pro-American, but they now are turning on us. If half a million or a million dollars will do what billions could not do in more civilized countries, more power to you.

Mr. Andrews?

GOVERNMENT INVESTMENT IN DEVELOPMENT OF CHAD

Mr. ANDREWS. Mr. Hutchinson, I was reading on page 83 that, "Government investment is almost entirely financed by foreign aid."

Mr. HUTCHINSON. In Chad? Page 83?

Mr. ANDREWS. Right.

Mr. HUTCHINSON. I am sure that is correct, sir. I do not see the page, but I am sure that is correct.

Mr. ANDREWS. With Government investment almost entirely financed by foreign aid, what future do you see for this little country of 2½ million people, with a 5-percent literacy rate?

Mr. HUTCHINSON. Sir, I think the prospects of any very significant development in Chad and in a number of the countries in this particular part of Africa and in this particular part of the book that we have been talking about, as a matter of fact, are not very good. That is probably an understatement. We do not expect significant advances in any short-run period in these countries.

ANTICIPATED COST AND LENGTH OF PROGRAM IN CHAD

Mr. ANDREWS. You and your predecessors have been before this committee for three years requesting, the first time, $56,000, the next time $335,000 for fiscal 1962, and this year $———. The requests are going up substantially each year. In view of the conditions which exist in that country, do you anticipate that you will continue to come before this committee for many years in the future asking for money to help that Government stay in existence, and that those requests will continue to increase? Give me the benefit of your opinion as to what we can expect in the future.

Mr. HUTCHINSON. I would certainly expect that in the future we would be coming to you with requests for funds for this country. Whether they would increase would depend upon whether or not there is really any growth here. If it occurs, then the likelihood is that for a period there would be some increase.

Mr. ANDREWS. So we can expect to be called upon for at least 10, 15, or maybe 20 years to help this country if this country remains in existence.

Mr. HUTCHINSON. This is the possibility, sir.

Mr. ANDREWS. And the same statement is true with reference to all of these so-called newly emerging countries of Africa?

Mr. HUTCHINSON. Yes, sir; this is true. We would hope that we would be able to direct our aid programs toward some kind of regional projects, or projects that tend to tie these countries one to another, to get their economies better interrelated, and this sort of thing, so they will not be trying to stand completely on their own economic feet. We hope in countries like Niger, for example, to try to build some roads to tie them in to Northern Nigeria. We would hope that in part of the Ivory Coast, whose prospects are better than others, so this is not too good an example, but we would hope we could tie some of their roads in to Liberia. We would hope that throughout this area we can do something through our assistance to try to get some interrelation among the economies. It will be difficult, and it will take some experimentation.

Mr. ANDREWS. And expense.

Mr. HUTCHINSON. In one sense, sir, yes, but I do think——

Mr. ANDREWS. If they need any help, the chances are it is coming from us.

FRENCH ASSISTANCE IN CHAD

Mr. HUTCHINSON. Not in great volume. In the countries we are talking about here, we would still think that by far the greatest amount—in fact, we would be certain that the greatest amount of assistance will be coming from other countries. French assistance for Chad, for example, is $17 million.

Mr. ANDREWS For what year?

Mr. HUTCHINSON. Per year. That is what it has been running. It is basically budgetary support.

Mr. PASSMAN. Let the record show this is a former possession of France, a former colony, and that France has a very significant commercial and financial interest in this country.

Mr. HUTCHINSON. There is no doubt of it, sir.

Mr. PASSMAN. Let the record show that France is not in there just on a charity basis. They are there to protect their own interests.

Mr. HUTCHINSON. Nonetheless, sir, they were still supporting the country and its operations to the extent of $17 million in 1961. We anticipate——

Mr. PASSMAN. What reason are we there?

Mr. HUTCHINSON. Sir, I think we covered this subject on a general basis earlier. We do feel——

Mr. PASSMAN. Just why do we have to get in there if France, which has a commercial and financial interest, is in for $17 million?

AID FROM COMMON MARKET COUNTRIES

Mr. ANDREWS. What other countries are helping them?

Mr. MOSSLER. One organization that is moving in is the Common Market fund, to which each of the six Common Market countries contribute.

Mr. ANDREWS. How much have they put in so far?

Mr. MOSSLER. According to my records here, they put in $6 million in 1960. This is an estimate for 1961, and it is projected at $4 million.

Mr. ANDREWS. It is coming down.

Mr. MOSSLER. The 1962 estimate comes back up again. This is an estimate again, but it goes back up to $15 million.

Mr. PASSMAN. Do you have any information that expenditures have been made, or is it in the form of a contract and commitments by the Common Market area?

Mr. MOSSLER. These are estimated obligations which we received from the people who are working with the Common Market group.

Mr. PASSMAN. Are they tied into any kind of contracts with respect to trade with the countries?

Mr. MOSSLER. These are for specific contracts, and the EEC does not formally tie its projects to procurement from particular countries.

Mr. PASSMAN. But it would be expected, as it is the Common Market area countries which are getting in there, that they are in there to protect their commercial interests and banking and financial interests. Would that not follow?

Mr. MOSSLER. I suspect nearly all of the procurement would be from the Common Market countries.

Mr. PASSMAN. Thank you.

Mr. ANDREWS. One further question. Here is a little country whose only hope of survival is outside assistance. That is right, is it not?

Mr. HUTCHINSON. Certainly in any future that I can see at the moment, this is true, sir.

Mr. ANDREWS. That is all, Mr. Chairman.

Mr. PASSMAN. Mr. Rhodes?

EDUCATION PARTICIPANTS

Mr. RHODES. I want to ask one question. On page 277, under the heading "Education," you have $50,000. And on the right-hand side the whole $50,000 goes to participants. I do not recall we have had a definition of the word "participants" as used here. What does it mean?

Mr. HUTCHINSON. This is a word which is used to describe the support for the education of particular individuals. It may be used to bring them to the States to take courses here, short or reasonably long term. It may be used to take them to some of the European countries. It may be used to educate them in some of the African countries.

Mr. RHODES. Do you know in this instance what this $50,000 will be used for?

Mr. HUTCHINSON. We anticipate 10 participants, sir, but we do not know the fields or anything of this sort. This is just a very rough estimate, frankly, of what we might find it possible to do in the way of aiding education.

Mr. RHODES. Do you have a policy of trying to send people for education to countries which speak the language in which they are versed?

Mr. HUTCHINSON. I would suppose we would have to say no. We try to send people to countries where they can get the sort of training that they seem to require. One of the reasons we are talking about only 10 here is the fact that it is extremely difficult to find English-speaking or non-French-speaking educated people. Also, in our program we get involved in some language training. You have touched on a very difficult problem.

Mr. RHODES. I should think you would be able to find almost any type of training you might require in metropolitan France, Belgium, or some other French-speaking country.

Mr. CONTE. Will the gentleman yield there?

How about the University of Beirut? They speak French and have an excellent school.

Mr. HUTCHINSON. These people might conceivably go to the University of Beirut, as a matter of fact. As I say, I do not want to tell you we are planning to send them there.

PROBLEM OF LANGUAGE BARRIER

Mr. RHODES. It strikes me that it would be much more expensive to try to overcome a language barrier before you start training a person in the skill which he requires. In other words, to teach him

a new language just to teach him a skill, when you want him to come back to a country which does not speak the language which you are teaching him anyway, seems to me an unnecessary expense in both money and time.

Mr. HUTCHINSON. This is a problem which has bothered me, also. We do not always have to teach them the language. We do find sometimes students who have the language facility. I have often wondered whether or not it might not make more sense to try to pick a few technical training centers and teach the teachers French, than to try to teach the students English, but this is something I have not analyzed. It certainly is a very real problem, and limits our ability to work too effectively.

Mr. RABIN. May I speak to this a moment. I was connected with the International Training program previously, and I know the problem you raise is under active consideration there. I could not say how active it is at this moment. They say that ordinarily the first choice is to train participants right on the spot if this can be done. The second choice lies in the possibility of establishing regional centers in Africa, which is being very seriously considered. Language problems are very important for this. The third choice is frequently a third country; the fourth, the United States. This is the kind of general criteria they try to apply in the training division. How firm this is and how much progress has been made, I could not say.

Mr. RHODES. We are all assuming the type of training where we are really thinking about training and not political advantage.

Mr. HUTCHINSON. That is right.

Mr. RHODES. We have to realize there is the other type of training, too, and in that type of training, of course, the defects I have mentioned in the program would not apply.

Mr. HUTCHINSON. Right. I would like to expand this point a little bit to say it is our policy to try to build up training centers within Africa itself in order to reduce the training in third countries.

Mr. RHODES. In the French-speaking countries, have you thought of the possibility of actually hiring French teachers? I do not mean French language teachers, but French nationals who would be qualified to teach the subjects that you want taught.

Mr. HUTCHINSON. We do use French-speaking technicians on occasion in these areas. Frankly, at this point in time we are a little leery of using these kinds of technicians, because we do not like to go in and tell the French we will bring some teachers in there, and that sort of thing. We like to agree with the French, "You send them in."

Mr. RHODES. You have made a very good point.

That is all, Mr. Chairman.

Mr. PASSMAN. Mr. Conte?

Mr. CONTE. Bear with me, Mr. Chairman, if I go back to central Africa.

Mr. PASSMAN. Surely.

SCHOOL-BUILDING PROGRAM IN CENTRAL AFRICAN REPUBLIC

Mr. CONTE. Mr. Hutchinson, we have discussed the school-building program in the Central African Republic and how it is to be funded. How many buildings do you contemplate building for $95,000, and what will be the cost per unit?

Mr. HUTCHINSON. For the central African Republic, the sort of buildings we are talking about are these earth block construction buildings. It is very simple and basically an inexpensive type of construction that we hope is quite well suited to their climate. We are planning to import blockmaking machines and technicians to train the people in how to operate them. Actually, we expect to use the same technicians in connection with the public health buildings that we mentioned in the same country. We expect to use the same kind of building materials.

I can give you the breakdown we have here on the actual cost of the classroom construction that we are talking about for fiscal 1963. It shows it as $95,000. I am looking to see how many classrooms are involved here. I do not see the figure readily at hand.

Mr. MOSSLER. I do not have that, either.

Mr. HUTCHINSON. They are basically quite inexpensive.

Mr. CONTE. How many schools will you build for $95,000?

Mr. MOSSLER. For example, in 1962, of this $135,000 that we put in for equipment, we hope—just a minute. My note is wrong, because I know our funding will not provide for that much construction. The overall goal in CAR is 510 additional classrooms.

Mr. CONTE. At a cost of $95,000?

Mr. MOSSLER. That is what I say I know is inaccurate, because I am sure the $95,000 would not take care of the full 510 classrooms. We are contributing to it.

Mr. HUTCHINSON. For 1962, it looks like 25 classrooms.

Mr. CONTE. Twenty-five classrooms.

Mr. TROXEL. May I describe an actual situation I have witnessed in the field. This is quite accidental; as you know, I am not in the AID program, but I have slept in some of these buildings and have seen them under construction. Our people teach them how to use the blockmaking machine, which uses a very simple mixture. They get the people to manufacture the blocks and to construct the schools themselves. Frequently there is almost no cost at all to the United States.

One of those machines was set up under another program in an area where I happened to be living and working for a while, and the goal was to put up half a dozen buildings. By the time the machines were taken away from the people and brought back to Addis Ababa where I was stationed, they had constructed some 45 or 50 buildings in the surrounding area. That is one reason this is an attractive project. The people themselves will volunteer to use these things to build all sorts of community facilities. It may not be precisely the same in this case, but I think you have a very similar situation.

Mr. HUTCHINSON. Sir, I would point out that in the building of these, the big cost in starting out is for the U.S. training technicians, the machines, and the trucks and jeeps for transportation purposes, which would not be needed in every year the program was carried on.

Mr. CONTE. I want it clear for the record, though, that we will supply the machines and some of the material, and they will do all the work.

Mr. HUTCHINSON. That is right.

Mr. CONTE. At no cost to us.

Mr. HUTCHINSON. That is right, except for the U.S. technicians.

Mr. CONTE. It will be a community-sharing program.

Mr. HUTCHINSON. I am not sure we are not paying for any of the local labor. I would have to check that. Fundamentally, they are providing local labor, but I would not want to testify absolutely that we are not paying for any of that.

Mr. TROXEL. In some cases I understand we have paid for local technicians. Often it is used to start out and train a couple of local people, since we do not actually have Americans going from schoolroom to schoolroom. We may carry a few of these fellows on the payroll for a while who are local teachers on the use of equipment and who we hope will carry on after we remove the Americans. I mention that just so you will not be surprised if you see there is some expenditure for local personnel.

Mr. HUTCHINSON. It is basically the self-help sort of program of which you are speaking.

Mr. CONTE. I hope so, because in Liberia I saw some buildings which were not completed, and I asked why they had not been completed, and they stated that the contractor had raised his price for the contract. I cannot see any reason why we should contract for any building unless it is a mammoth building. It should be on a self-help basis. If we pay the laborers, it should be through our food-for-peace program.

How about the furniture for the classrooms—the desks, blackboards, and seats?

Mr. HUTCHINSON. I have here only a figure for materials. I do not have a breakdown as to what would be involved in that, sir. We would certainly, I am sure, be providing some part of that kind of equipment.

Mr. CONTE. If you are, I want for the record what you are going to provide and where you are going to buy the schoolroom equipment.

Mr. HUTCHINSON. All right, sir.

(The information requested follows:)

CLASSROOM CONSTRUCTION PROJECT, CENTRAL AFRICAN REPUBLIC

The United States will provide no materials for the schools other than those involved in actual construction; e.g., cement, lumber, machinery, and vehicles. Desks, blackboards, chairs, and the like will be provided as an element of French and EEC activity in the education sector.

Lumber will be purchased locally, cement elsewhere in Africa, with machinery and vehicles purchased in the United States.

Desks, blackboards, chairs, etc., will presumably be purchased in France by the French.

PURCHASE OF SCHOOLROOM FURNITURE IN LIBERIA

Mr. CONTE. Here again, I want you to check when we get on to Liberia. I understand we are buying all the classroom furniture, the desks and accessories, from the brother of President Tubman and are paying a very high price for some of this furniture.

Mr. HUTCHINSON. I will check.

Mr. CONTE. I would like to have that checked out.

(The information supplied follows:)

PROCUREMENT OF CLASSROOM FURNITURE—LIBERIA

U.S. AID-Liberia has advised that $80,000 worth of school furnishings was procured from two local firms between September 1959 and May 1961. Neither of the firms whose bids were accepted was known to have had any political connections.

Mr. CONTE. I have no further questions.

Mr. NATCHER. The committee will adjourn until 10 o'clock tomorrow morning.

FRIDAY, JULY 13, 1962.

COMPLETION OF PROJECTS IN CHAD

Mr. PASSMAN. The committee will come to order.

When will the two new projects in Chad be completed, and what will be the cost to complete each of them?

Mr. HUTCHINSON. We expect that the livestock improvement project will be completed in 1964. We estimate only another $20,000 for completion, sir.

Mr. PASSMAN. As the contracts and commodities would be $205,000, your fiscal request is within $20,000 of the completed cost?

Mr. HUTCHINSON. Yes, sir. The $20,000 probably would be for the continuation of the technician to train the people in the coming year.

Mr. PASSMAN. Now, the other project?

Mr. HUTCHINSON. The health services project we anticipate will be completed in 1964, and it will probably cost another $130,000.

Mr. PASSMAN. Are these illustrative projects, as the others along the way which we have been discussing?

Mr. HUTCHINSON. These are firm projects, sir.

USE OF 1962 FUNDS FOR DIRECT-HIRE PERSONNEL IN SPAIN (SEC. 625(F))

Mr. PASSMAN. Would you happen to know the amount of 1962 1-year funds that you have obligated for direct-hire personnel in fiscal 1963 and subsequent years?

Mr. MOSSLER. Yes; I can answer that question insofar as our region is concerned.

Mr. PASSMAN. We are talking about your region.

Mr. MOSSLER. Spain is the country where we used the authority of 625(f) of the act, and we authorized the field to use up to $215,000 to accommodate the cost of technicians who we plan on phasing out during this next fiscal year.

Mr. PASSMAN. Without regard to when you phase them out, we want to know how far you have violated the intent of the Congress. Spain, $215,000. Is that all in your region?

Mr. MOSSLER. That is true.

Mr. PASSMAN. Thank you.

Mr. HUTCHINSON. Sir, we do not think this is a violation of the intent of Congress.

Mr. PASSMAN. You do not think so, but the chairman of the Foreign Operations Subcommittee on Appropriations thought so, as well as did many Members of Congress.

Be that as it may, the House bill has passed, and I have every reason to believe the Senate also will act to stop up that loophole.

Mr. HUTCHINSON. Could I testify as to why we did it, sir?

Mr. PASSMAN. We shall get to it when we get to Spain, as it is in only one country.

It follows, nevertheless, that you obligated funds out of 1962 1-year appropriations carrying direct-hire technicians into a subsequent fiscal year. Since it is only one country, Spain, when we get to Spain we shall get that information in the record.

CONGO (LÉOPOLDVILLE)

The next country is the Congo (Léopoldville). The 1962 program was for $3,300,000. The estimate for 1963 is ——— an increase ———. ———.

REVISED FISCAL YEAR 1962 PROGRAM

Mr. HUTCHINSON. There has been a slight increase since this book was printed, Mr. Chairman.

Mr. PASSMAN. Have you an increase over this amount?

Mr. HUTCHINSON. For 1962, the estimate is now $3,786,000. We can give you the reason for the increases as we come to them, or we have it here now.

Mr. PASSMAN. How about for fiscal 1963?

Mr. HUTCHINSON. The figure remains the same.

Mr. PASSMAN. We want first to find out if your fiscal 1963 estimate of ——— has been changed upward, too.

Mr. HUTCHINSON. No, sir.

Mr. PASSMAN. It remains the same?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. Why did you increase it by $486,000? Have you an explanation, sir?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. We would like to hear it.

Mr. HUTCHINSON. As we have indicated, these books were prepared back in February and March, based on the information available at that time. Since that time there have been developments which give rise to some change. We have an indication of the changes, project by project, as to the amount actually shown in the books and what our present program approval is. I can go down that list, if you would like, sir.

Mr. PASSMAN. We certainly will expect an explanation. It would appear to me that when you finally arrive at a set of figures you could rest your figures until the subsequent fiscal year.

RECONCILIATION OF INCREASES IN FISCAL YEAR 1962

Let us start with No. 1, technicians, $125,000. Any change there?

Mr. HUTCHINSON. Where are you looking?

Mr. PASSMAN. Page 279. Where you had $3.3 million, you are now up to $3.786 million.

Mr. HUTCHINSON. I do not have the reconciliation in those terms.

Mr. PASSMAN. By what data will this committee operate? You have listed on page 279 technicians, $125,000. Have you had any change that you know of in that category?

Mr. HUTCHINSON. Sir, I do not think we have the reconciliation in those terms. We have it project by project. It would be possible to go back and make a reconciliation on that basis, but we have reconciled it project by project as we go through.

Mr. PASSMAN. We shall discuss page 279 briefly, because that is where you get a total estimate for fiscal 1962 of $3.3 million. Am I reading it correctly?

Mr. HUTCHINSON. You are reading it correctly, sir, but you also get a figure of $3.3 million if you add up the project totals which are included on the project sheets themselves.

Mr. PASSMAN. For participants, you had $970,000. Do you show an increase in the cost of participants?

Mr. MOSSLER. I think we would have to reconcile this project by project.

Mr. PASSMAN. Contractual services?

Mr. HUTCHINSON. We would have to do it by project.

Mr. PASSMAN. Commodities?

Mr. HUTCHINSON. The same thing, sir.

Mr. PASSMAN. Other costs?

Mr. HUTCHINSON. The same thing.

REVISED EDUCATION PROGRAM

Mr. PASSMAN. All right, let us get into the field of education. Let us go back to 1962 and take Project 660–N–69–AA, "Education training." You had a 1962 obligation of $227,000.

Mr. TENNANT. Page 281. You had obligations of $227,000.

Mr. HUTCHINSON. For fiscal 1962.

Mr. MOSSLER. I have $207,000—a little less on that one.

Mr. PASSMAN. All right, how about the Lovanium University, page 282, obligations, $484,000?

Mr. HUTCHINSON. We show the same for that one, sir.

Mr. PASSMAN. English language training, obligations, $300,000.

Mr. HUTCHINSON. This one has gone up to $480,000.

Mr. PASSMAN. What were the reasons for it?

COMMODITY COST INCREASE

Mr. HUTCHINSON. I will give you the breakdown of the $480,000 figure, if that is what you would like, sir.

Mr. PASSMAN. What is that, sir?

Mr. HUTCHINSON. I will give you the breakdown.

Mr. PASSMAN. Yes, that is what we want. It is up more than 50 percent.

Mr. HUTCHINSON. The commodity component is now $140,000.

Mr. PASSMAN. Of what does the commodity component consist?

Mr. HUTCHINSON. This consists of items going into the construction. Would you like to take this one, Mr. Mossler?

Mr. MOSSLER. This will be the U.S. contribution to the construction of this institution at this particular place. We have a contract with the English Language Service institution. Under the expansion

program, ELS will rent a building to serve as its central permanent quarters. It will also install and operate positions at existing educational institutions in the Congo, such as the Technical School of Commerce, the High Institute of Social Studies, et cetera.

To accomplish this, the expansion of the staff will be increased to 13——

Mr. PASSMAN. The staff is not a commodity, is it?

Mr. MOSSLER. No. It is a part of the total increase in the contract service. The commodity element of $140,000 compares to the original figure of $90,000 which was included in the contract service, also.

Mr. PASSMAN. How much money did you ask for this project in fiscal 1962?

Mr. MOSSLER. $431,000 was obligated in 1961, and in our request here we originally indicated we were going to use $300,000. Our estimate now is $480,000.

Mr. PASSMAN. You answer my question, if you will. How much did you request for this project in fiscal 1962?

Mr. MOSSLER. I would have to go back to last year's presentation book.

Mr. PASSMAN. Let us go back to it.

Mr. MOSSLER. I do not have it here with me.

Mr. PASSMAN. You may borrow ours.

Mr. MOSSLER. We asked for $980,000 originally, but trimmed it back down to $300,000, and now we are going back up again to $480,000.

Mr. PASSMAN. Is this the same project, by number? Let us identify it, if we may, as project No. 660–N–69–AD.

Mr. MOSSLER. We have 660–69. It seems to be the same project.

Mr. PASSMAN. We would like you to testify positively. If there is an element of doubt, leave it there. We tried to ascertain by checking with the two books, and we are not able to arrive at a conclusion that it is the same project.

Mr. MOSSLER. I am not, either, sir. As I read this description, I am not able to arrive at that conclusion, either. I think we would have to make a careful check.

Mr. PASSMAN. All right, gentlemen, find out how much you did request for this particular project. No insertions. Bring it to the committee, because we have some questions to ask on it.

Mr. MOSSLER. All right, sir.

Mr. PASSMAN. Without appearing to be unreasonable, this is just another indication that we are trying to pick cotton in the dark.

TRANSFER OF FUNDS WITHIN REGIONAL ALLOCATION

Did you have to take funds from some other project to be able to increase this project?

Mr. HUTCHINSON. Certainly, sir, we had to take funds from the total amount that was available to us for carrying out our program in order to do this.

Mr. PASSMAN. Out of your original allocation for this country, or your region, you had a tentative allocation of funds, did you not?

Mr. HUTCHINSON. We had a tentative allocation of funds for the region in the beginning; yes, sir.

Mr. PASSMAN. Where you have more than a 50-percent increase in one project, it was necessary, I should think, to decrease others out of the tentative allocation.

Mr. HUTCHINSON. This could have been, sir, or we might have had to go back and get an increase in the total allocation.

Mr. MOSSLER. There is one thing I might add, Mr. Chairman. This funding situation, as you know, changes during the course of the year as priorities change. So, even though at the beginning of the year a particular region might be allocated a particular amount——

Mr. PASSMAN. I can understand that perfectly well, when you go in there blindly and start a lot of projects that you later maybe will discontinue. They are not firmed up.

Are there any other countries in this region where the 1962 program has been increased?

Mr. HUTCHINSON. Yes, sir.

You have that in a little better shape than I have here, Mr. Mossler.

Mr. PASSMAN. You have answered the question. We shall clear it up by project.

You have a project here, National Pedagogical Institute. For what purpose is that project?

Mr. HUTCHINSON. It is a teacher institute, sir.

AGRICULTURAL TRAINING

Mr. PASSMAN. Agricultural training, on page 286. Is there any change there?

Mr. MOSSLER. Yes. I show a decrease there to $81,000.

Mr. PASSMAN. I hope that when we get through adding these things up, instead of being 50 percent over, maybe it will be 50 percent under the original estimate.

Mr. MOSSLER. I hope so, too, Mr. Passman, but I think there will be an increase.

Mr. HUTCHINSON. Sir, we volunteered the information that these projects had increased.

Mr. PASSMAN. You did not volunteer this individually.

What is this project, up or down?

Mr. MOSSLER. That one was down, sir.

Mr. PASSMAN. To what sum?

Mr. MOSSLER. From $112,000 to $81,000.

Mr. PASSMAN. Is this agricultural country?

Mr. HUTCHINSON. Yes, sir.

POLYTECHNIC INSTITUTE PROJECT

Mr. PASSMAN.. We shall go to the Polytechnic Institute, page 287.

Mr. HUTCHINSON. This is the one where there has been a substantial increase. It has gone up to $1.190 million. The figure, $1.189 million, is the actual figure shown. $1.190 million is rounding it off. The basic reason for this was the decision to fund the contract through to the end of the fiscal year.

Mr. PASSMAN. Do you not usually fund them through to the end of the fiscal year?

Mr. HUTCHINSON. Yes, sir; we do. This is why the figure which was in the book in the original instance was in error. This was a miscalculation of the cost of funding it through.

Mr. PASSMAN. How much did you ask for 1962 for this project?

Mr. HUTCHINSON. We would also have to check that, as well.

Mr. PASSMAN. Gentlemen, we are only comparing what you did with what you said you would do last year. If you cannot tell us what you asked for last year, then that leaves us groping around in the dark. You do not have the answer.

Mr. MOSSLER. We do not have that. In the past, Mr. Passman, what we have done to give you a comparison is to compare it with what we did in 1961.

Mr. PASSMAN. You show that you obligated a certain sum of money, and it is only natural that the next question would be, what amount did you request for this project?

Mr. MOSSLER. The reason we do not do that, Mr. Chairman, is this: What we request and what is appropriated do not turn out to be the same, and we do have to go through and look at these again.

Mr. PASSMAN. Do you realize that occurs in all bills? Otherwise there would not be any purpose in having a Committee on Appropriations or a Congress. We would just pass one act abdicating the remaining power to the executive and let it go at that.

Mr. HUTCHINSON. That is why I am sure you find, sir, in other agencies a variation between what was asked for and what was actually adopted.

Mr. PASSMAN. At least, they can tell you what they requested the previous year.

Mr. MOSSLER. We can by appropriation categories if we go back to our books.

Mr. PASSMAN. That does not have anything to do with it. You have no assurance that you are going to get this year the amount that you are asking for, have you?

Mr. HUTCHINSON. We well recognize that, sir.

Mr. PASSMAN. There certainly would not be any reason you could not tell us next year what amount you requested.

NATIONAL SCHOOL OF LAW AND ADMINISTRATION

You do not have the answer, so we shall move along to the next project, the National School of Law and Administration. Are there any changes there?

Mr. MOSSLER. We show a reduction from $475,000 to $430,000.

Mr. PASSMAN. Now, with reference to Government Administration Training?

Mr. MOSSLER. I show a reduced figure—from $346,000 to $246,000.

Mr. ANDREWS. Is that figure on page 288?

Mr. PASSMAN. Page 288 shows $430,000, down from $475,000 to $430,000.

Mr. HUTCHINSON. Sir, the project that was just mentioned is on page 289.

Mr. PASSMAN. On page 288 it is down from $475,000 to $430,000. That is the National School of Law and Administration.

TECHNICAL SUPPORT ESTIMATES

Is technical support up or down?

Mr. MOSSLER. It shows $220,000 as compared to $200,000.

Mr. PASSMAN. You have some projects on page 291. Are there any changes on that page?

Mr. MOSSLER. The 1962 figures are not shown as the 1963 figures are shown.

Mr. PASSMAN. How about 1962 for the comparable projects? Have you anything?

MOSSLER. Yes, sir.

Mr. PASSMAN. Where do we find that in your book?

Mr. MOSSLER. Under the format of this book, on projects under $100,000, there is not a 1962 column there, sir.

CONSOLIDATION OF PROJECTS UNDER $100,000

Mr. PASSMAN. How long have you had that system in effect, where you do not list any project under $100,000?

Mr. MOSSLER. This is the first year we have reflected as many projects as we have in this supplemental book.

Mr. PASSMAN. Has it been the custom in the past not to list projects under $100,000 in detail?

Mr. MOSSLER. That is right, we have not submitted projects under $100,000.

Mr. PASSMAN. But now that we are getting into such a multitude of projects, so many of them small, would it not be a good idea to give some thought to listing them in the future? I think we are rapidly reaching the time in America that even $100,000 is going to look important.

You do not know, without adding these up, whether you had a minus or a plus, do you?

Mr. MOSSLER. Yes.

Mr. PASSMAN. How about your detail? Let us add it.

Mr. MOSSLER. Our detail comes up to $3.786 million, compared to the figure in here for 1962 of $3.3 million. There have been upward and downward adjustments. The net result is up.

EFFECTIVE PROGRAM IN THE CONGO AT ORIGINAL BUDGET LEVEL

Mr. PASSMAN. Do you think that if you had not had any more money than the $3.3 million you could have kept a reasonable program going?

Mr. HUTCHINSON. Sir, this goes to the question of whether or not we want to move as quickly as seems to be appropriate in this situation which exists in the Congo, of trying to provide them with a basic cadre of trained personnel in the fields of education, agriculture, and public administration, where there are critical shortages, if they are to govern themselves over the years. The situation is such that a very good job was done in the past on educating people up to a certain level, and then it was cut off. So, when the country became independent——

Mr. PASSMAN. Who cut them off?

Mr. HUTCHINSON. No provision was made for education above basically——

Mr. PASSMAN. By what country?

Mr. HUTCHINSON. Belgium.

The result of this was that the country was left without a corps of personnel to administer the Government effectively, to take over its educational problems, and basically to meet its agricultural problems. Our program is directed toward trying to assist in filling those deficiencies. It seems to us there is an opportunity to move more quickly than we had originally intended or expected we would be able to do in a critical situation of this sort, and that it is in the U.S. interest to do so. For that reason, we did move into the field as quickly as we possibly could, in order to provide this kind of assistance and training.

Mr. PASSMAN. Dealing with the 1962 program of $3.3 million, if you had limited your commitments to that total, would you have had a reasonable, workable program?

Mr. HUTCHINSON. We would have had a workable program.

Mr. PASSMAN. Thank you.

Mr. HUTCHINSON. But it still is not a program, sir, that we think would accomplish our objectives as quickly and effectively as the larger program that we have actually approved.

Mr. PASSMAN. That is true.

On the lower Mississippi River and its tributaries, for flood control and related work, where the authorization, aggregating $1.3 billion, dates back to 1928, 34 years, we are still getting an annual appropriation to carry out this project. Even though we had one flood that cost $1 billion, with a loss of 329 lives, we are still having to be satisfied with an annual appropriation in an amount far less than the expert engineers say they could reasonably spend, simply because there is not sufficient money to go around.

You could confiscate all the wealth in America and you still would not have sufficient funds to do all the things labeled "desirable." When we start sharing our wealth with the world, it would appear to me we could be just a little bit reasonable and keep this appropriation down to something like $2 billion a year rather than $4.6 billion. However, we can never do it when you are constantly building up projects that call for larger appropriations in subsequent years.

CRITICAL SITUATION IN THE CONGO

Mr. MILLER. Mr. Chairman, if I might comment on this, fortunately the lower Mississippi and its tributaries are not as restive as the Congo is at the present time. The situation in the Congo is, of course, a critical one in which the several major areas need attention and may, hopefully, produce some progress in the future toward a more stable and peaceful situation there.

Mr. PASSMAN. Is that any different than any other part of the country out there?

Mr. MILLER. The Congo is, I believe, an unusually critical situation.

Mr. PASSMAN. How long have they been in that critical period?

Mr. MILLER. What was the date that it gained independence?

Mr. PASSMAN. Did it begin with the date they found out we had foreign aid, or did it happen a few days before that?

Mr. MILLER. With the independence of the Congo——

Mr. PASSMAN. That is when they became restive?

Mr. TROXEL. In July 1960.

Mr. PASSMAN. They became restive on the day of their independence. I should not say the day they found out they could get aid, because I think the guess would be that you had people out there working on an aid program before they got their independence. This is old stuff, about their being restive. People down in my State are restive, too, but they are not trying to correct in 1 year or 2 years what has been building up for generations. I just do not think it is right to rush in and see how many programs you can start when experience tells us that one of these small programs leads to requests for large sums on subsequent dates.

AID TO CONGO (LEOPOLDVILLE) PRIOR TO FISCAL YEAR 1962

How much did you have for the Congo (Leopoldville) prior to fiscal 1962, total?

Mr. HUTCHINSON. Total obligations, actual, through——

Mr. PASSMAN. I am asking for the total amount prior to fiscal year 1962. Let us start with the first year, even before they got their independence.

Mr. TENNANT. $2.4 million.

Mr. PASSMAN. What year?

Mr. MOSSLER. The cumulative obligations as of the end of 1961, $2.488 million.

Mr. PASSMAN. When did they get their independence?

Mr. TROXEL. June 30, 1960.

Mr. PASSMAN. You are talking about the calendar year, June 30, 1960?

Mr. TROXEL. That was the date of independence.

Mr. PASSMAN. Give us this information for the prior years, cumulatively.

Mr. MOSSLER. At the end of 1960, it was just $49,000.

Mr. PASSMAN. In 1961, then, you were in with——

Mr. MOSSLER. $2,379,000.

Mr. PASSMAN. That was the first year of their independence?

Mr. MOSSLER. The first full year; yes.

Mr. PASSMAN. I was thinking of the total year. You went in on a fiscal year basis, did you not?

Mr. MOSSLER. Yes, sir; these are fiscal year figures.

Mr. PASSMAN. So, beginning with the fiscal year that they got their independence, you went in with $2,379,000.

In fiscal 1962, you have it listed in the book at $3.3 million, but it has gone up to $3.786 million?

Mr. MOSSLER. That is correct.

Mr. PASSMAN. You have a request for $——— for 1963?

Mr. MOSSLER. Yes, sir.

CUMULATIVE EXPENDITURES THROUGH MARCH 30, 1962

Mr. PASSMAN. What is the amount of your expenditures through March 30?

Mr. MOSSLER. Cumulative expenditures?

Mr. PASSMAN. Yes.

Mr. MOSSLER. I will have to go back and add prior years' expenditures to it, also.

Mr. Chairman, through March 31 of 1962 we have spent $1,330,000.

Mr. PASSMAN. Through March 31 of this year?

Mr. MOSSLER. Yes, sir.

Mr. PASSMAN. Those people are not quite as restive as the record would indicate, are they?

Mr. MOSSLER. A lot of this, as you know, has been in contract service.

If we took the availability for all of this year——

Mr. PASSMAN. I am not talking about availability. I asked what the expenditures have been and you have them, which is about 30 percent of the total amount available.

Mr. MOSSLER. That is about right, sir.

Mr. PASSMAN. I am glad to know they are not quite as restive as the legal counsel thought.

Mr. MILLER. When I spoke to this point, what I had in mind was the fact that the Congo situation is a critical one, that there is a severe shortage of government administrators—that is, of people who can conduct the affairs of the nation.

These programs are moving toward producing and helping alleviate that situation.

Therefore, it is very important that these programs—and as you know it takes a very long lead time to educate and train people in these capacities and these skills—move forward. It is important that they move forward as quickly as possible.

Mr. PASSMAN. When I read in the paper, even though it never has been completely confirmed, that somewhere along the way, possibly about three layers under, we are now asking foreign nations to come to our rescue here with aid programs, that is a difficult thing to understand. Japan has been invited in. They may have something. It may wind up getting some of these people we are training to train us.

(Discussion held off the record.)

CONTINUED BELGIAN ASSISTANCE

Mr. PASSMAN. This Congo-Leopoldville restive spot is a former possession and colony of Belgium?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Did Belgium pull out altogether after we went in?

Mr. HUTCHINSON. So far as provision of funds is concerned they were still providing assistance in the way of service and a number of other things.

Mr. PASSMAN. They have their independence, do they not?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. We are also, if not in your region, at least in the overall aid program, proposing various aids to possessions of other sovereign nations. Do you understand that to be a statement of fact?

Mr. TENNANT. Some dependent oversea territories; yes, sir.

Mr. PASSMAN. Of other nations, and not of our Nation?

Mr. TENNANT. That is correct.

Mr. PASSMAN. So here we are in this Congo-Leopoldville area getting ready to save them and arrest their restiveness with a program we started before they gained their independence, and we have built up obligations of $3,776,000. We have expended only $1,133,000.

Then, we go over to Belgium, and to protect their commercial and banking interests, they moved in, not with a $15 million program for fiscal 1961, but increased it to $20 million in fiscal 1962?

Mr. MOSSLER. That is correct.

REAPPRAISAL OF FISCAL YEAR 1963 EDUCATION PROGRAM

Mr. PASSMAN. What is the total amount proposed for aid to education in fiscal 1963 for this country?

Mr. HUTCHINSON. The figure shown on the summary sheet is $1,335,000. We would have to go back and reappraise this figure in the light of the adjustment project by project which we have just discussed.

Mr. PASSMAN. When are you going to get to that reappraisal, so we can have an answer to our question?

Mr. HUTCHINSON. We can do it and bring it to you at our next meeting, as a matter of fact.

Mr. PASSMAN. Bring it in at the next meeting.

PARTICIPANT TRAINING

What type of training do the participants receive under the agriculture training project shown on page 286?

Mr. HUTCHINSON. In this particular project the training is in general university study in the field of agriculture, in agricultural co-ops, and in forestry.

Mr. PASSMAN. Are the participants being trained in their own country?

Mr. HUTCHINSON. Some are being trained in the United States and some are in France.

So far we have gotten 12 in the field. So far the people have been selected for 1962 for additional training numbering 20, and they expect to start this summer.

Mr. PASSMAN. Are any in training in Belgium?

Mr. HUTCHINSON. No, sir.

Mr. PASSMAN. That is strange, since it was a Belgian possession, and to protect their own commercial and banking interests they are in with an aid program of $20 billion. They have their habits and customs and speak their language.

CONTRACT WITH AGRICULTURAL TECHNICAL AID FOUNDATION

Anyway, what is the amount of the contract and its terms with the Agriculture Technical Aid Foundation, shown on page 287?

Mr. HUTCHINSON. The amount of the contract is $1,600,000 which has amounts for fiscal 1961 and the changed amount which we gave you for fiscal 1962.

The contract provides for work in four regional schools. It provided for construction, $108,000 being provided for staff housing, student housing, two classroom school buildings, a carpentry and machine shop.

It provides for the expenses and salaries of the technicians who are there doing the training.

The field staff includes specialists in the field of horticulture, agronomy, poultry raising, agricultural mechanics, audiovisual aids, and English language training teachers. Thirty technicians are to be provided under the contract.

Mr. PASSMAN. In this one project I believe you indicated you obligated $1.6 million. This is for contract services. You had a total of only $1,187,000. Let us understand that matter.

Mr. HUTCHINSON. Yes, sir. You asked the amount of the total contract.

Mr. PASSMAN. Is that $1.6 million?

Mr. HUTCHINSON. Yes, sir, which is the amount of obligation in fiscal 1962 and the amount obligated through June 30, 1961, which totals $1.684 million.

Mr. PASSMAN. So you go back into previous years?

Mr. HUTCHINSON. To get the total cost, yes, sir.

Mr. PASSMAN. How long do you plan to run this contract?

Mr. HUTCHINSON. This particular contract runs through June 30, 1963. It is funded through June 30, 1963.

Mr. PASSMAN. How much are you asking for fiscal year 1963 for this particular contract?

Mr. HUTCHINSON. We are asking for $900,000, sir.

I think I should indicate in this connection, however, that while we do feel we may very well want to fund this contract for an additional year, we are not absolutely sure that this will be the case, and this is one item in this particular presentation where we will want to review very carefully before we go forward with the contract.

Mr. PASSMAN. Is it not the largest item?

Mr. HUTCHINSON. I believe it is, sir.

Mr. PASSMAN. Thank you for the encouragement.

Who are these Technical Aid Foundation people? Where are they domiciled?

Mr. HUTCHINSON. In the United States.

Mr. PASSMAN. The United States covers a lot of territory. We would like to have it defined a little closer.

Mr. TROXEL. The basic organization originated in California. Whether it is incorporated in another State of the United States I do not know. It is an outgrowth of a Methodist organization which was made a secular nonprofit institution.

Mr. PASSMAN. Is this a worksheet organization?

Mr. TROXEL. No, sir; it is an active and going organization.

Mr. PASSMAN. There is a lot of money involved. You do not know where this organization is domiciled, then?

Mr. TROXEL. Not as to legal domicile; no, sir.

We would be glad to get the legal domicile for you.

(The information follows:)

The Agricultural Technical Assistance Foundation is a nonprofit corporation duly organized and existing under the laws of the State of California with its principal offices located at 5236 Santa Monica Boulevard, Los Angeles, Calif.

Mr. RHODES. Can we find out why you intend to reconsider this program?

Mr. HUTCHINSON. Yes, because since we have provided funding in 1962, we want to have a look-see at whether or not there is enough accomplished to permit us to terminate the contract or whether or not we would want to continue it another year.

Mr. RHODES. You mean whether somebody else has moved into the field so that this type of training is being accomplished, or do you want to determine that the training no longer is necessary?

Mr. HUTCHINSON. That they have enough people in their own economy who can take over the training from the contractors. That is what we want to determine.

CONTRACT EXPENDITURES AS OF MARCH 30, 1962

Mr. PASSMAN. Against the $1.6 million, can you tell us the amount of expenditures as of March 31 of 1962?

Mr. MOSSLER. We had spent—I don't have that, sir.

Mr. PASSMAN. I refer to this particular project.

It could be that most of the $1.6 million is mostly on hand unexpended?

Mr. MOSSLER. Some part is not spent, but I am sure that some part is, because people are in the field and have been getting paid.

Mr. PASSMAN. Would you think there would be a substantial part of the $1.6 million on hand unexpended that would be expended in subsequent years?

FORWARD FUNDING OF CONTRACTS

Mr. HUTCHINSON. I am sure there is, sir, because of the fact, as we indicated, we are funding the contract through June 30, 1963, so there is bound to be a substantial unexpended balance here.

Mr. PASSMAN. You are funding the contract through June of 1963?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Out of prior year appropriations?

Mr. HUTCHINSON. Yes, sir. This is common practice, as a matter of fact——

Mr. PASSMAN. More common perhaps than you realize.

Could it be you found you had more money on hand than you could prudently obligate elsewhere and you applied it to this contract?

Mr. HUTCHINSON. I wouldn't say we found we had more money on hand than we could prudently obligate; but, sir, if we had had funds available in savings from other places it seems to us that it would have been sensible to provide for the funding of the contract on through its completion on a 2-year term.

Mr. PASSMAN. Rather than have it lapse and say, "Gentlemen, we have effected a saving."

Of course, this is no different from what would have happened in the personnel field if we had not checked it before it got out of hand.

Mr. MOSSLER. One thing we try to do in all of the contracts, and this is especially so with university contracts, is to forward fund them from 18 months to 2 years. That is the reason we do have pipelines in each of these programs.

Mr. PASSMAN. We are not arguing about that matter, nor are we discussing it. You made an original allocation. Now you are adding to that amount. You are forward funding it to carry it through fiscal 1963, and that happened subsequent to the first allocation.

Mr. MOSSLER. We had some money in the first plan but it did not carry us forward for even 1 year. We felt there should be adequate funding to take it through 1 year.

Mr. PASSMAN. The $900,000—who had that feeling, first? Was it the AID agency or the contractor?

Mr. HUTCHINSON. The AID agency.

Mr. PASSMAN. You might as well state for the record that we had been under the impression, and it is supported by past testimony, that it was usually the contractor who felt he needed forward funding, and made a case for it, rather than the AID agency itself.

Mr. HUTCHINSON. The two things are not unrelated. If a contractor, in order to get his people there to do the job has to have this kind of forward funding, it is not incorrect testimony——

Mr. PASSMAN. I did not say it was incorrect. I am saying it was the contractor who felt he needed this funding. I made my statement because you said it was the AID agency which felt that need.

Mr. MOSSLER. We approved the program. That is what we meant.

Mr. PASSMAN. The contractor had the feeling, and it was contagious, and you picked it up and cooperated?

Mr. HUTCHINSON. I wouldn't put it that way, sir.

Mr. PASSMAN. I am putting it that way in asking for agreement.

Mr. HUTCHINSON. Yes, sir, but when we wouldn't put it that way I don't see how you can ask us to agree, sir.

Mr. PASSMAN. I do not think you know what happened.

The $900,000 that you will not need, which is about 58 percent of the total, is almost a certified fact that you do not need it, according to past history. Who arrived at the fact that you may need it?

Mr. HUTCHINSON. This may be past history, sir, but all I testified to is that we want to examine the situation to see whether we do in fact need to carry forward.

Mr. PASSMAN. Who arrived at the fact you may need this $900,000, and how did you arrive at the $900,000?

There must have been a program, and there must have been some type of worksheet, or you never would have determined that you would need $900,000 for this project in subsequent years.

Mr. HUTCHINSON. This figure was arrived at by the review of the facts we had at that time. I do not have in the book when it was prepared.

Mr. PASSMAN. When did you last review it?

Mr. HUTCHINSON. Just before the books were prepared back in March, I believe.

Mr. PASSMAN. What has happened subsequent to that time, and on what dates, and who determined that you may not need this $900,000?

Mr. HUTCHINSON. We have not determined we may not need the $900,000.

Mr. PASSMAN. Did you get some indication earlier about that.

REVIEW OF FISCAL YEAR 1963 REQUEST

Mr. HUTCHINSON. We had an indication we wanted to examine the program. What has happened since that date is that we have now provided more funding in fiscal 1962 than had been anticipated when this book was prepared.

I am telling you now that as a result I want to examine the $900,000 figure to see whether as a result of that it still has validity. I have not conducted that review as yet.

Mr. PASSMAN. Did you indicate earlier it might be that you would not need it?

Mr. HUTCHINSON. I indicated I wanted to conduct a review to see whether we needed it.

Mr. PASSMAN. So it is not determined at this time that you will need it?

Mr. HUTCHINSON. It is not determined absolutely we will need it. I want to examine what effect this change has on the $900,000.

Mr. PASSMAN. Would that determination also apply to the other projects you have for fiscal 1963 in this region?

Mr. HUTCHINSON. Sir, we will certainly review all the projects in this region for fiscal 1963 before we give them program approval.

Mr. PASSMAN. That is not the point we are trying to clear up.

There was some strong indication that you are going to have a closer look at this item then you indicated you would on these other projects. The record speaks for itself. You have given us some indication you may not require these funds.

We wonder if that is also true on the other projects in the Congo, Leopoldville, or is this one a little different from the others?

Mr. HUTCHINSON. This one is a little different from the others because of the fact we have done this additional funding.

Mr. PASSMAN. You have done some additional funding on some of the others.

PROGRAM APPROVALS AND PROJECT OBLIGATIONS

Mr. RHODES. Can we find out on what date the additional funding was accomplished, the additional obligations?

Mr. MOSSLER. We can give you the program approval.

Mr. RHODES. Did you consider at the time the program was approved that these funds were obligated?

Mr. MOSSLER. We assume when we make the program approval they will be obligated before the end of the year.

Mr. RHODES. In other words, with the increase of $296,000—was that the amount?

Mr. HUTCHINSON. The increase was $991,000 to $1,187,000, or $296,000.

Mr. RHODES. That is under the category of obligated funds?

Mr. HUTCHINSON. These figures are program approvals. I cannot tell you what the actual obligation has been by project as yet. I am giving program approval figures and what we anticipate the obligation would have been.

Mr. PASSMAN. But, in that connection, did you tell us that you had obligated only $1,330,000 out of the total?

Mr. MOSSLER. No, sir. Obligations in fiscal year 1961 were $497,000. The program approval figure for fiscal year 1962 is $1,187,000.

Mr. PASSMAN. Subject to the time you make the expenditure, there always can be deobligation or transfer?

Mr. MOSSLER. It is still permitted under the legislation to deobligate funds which were validly obligated in the first instance; yes, sir.

Mr. RHODES. Were you going to give me that date for the record?

Mr. MOSSLER. I don't have it now. I shall have to supply it.

(The information follows:)

DATE OF ADDITIONAL FUNDING—CONGO POLYTECHNIC INSTITUTE PROJECT

Fiscal year 1962 funding of the contract with the Agricultural Technical Assistance Foundation for this project was as follows:

$700,000	Dec. 28, 1961
$487,684	May 22, 1962

Mr. PASSMAN. Mr. Natcher?

IMPORTANCE OF LEADERSHIP TRAINING

Mr. NATCHER. According to the testimony this morning, the projects that you propose for the Congo, and especially in Léopoldville, pertain mainly to the education and training of future leaders. Is that correct?

Mr. HUTCHINSON. That is basically correct; yes, sir.

Mr. NATCHER. Do you feel in a program such as mutual security that this is a duty which should be placed upon our country?

Mr. HUTCHINSON. Sir, it seems to us that the training of future leaders in countries where the problem is, first, one of trying to get an effective government is in the U.S. interest because we start from the assumption that stable government and economic growth are in the U.S. interest in these areas. If we do not start with that assumption then obviously the whole program makes no sense.

Starting from that assumption it seems to us that the most effective way to accomplish the purpose in these countries where the basic problem is to get a stable government and a growing economy is to train the people in the positions where they will be actually operating in government, where they will be working in the field of agriculture in this case, and training the teachers.

This seems to us to be the best way to get a multiplier effect at the lowest cost to insure stability which we think is in our interest.

Mr. NATCHER. Would I be correct to say that this is another indication that some of the countries should not have received their independence as quickly as they have?

Mr. HUTCHINSON. It certainly is an indication, sir, that many of these countries have received their independence before they were in the position to have the expertise necessary to govern themselves with efficiency and effectiveness. This is certainly true.

Whether or not they got it before they should have achieved it begins to be a philosophical question which I am not quite sure we could ever resolve. After all, the desire for independence and liberty is pretty deep. While I am not comparing the state of education, training, and ability that we had when we attained our independence with that which exists in these countries when they obtained theirs, it is still true that we had difficulties ourselves in our early days.

Again I agree the scale is totally different, but my point is that I do not think we can reach a philosophical conclusion as to whether or not a country gets its independence too soon.

Mr. PASSMAN. Would the gentleman yield?

Mr. NATCHER. I yield.

Mr. PASSMAN. When we gained our independence from Great Britain, did we not sort of work these problems out on our own?

Mr. HUTCHINSON. We worked our problems out to a considerable extent on our own.

Mr. PASSMAN. How much did Britain give us? Did they come in with a tremendous aid program, such as Belgium has in the Congo, or did we work out our own problems?

Mr. HUTCHINSON. We worked out many of our own problems, but I am sure history will show us that a very considerable part of the development of the United States was financed with foreign credits, sir.

Mr. PASSMAN. I am sure we had foreign credits. We have foreign credits now. That has nothing to do with an aid program.

Mr. HUTCHINSON. I think you can say world conditions are quite different today, also, so the analogy will not hold in that respect, either.

We are certainly much closer tied together in what happens in the Congo today in the way it affects us and our security considerably more than things which happened in distant times. I think our problem is vastly different from what existed at that time, sir.

Mr. PASSMAN. If we do not get a little bit of commonsense in the way we are running this thing it will be even more complicated.

There is no such thing as insulting the United States any more, whether you are neutral, Communist, or dictatorship. All you have to do is to talk loud and in the aid goes.

Thank you for yielding.

Mr. NATCHER. I do agree with you that we have a serious problem confronting us when we consider the fact that the undeveloped countries of the world are now in the majority on the General Assembly in the United Nations Organization, and also the same condition applies to the International Monetary Fund. I think it is a very serious condition, and I think as time passes we will find we have been a little overzealous in trying to aid and assist some of the countries in obtaining their independence when they were not ready to take the first step.

That is all, Mr. Chairman.

Mr. PASSMAN. Off the record.

(Discussion held off the record.)

Mr. PASSMAN. Mr. Andrews?

CONTRIBUTIONS TO LAW SCHOOL PROJECT

Mr. ANDREWS. I notice in connection with this National School of Law and Administration that the school receives financial support from the Ford Foundation, the Congolese Government, and a number of European countries, as well as from the United States.

Could you tell us what those other countries contribute and what the Ford Foundation contributes to the school?

Mr. HUTCHINSON. I think we have the figures here, sir.

What we have here is the EEC contribution of $1.5 million for the construction of the project.

As you know, the EEC is an organization of a number of European countries—France, Belgium, and so on.

Mr. ANDREWS. Was that $1.5 million for 1 year?

Mr. HUTCHINSON. That is toward the whole construction program, sir. I am not sure whether this is for 1 year, or whether this is a one-time grant.

Mr. ANDREWS. Is that for the construction of new buildings?

Mr. HUTCHINSON. Yes. I am reasonably sure that this is a one-time grant.

Mr. ANDREWS. Could you tell me how, or supply for the record, what the United Nations and the Ford Foundation is supplying?

Mr. HUTCHINSON. I would have to supply that for the record.

(The information requested follows:)

OTHER AID TO THE NATIONAL SCHOOL OF LAW AND ADMINISTRATION PROJECT, CONGO (LÉOPOLDVILLE)

The Ford Foundation in 1962 is providing $265,000 toward the support of the National School of Law and Administration. The funds are primarily for salaries of administrative and teaching staff and for other operating costs of the school. The deputy director of the school is provided by the foundation.

The United Nations in 1962 is sponsoring 200 scholarships at a cost equal to $200,000 and is providing didactic material at a cost of $45,000.

Belgium is providing 3 million Belgian Francs ($60,000) to NSLA's operating budget.

Mr. ANDREWS. Has the U.N. given any money for this project?

Mr. HUTCHINSON. Not that I am aware of, sir.

ESTIMATE OF CONSTRUCTION AND RELATED COSTS OF LAW SCHOOL

Mr. ANDREWS. I notice that the ground breaking for the new building took place in February of 1962. Do you know anything about the building, its size and type of construction?

Mr. HUTCHINSON. I can get you the data.

Mr. ANDREWS. Does anyone here know anything about it?

Mr. HUTCHINSON. We do not have that data.

(The information supplied follows:)

DETAILS FOR BUILDING FOR NATIONAL SCHOOL OF LAW AND ADMINISTRATION, CONGO (LÉOPOLDVILLE)

On the basis of a school programing type of investigational report, the U.S. architectural firm retained by AID in consultation with local officials established the following criteria for the NSLA:

To handle both academic and quarters facilities for a student body which is now 320 and anticipated to be 1,000 within 5 years, the following buildings are required:

Buildings	Floor area (M2)	Rough cost estimate (United States dollars)
Academic building	4,510	682,000
Library	600	111,800
Auditorium	1,560	365,000
Student center	2,070	365,500
Dormitory (150 students) (4 dormitories)	[1] 2,700	[2] 1,462,000
Service building	1,400	205,000
Rough estimation of building construction		3,191,300
Site improvements (walks, roads, grading, drainage, et al.)		160,900
Student activity facilities		167,000
Total rough cost estimation		3,519,000

[1] Each.
[2] $365,500 each.

Preliminary plans for the buildings are now being developed on the basis of the above space criteria. The type of construction will be tropical in nature, providing maximum natural ventilation and using local materials such as stone masonry to the extent practical.

Mr. ANDREWS. Do you know the cost of it?

Mr. HUTCHINSON. $3.6 million is the estimated cost of it, sir.

Mr. ANDREWS. How much of that did we pay?

Mr. HUTCHINSON. We have put in $75,000 up through January 30, 1961, and we anticipate obligations of $475,000 in 1962 and the same amount in 1963 and—I am sorry—it is $430,000 for 1962. This is one of the ones that has changed. We estimated $475,000 in 1963 and there might be $200,000 remaining over the end of the period.

Now, $200,000 of this is for some salaries for teachers and some A. & E. services that would not be included in the $3.6 million that I was talking about and, in addition, $75,000 for participants.

STUDENTS AT SCHOOL OF LAW

Mr. ANDREWS. I notice the students are required to be in residence throughout the program. Do you know anything about the length of the program? Are they paid?

Mr. HUTCHINSON. It is a 3-year program, sir. It is my understanding they are not paid but they are provided with some subsistence while they are involved in the training program.

Mr. ANDREWS. How much subsistence does a student get?

Mr. HUTCHINSON. I do not have that figure.

Mr. ANDREWS. Supply that for the record.

Mr. HUTCHINSON. Right.

(The information requested follows:)

STUDENT SUBSISTENCE ALLOWANCE—NATIONAL SCHOOL OF LAW AND ADMINISTRATION, CONGO (LÉOPOLDVILLE)

Students at the National School of Law and Administration receive subsistence of about $3 a day. Most of the students are heads of families and the subsistence rate for a student depends on the number of dependents he has. Payments are made through scholarships sponsored by the Congo Government, Belgium, and the United Nations.

Mr. ANDREWS. Do you expect to have 1,000 students?

Mr. HUTCHINSON. That is the ultimate goal; yes, sir.

Mr. ANDREWS. This is a pretty big school; is it not?

Mr. HUTCHINSON. Yes, sir.

Mr. ANDREWS. Is $475,000 the total amount we will put in this project in 1963?

Mr. HUTCHINSON. $475,000 is what we anticipate in fiscal year 1963.

Mr. ANDREWS. Is that for the payment of teachers, construction, subsistence for students, and other costs?

Mr. HUTCHINSON. I see no payment for subsistence from our funds, sir.

Mr. ANDREWS. But the total amount contributed by this country for the entire project, which includes the payment of teachers, subsistence for students, and construction of the building, will be $475,000.

Mr. HUTCHINSON. In fiscal year 1963 we estimate that.

Mr. ANDREWS. That is what I am talking about.
Mr. HUTCHINSON. Right.
Mr. PASSMAN. Mr. Rhodes?

POLITICAL SITUATION IN THE CONGO

Mr. RHODES. Mr. Hutchinson, what are the general conditions in the civil government of the Congo at the present time?

There has been a revolution there. As far as I know, there is still a revolution going on. It has not been in the papers quite so much.

First, does the civil government in Léopoldville have effective control of the whole country, and if the answer is no, what part of the country does it not have effective control over?

Mr. HUTCHINSON. They do not have effective control over the Katanga. There is difficulty in exercising control in some other areas. There has been difficulty in control over—and I would like Mr. Troxel to amplify and supplement what I have said—there has been some difficulty of control over the armed forces. There has been some difficulty internal, within the Cabinet itself. You may have noticed the recent newspaper story that there have been some fairly significant changes made.

There has been a real problem here of the extent of control which the Government has been able to exercise. I would say, however, on the other side, given the extreme disorder which prevailed at one time, and given the fact that the country obtained its independence under such unfavorable circumstances, both in terms of what you would have expected their ability to govern themselves might be, and second, in terms of a real crisis and disorder and revolution, I am surprised they have been able to maintain the extent of control they have.

They still do have a central government. A government is functioning. That itself, I think is a very significant accomplishment.

Mr. TROXEL. I think that is a very good statement.

The Central Government has slowly been able to extend its authority. It now has authority over most of Kasai Province, whereas not too long ago it had very little authority.

All of the region that was formerly under the rump government at Stanleyville now gives allegiance to the Central Government.

Mr. RHODES. Orientale Province?

Mr. TROXEL. Yes. Katanga is the main holdout.

Mr. RHODES. There appears to be no progress at all being made in bringing Katanga into the Congo Union?

Mr. TROXEL. There have been a few breaks, but the major impasse has not been broken. There have been some negotiations going on in the past month.

Mr. RHODES. Does the Belgian aid all go to the Central Government, or does part of it go to the government of Katanga.

Mr. TROXEL. None goes to the government of Katanga at the present time. It is true that some of the Belgian administrators still have their salaries paid or supplemented within Katanga. I think probably the military are all completely cut off. They were pared down as the efforts have been increasing, the cooperative effort on the part of several Western countries, to try to resolve that situation.

Mr. RHODES. Have the industries in Katanga been able to keep going?

Mr. TROXEL. Yes. With very little interruption; they have paid very good dividends too.

Mr. RHODES. As far as Katanga is concerned, apparently that one Province, because of its rather large natural wealth, is getting along right well and the rest of the Congo is practically the poorhouse of Africa; is that a fairly correct statement?

Mr. TROXEL. Not far off, sir.

But, I think we would qualify the statement that Katanga is really getting along well. The Katanga Government does not really have control over the whole Province of Katanga, and a majority of the people in Katanga belong to the tribal groups that are out of sympathy with the Government.

If you talk to a great many Katangans, they would express their unhappiness about what is going on in the Government.

Mr. RHODES. We are not going to break this country up into a few more nations and let them all in the U.N. are we?

Mr. TROXEL. Our policy is to attempt to keep the country together.

Mr. HUTCHINSON. That is basically what the fight has been about.

BUDGETARY SUPPORT IN CONGO (LÉOPOLDVILLE)

Mr. RHODES. Do we pay any money to the Léopoldville government for the support of its budget?

Mr. HUTCHINSON. There is no direct budget support involved in our aid program, sir.

There are some costs associated with various of these institutions that tend to support their budget. We do not give any direct budget support to the Congolese Government.

Let me ask about the local currency proceeds of the import program through the U.N.

Mr. TROXEL. That includes a budgetary support process. It is administered quite separately from this program.

Mr. RHODES. I presume this committee will be called upon to appropriate the funds for it from some other source.

Mr. HUTCHINSON. That is correct.

FINANCING LAW SCHOOL PROJECT

Mr. RHODES. Going back to this National School of Law and Administration, since it is financed from a number of sources, what form does our aid take? Is it all in cash? Does it go to pay salaries of instructors, or buy equipment, or just what?

Mr. HUTCHINSON. Two hundred thousand is estimated to go for equipment of various kinds—lumber, sawmill products, pulp and paper, electrical apparatus, industrial machinery, motor vehicles, and so forth. Also transportation of them.

Mr. RHODES. We do pay them cash with which they buy these various items?

Mr. HUTCHINSON. This would not take the form of a cash transfer, I am sure. This would be procured through the regular AID procurement procedures. We would make the payment against letters of credit rather than actually giving them the cash.

Then there are four foreign teachers involved.

TECHNICAL SUPPORT PROJECT

Mr. RHODES. I note on page 290, under fiscal year 1963 funding, you state:

The slight increase in technical support costs this year is a reflection of the limited expansion development grant program proposed for fiscal year 1963.

I note that the estimated obligation for fiscal year 1963 to be $225,000 which, as you mention, is some $25,000 more than last year. What is the detail on the increase, if you have it?

Mr. HUTCHINSON. I do not have the detail.

Mr. RHODES. You say limited expansion. I do not know what you mean by that.

Mr. HUTCHINSON. We do expect an increase in the number of people. We say 6 Americans and 11 locals are estimated for fiscal year 1963. I could get you a detailed comparison.

Mr. RHODES. I wish you would.

Mr. HUTCHINSON. Right.

(The information requested follows:)

DETAILS OF TECHNICAL SUPPORT PROJECT, CONGO (LEOPOLDVILLE)

The fiscal year 1963 program request is $25,000 more than estimated fiscal year obligations as a result of an increase in the number of U.S. employed technicians from 5 to 6 to permit the assignment of a chief education officer. This officer is required in the administration of the AID program for the Congo due to the growing emphasis of the program on assistance to indigenous educational institutions such as the National Pedagogical Institute, the National School of Law and Administration, and Lovanium University.

Mr. RHODES. I think that is all I have, Mr. Chairman.

Mr. PASSMAN. Thank you.

DIRECT AND INDIRECT BUDGETARY SUPPORT

You have direct budgetary support and indirect budgetary support. All foreign aid falls in the category of indirect budgetary support. If you go into, say, the Congo (Leopoldville), you have no control over their internal government. You do not dictate to them how they will budget their own currency. So, if you go into the project they have planned, and in all probability they do have some of these planned, and if you pick up the check for the cost of these projects, that releases to them their money to do with whatever they wish.

So as far as I am concerned, all of it is either direct or indirect budgetary support, provided they have in their budget plans for the projects we carry out.

Mr. HUTCHINSON. There is no question but that the foreign-aid program permits countries to carry out a larger amount of activity than would otherwise be the case. That is the whole purpose.

Mr. PASSMAN. It is indirect budgetary support. If we had some country picking up the flood control bill in America to the extent of $1 billion, then of course it would release that $1 billion we would normally spend for that purpose to do something else.

CONGO (BRAZZAVILLE)

For the Republic of Congo (Brazzaville), there is $520,000 estimated for 1962. Your estimate is $——— for fiscal year 1963?

Mr. HUTCHINSON. That was the estimate when we made the book. Here, again, we face the situation that we faced in the Congo (Leopoldville), where there has been quite, proportionally speaking, a significant increase in the actual program approval for fiscal year 1962.

Mr. PASSMAN. Because they are "restive"? Would that account for it?

Mr. HUTCHINSON. I think, sir, it would be because of the fact that in this particular country we do have the same kinds of situations that prevail where countries are impatient to get forward with their development. We feel it is certainly in the U.S. interest that they have some prospect of realization of those desires.

Mr. PASSMAN. We could talk all day of the U.S. interest.

Mr. HUTCHINSON. It is not a country where you have the internal political situation existing which you have in the Congo (Leopoldville).

Mr. PASSMAN. Will you tell us how much you have increased it?

Mr. HUTCHINSON. We have increased it to $1.2 million.

Mr. PASSMAN. From $520,000?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. What is the amount of the expenditures?

And, did you have a program prior to 1962?

Mr. TENNANT. $54,000.

Mr. PASSMAN. When did they gain their independence?

Mr. TROXEL. August 15, 1960.

Mr. PASSMAN. You accumulated through fiscal year 1961?

Mr. MOSSLER. Through 1961, $54,000.

Mr. PASSMAN. Those are the obligations?

Mr. MOSSLER. The obligations.

Mr. PASSMAN. You say that in fiscal year 1962 the books we are using today indicate $520,000, but since the printing of the books it is up to $1,181,000?

Mr. MOSSLER. That is correct.

Mr. PASSMAN. The 1963 estimate is $———?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. So, if history repeats itself on the Congo, it is too early to determine what you may do there in 1963?

Mr. HUTCHINSON. It is too early to determine the detailed expenditure.

Mr. PASSMAN. That would have a lot to do with how much money you have?

Mr. HUTCHINSON. Certainly the amount of money will significantly affect what we do.

Mr. PASSMAN. Let us apologize for giving you so much money you could justify one figure and then obligate over twice that amount.

Mr. HUTCHINSON. We had not justified this figure previously.

Mr. PASSMAN. We should not be making appropriations without justifications.

DAHOMEY

When did Dahomey obtain its independence?

Mr. TROXEL. August 1, 1960.

Mr. PASSMAN. How much did you have for this country prior to their gaining independence?

Mr. MOSSLER. $104,000 for fiscal year 1961.

Mr. PASSMAN. Is that the year they gained their independence?

Mr. MOSSLER. It would be the same year, fiscal or calendar.

Mr. PASSMAN. Help him out, Mr. Tennant.

Mr. MOSSLER. I stand corrected.

Mr. PASSMAN. Did he get you straight?

Mr. MOSSLER. He got me straight.

Mr. PASSMAN. Without objection, try again.

Mr. MOSSLER. The cumulative obligations—I have two figures here, project and nonproject. I read you the project figure.

Mr. PASSMAN. Give us the two.

Mr. MOSSLER. The total of the two is $1,961,000.

Mr. PASSMAN. That was prior to or given at the time of their birth?

Mr. MOSSLER. The same year.

Mr. PASSMAN. What is the figure?

Mr. MOSSLER. $1,961,000 is the total figure, and the figure I gave you incorrectly in the first instance was a project component.

Mr. PASSMAN. Of this amount, how much have you obligated?

Mr. MOSSLER. That was all obligated.

Mr. PASSMAN. How much have you spent of the fiscal year 1961 money?

Mr. MOSSLER. I do not have 1961 figures broken out as such.

EXPENDITURES AS OF JUNE 30, 1961

Mr. PASSMAN. What has been the total expenditure?

Mr. MOSSLER. At the end of 1961, of that $1,961,000, we had spent $1,332,000 at the end of 1961.

A good part of this was nonproject commodity imports and that type of assistance does liquidate faster than project assistance.

Mr. PASSMAN. That is almost limited to drawing a check?

Mr. MOSSLER. It is the import of commodities, and you pay upon the delivery of the imports.

Mr. PASSMAN. It is almost limited to just drawing the voucher?

Mr. MOSSLER. Yes, it is quicker.

Mr. PASSMAN. I thought you would admit that fact.

REDUCTION IN FISCAL YEAR 1962 PROGRAM

Now, the 1962 program, $1 million; is that still current?

Mr. MOSSLER. That has been changed downward.

There have been changes since the books were put together.

Mr. PASSMAN. How much downward?

Mr. MOSSLER. From $1 million down to $730,500.

Mr. HUTCHINSON. These figures that we are talking about were the expectations when we prepared the book. The fact that our expectations for this country did not fully materialize does not mean that the committee provided us with too much money.

Mr. PASSMAN. Overall, you do not expect to have very much in unobligated funds when this is all hashed out?

Mr. HUTCHINSON. No, sir.

Mr. PASSMAN. You are asking for $——— for fiscal year 1963?

Mr. HUTCHINSON. Yes, sir.

FISCAL YEAR 1962 EXPENDITURES AS OF MARCH 31, 1962

Mr. PASSMAN. What has been the total expenditure against the 1962 program through March 31?

Mr. MOSSLER. Of the fiscal year 1962 program, we show as of March 31, $114,000.

Mr. PASSMAN. Which would leave approximately $617,000 unliquidated?

Mr. MOSSLER. That is awfully close.

Mr. PASSMAN. There is actually no need for any money for fiscal year 1963 for this country?

Mr. HUTCHINSON. I do not think we would reach that conclusion.

Mr. PASSMAN. But the record would certainly place us in a position to reach that conclusion. At least the estimate is $———?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. Why did you get nonproject assistance under the development grant appropriation?

Mr. MOSSLER. It was provided under special assistance at that time, sir.

CIVIC WORKS PROJECT COMMODITIES

Mr. PASSMAN. That does not make much sense. What type of tools and equipment will you furnish with the $100,000 for the civic works project?

Mr. HUTCHINSON. We expect to have two bulldozers, clearing plows, some small farm tools, some trucks for marketing produce, and some handtools and the basic equipment for establishing six workshops for training carpenters and blacksmiths.

Mr. PASSMAN. Did you get that information from the field since our hearings last week?

Mr. HUTCHINSON. I am sure we did not.

Mr. PASSMAN. You told us last week this information was all in the field. You said you had to go to the field to find out what they obligated. Now you are getting a little clearer on this matter.

Mr. HUTCHINSON. The information was insofar as this particular project is concerned.

As I testified yesterday, the procedure is such that we do not always have this kind of information on hand before we give program approval.

Mr. PASSMAN. Have you changed this estimate from the time the field requested the allocation?

Mr. MOSSLER. No, sir.

Mr. PASSMAN. It remains the same?

Mr. MOSSLER. Yes.

COST OF TECHNICIANS

Mr. PASSMAN. What are the elements of the cost of one technician on agricultural projects, $25,000?

Mr. HUTCHINSON. We do not have the component cost of that, sir.

Mr. PASSMAN. The record would show, in previous examination, we had one technician where the technician cost $30,000, another $19,900, and another $20,000. This one is $25,000. There is a variation whether it is direct hire or contractual?

Mr. MOSSLER. That is right.

Mr. PASSMAN. And you do not have the component parts?

Mr. MOSSLER. No.

Mr. HUTCHINSON. And depending on the type of technician.

Mr. PASSMAN. Depending on whether he is building a barn or something else?

Mr. HUTCHINSON. Yes.

VEHICLES

Mr. PASSMAN. What type of vehicles are you proposing to furnish?

Mr. HUTCHINSON. We do not have the exact content of the vehicles.

Mr. PASSMAN. Anything from a bicycle to a 10-ton truck?

Mr. HUTCHINSON. It will not likely be a 10-ton truck.

Mr. PASSMAN. It could be, since you do not have it.

Let the record show we do not know what it would be.

Mr. HUTCHINSON. Let me say, there will be some small tractors and plows and that sort of thing involved. The exact type of vehicles we do not have.

Mr. PASSMAN. If you do not know, you do not know.

FEASIBILITY STUDIES

We note that the feasibility project study on page 303 is new.

Mr. HUTCHINSON. It was expected to begin in fiscal year 1962.

Mr. PASSMAN. Expected to, or did begin?

Mr. HUTCHINSON. I do not know, as I look at this, whether the obligation has actually been incurred, or not, sir.

Mr. PASSMAN. That does not make it any clearer to the committee.

Bring us up to date on what you have accomplished for the $100,000 obligation. What has been done?

Mr. HUTCHINSON. We do not have it.

Mr. PASSMAN. You do not have it?

Mr. HUTCHINSON. We do not have the obligations that have been incurred by project.

Mr. TENNANT. The reports on the obligations for projects come in about 3 weeks after the end of the month. We will have the June reports late in July.

PROJECTED COSTS FOR TECHNICAL COLLEGE IN COTONOU

Mr. PASSMAN. How do you propose to expand the technical college in Cotonou?

Mr. HUTCHINSON. We intend to construct new buildings and provide some equipment.

Mr. PASSMAN. Construct new buildings?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. At an estimated completed cost of how much?

Mr. HUTCHINSON. Our estimated contract service for this is $400,000. I do not have before me the total cost of the project.

Mr. PASSMAN. You are not able to project it and give us a total of what the future cost may be?

Mr. MOSSLER. I believe it will be $200,000 after the 1963 increment.

Mr. PASSMAN. Let us not get that mixed up with something you have not received yet. Let us talk about the projected total cost of the project.

Mr. MOSSLER. Right——

Mr. PASSMAN. What is right?

Mr. MOSSLER. Right, I will try to answer your question.

We have $88,000 we show obligated, or proposed to be obligated.

Mr. PASSMAN. Proposed to be? There you go again.

Mr. MOSSLER. Plus $500,000 which is our estimate for 1963, which is $588,000, plus an estimated $200,000 beyond fiscal year 1963, which would make a total of $788,000.

Mr. PASSMAN. What have been the expenditures to date on this?

Mr. MOSSLER. We expect to have unliquidated——

Mr. PASSMAN. I asked you what you had expended.

Mr. MOSSLER. We indicated before we do not have expenditures by projects at this point. We expect to have unliquidated at the end of this year $68,000.

Mr. PASSMAN. Give us your expenditures as of March 31.

Mr. MOSSLER. We do not have them by projects, sir.

Mr. PASSMAN. So it could be zero, or all of it?

Mr. MOSSLER. That is correct.

Mr. PASSMAN. Thank you.

TELECOMMUNICATION PROJECT

How much money do you have budgeted for the telecommunication equipment, page 305?

Mr. HUTCHINSON. For the radio transmitting and receiving equipment in the public safety project?

Mr. PASSMAN. That is right.

Mr. HUTCHINSON. There was a total of $150,000 budgeted for the project. The amount for the specific radio and transmitting equipment I do not have.

Mr. PASSMAN. You do not have that. Thank you.

I question whether you would have any information on the other items, either.

EMPLOYMENT IN DAHOMEY

Mr. NATCHER. Is it true that 25,000 of the people in this particular country are employed at the present time?

Mr. HUTCHINSON. I believe that statement is made, that 25,000 of the people are employed in industry.

Mr. NATCHER. Could you give me the total population of this country?

Mr. HUTCHINSON. Yes. The total population, 2 million.

Mr. NATCHER. Is it true that only 25,000 of the 2 million are employed?

Mr. HUTCHINSON. Are employed in industry is the information I have.

Mr. NATCHER. Will you tell me how many of these work for the Government?

Mr. HUTCHINSON. I do not have the answer to that, sir. I would have to check the figure.

Mr. NATCHER. Would you insert that in the record at this point?

Mr. HUTCHINSON. Surely.

(The information requested follows:)

EMPLOYMENT IN DAHOMEY

The figure of 25,000 wage earners is based upon mandatory declarations of employers as of December 31, 1960, to the Ministry of Labor, Government of Dahomey. This figure includes about 10,000 Government employees—those employed directly by the Government and those employed in Government-run or subsidized establishments such as the largest oil mills and the Organization Commune Dahomey—Niger, which includes the wharf and railroads. Also included in the 25,000 figure are those engaged in primary agricultural activities (food processing, cotton ginning, oil mills, etc.). Subsistence farmers, self-employed persons, domestic servants, and small family businesses, are not included in the above figure.

Mr. NATCHER. Can you tell me if this country is a member of the United Nations?

Mr. HUTCHINSON. It is.

Mr. NATCHER. By virtue of being a member, it has a representative on the General Assembly then?

Mr. HUTCHINSON. Yes.

QUALIFICATIONS FOR INDEPENDENCE

Mr. NATCHER. Do you mean to tell this committee that a country that has a total population of 2 million people and with only 25,000 of them working is ready for independence?

Mr. HUTCHINSON. First, let me say, sir, that I am not sure that the 25,000 includes Government employees. I will have to see.

Secondly, the 25,000 are wage earners. There will be considerably greater numbers of people who are working on the farms and so on, not as wage earners.

Then, sir, it is not for me to judge who is entitled to independence. This is a conclusion I cannot reach.

Mr. TROXEL. This country was given independence by France. The United States was not involved in its independence process. We were not consulted in advance of its independence. France is still continuing to give the greatest measure of aid to Dahomey and other of the countries formerly associated with it. However, once these countries become independent, it is very difficult for any kind of moderate leadership in the government to stay in power if the people have the feeling they are solely dependent on the former colonial power.

It is just one of the facts of the world we are forced to deal with, that independence means to most of these countries they are going to have some kind of a change in their status, that they are not going to see only the faces of representatives of the former metropole government.

So we feel we do something very useful when we have a small aid program in these countries, to show they have really changed their status. Among other things, this in effect makes it easier for the French to continue to maintain the aid program all of us here want to be continued. Naturally it is in our interest that the metropoles, with the background they have and their knowledge of the language, bear the greatest burden of helping the countries that were formerly associated with them.

I might go on to add that we all recognize these countries are not very viable economically. We hope it can be worked out so that they will develop regional relationships to get some of the benefits of specialization in industry and agriculture. This is one of the new things we have to try to do as we go forward with the program.

I think that is sort of a thumbnail summary of the reason we feel we should go in with modest programs.

EMPLOYMENT PROBLEMS IN DAHOMEY

Mr. ANDREWS. Do you know anything about the employment situation in Dahomey?

Mr. TROXEL. I know very little about employment in Dahomey except that it is mostly subsistence agriculture. The vast majority of the people are out living on the land. They are not wage earners.

Mr. ANDREWS. Would you consider a man working on a farm to be employed or unemployed?

Mr. TROXEL. I would consider him employed.

Mr. ANDREWS. I would, too.

I read on page 95 of the justifications:

Dahomey suffers currently from an unemployment problem caused by the expulsion of the Dahomeans from other newly independent African countries, where they had held coveted clerical and administrative positions.

On the same page:

The domestic market is small, with only about 25,000 wage earners out of a population of 2 million.

Mr. TROXEL. That sounds about right, sir.

Mr. ANDREWS. Do you think farmers are included among those 25,000 wage earners?

Mr. TROXEL. No, sir. That is what we call subsistence agriculture. They actually consume the foodstuffs they grow on the farm, or exchange in the marketplace.

Mr. HUTCHINSON. The President did speak to me about this unemployment problem when we were out there. It is something very much upon his mind. He has these skilled workers in some considerable number in relation to the 25,000. There are not hundreds of thousands of them. He has a significant number of them who are coming back from other African countries and are unemployed. They have some skills. They are people who are unemployed. I hate to use this word, but I will go ahead and use it; they are likely to get "restive" and they could be involved in activities that are disturbing to political stability and that sort of thing. He is very much concerned about that.

Mr. NATCHER. What is the total amount requested for Dahomey for fiscal year 1963?

Mr. HUTCHINSON. For fiscal year 1963, we are considering $———.

Mr. NATCHER. Is this country a member of the International Monetary Fund?

Mr. HUTCHINSON. I would have to check.

Mr. TROXEL. I believe it has an application in, but it has not yet been approved, sir.

Mr. NATCHER. Mr. Chairman, that is all I want to say.

Mr. TROXEL. Mr. Natcher, may I make one comment?

Mr. NATCHER. Yes.

Mr. TROXEL. That is, if all of the countries of the United Nations voted as responsibly and effectively as Dahomey, small as the country is, with all of their lack of resources, the world would be a better place to live in. These people have been very helpful, sir. They really have.

RUSH TO MAKE OBLIGATIONS IN DAHOMEY

Mr. PASSMAN. From page 96, under "Accomplishments," I quote:

> An economic and technical assistance agreement with Dahomey was signed in May 1961. The AID program is thus just beginning, and it is too early to cite tangible accomplishments.

In 2 months we programed approximately $2 million for this new country, did we not, in 1961?

Mr. MOSSLER. We had $1.96 million obligated in 1961; yes, sir.

Mr. PASSMAN. In 2 months.

Mr. MOSSLER. I do not know that.

Mr. PASSMAN. I want you either to verify it or establish that it is not correct.

Mr. TENNANT. I think Mr. Troxel indicated independence in August of 1960, which would probably indicate our program was going longer than 2 months.

Mr. PASSMAN. The economic and technical assistance agreement with Dahomey was signed in May of 1961. Are you giving aid before you sign the agreement?

Mr. HUTCHINSON. It is possible, sir, to give aid to countries before the formal aid agreement is signed.

Mr. PASSMAN. To give aid before you even have an agreement with them?

Mr. HUTCHINSON. Before you have the formal agreement which relates to privileges, immunities, and so forth.

Mr. PASSMAN. I am not talking about privileges and immunities. I am talking about before you have a formal agreement as to the type of aid.

Mr. HUTCHINSON. The formal aid agreement, sir, relates to such things as the maintenance of personnel in the country, and that sort of thing. It does not relate to the type of assistance.

Mr. PASSMAN. Quoting again from page 96 of the printed presentation:

> An economic and technical assistance agreement with Dahomey was signed in May 1961. The AID program is thus just beginning, and it is too early to cite tangible accomplishments.

It is quite obvious that you did not give them aid, since you mention that you were just beginning the contract at the time. Is it true that in the next 60 days you obligated approximately $2 million to this country?

Mr. HUTCHINSON. We do not know, sir, that the obligation——

Mr. PASSMAN. Who knows whether or not you obligated it? I will ask the Controller. How much did you obligate during the 60 days following the signing of the agreement?

Mr. TENNANT. To get the amount we obligated between May and July 1, we would have to file this for the record. I do not have that with me, sir.

Mr. PASSMAN. Have you any indication at all as to what amount you obligated?

Mr. TENNANT. Not for those 2 months, no, sir. I have the cumulative obligations as you used the figure before.

Mr. PASSMAN. What is it, cumulatively?

Mr. TENNANT. Roughly $2 million.

Mr. PASSMAN. I think you might find that you obligated this $2 million in just about 60 days.

Mr. TENNANT. We can file that for the record.

(The information follows:)

Dahomey—Obligations, fiscal year 1961

[In thousands]

February	$6
March	3
April	3
May	1,653
June	297
Total	1,962

Mr. PASSMAN. There are 25,000 people employed out of the 2 million, but you do not know how many of those, if any, are employed by the Government, do you?

Mr. HUTCHINSON. I do not.

Mr. PASSMAN. You could not say categorically whether or not that would include those engaged in secondary agricultural pursuits, such as canning and other processing. Some of those could be in the field of agriculture?

Mr. TROXEL. I am sure you will find some of the industrial employment is, as you say, in food processing.

Mr. PASSMAN. Try to get the formula for us, if you can.

We shall adjourn until 2 p.m. Monday.

MONDAY, JULY 16, 1962.

STATUS OF BRITISH HONDURAS

Mr. PASSMAN. The committee will come to order.

Before we get into a continuation of the examination of the program for Africa, I wish to mention British Honduras.

We have not acquired that territory, have we?

Mr. MILLER. It is my understanding that the United States does not own British Honduras.

Mr. PASSMAN. It is a British possession?

Mr. MILLER. When Mr. Moscoso testifies here——

Mr. PASSMAN. I am not interested in when he gets here. We have a full-fledged aid program getting ready to blossom out there. British Honduras is still a British possession; is that right?

Mr. MILLER. That is my understanding, Mr. Chairman.

Mr. PASSMAN. If they want guidance or advice, the Crown would come before the United States; is that correct?

Mr. MILLER. We do have, as you know, Mr. Chairman——

Mr. PASSMAN. I am not asking you what we have there. I am trying to clear up the status and whether it is a British territory.

Mr. MILLER. Yes.

Mr. PASSMAN. So they would naturally look to the Crown for advice and aid before they would the United States, because of the fact that it is a British possession?

Mr. MILLER. I believe the British Government does give aid——

Mr. PASSMAN. I am not talking about aid at this time. I said if these people needed advice or counsel, they would look to the Crown before they would look to the United States, would they not?

Mr. MILLER. I just do not know.

Mr. PASSMAN. I did not think you would. But thank you for trying anyway.

I hope we can save the country some money. We are going to work on it.

PROGRAM FOR DAHOMEY

We signed an economic and technical agreement with Dahomey in May of 1961, and we got out there and firmed up all these programs without them knowing anything about it: we got them approved in Washington, we went back out and got them to approve them, and managed to obligate $1,900,000 before the fiscal year closed on June 30, 1961. Speedy work.

Mr. NATCHER. Would you yield to me?

Are you referring to the country that has 2 million people with only 25,000 of them employed, and with a request for $—— for fiscal year 1963?

Mr. PASSMAN. At the time we started the aid program, they had 25,000 employed. We have no later figures. It is the same nation.

ETHIOPIA

For Ethiopia, the 1962 program was $6,400,000, and in 1963, the estimate is $——.

Could you tell us for what purposes you obligated the $6,400,000 for fiscal year 1962?

Mr. MOSSLER. We have program approvals. We do not have the obligation records with us, but we do have the program approval figure for 1962.

Mr. PASSMAN. What do you mean "program approval"?

Mr. MOSSLER. These are the projects we have approved and the total amount we have approved for the country. We indicated earlier we did not have the actual June 30 obligations as yet.

Mr. PASSMAN. Where will I find the yellow sheet in our book?

Mr. MOSSLER. I do not think you will, sir.

Mr. PASSMAN. Thank you.

When do you expect to have the $6.4 million finally approved?

Mr. HUTCHINSON. The final program approvals have already been given.

Mr. PASSMAN. When will you obligate the money?

Mr. HUTCHINSON. The money to be obligated for fiscal year 1962 has already been obligated. We have not yet received the project breakdown as to the actual obligations which were incurred in fiscal year 1962.

Mr. PASSMAN. There have been no expenditures made out of these obligations?

Mr. HUTCHINSON. There probably have been small amounts.

Mr. PASSMAN. Substantially, the $6.4 million would be on hand to be expended in fiscal year 1963, or in subsequent years?

Mr. HUTCHINSON. I can give you an analysis of the pipeline situation.

Mr. PASSMAN. Will I find out on page 309?

Mr. HUTCHINSON. No, sir; you will not find it on page 309.

Mr. PASSMAN. Where will we find it?

Mr. HUTCHINSON. So far as I know, you do not find it in your books.

Mr. TENNANT. Mr. Chairman, through April we have spent $13,900,000.

Mr. PASSMAN. Out of $6,400,000?

Mr. TENNANT. Against all funds.

Mr. PASSMAN. We are talking about the $6.4 million that you had for fiscal year 1962.

Mr. TENNANT. I do not have a breakdown as to 1962 against the total.

Mr. PASSMAN. Other than some small amount, possibly for planning, you just now have your program worksheet complete; is that correct?

Mr. HUTCHINSON. The program worksheet is complete.

Mr. PASSMAN. It has been completed only recently?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. So, all, or practically all, of the funds are on hand, obligated, to be expended in subsequent years.

Mr. HUTCHINSON. Certainly a substantial amount of them, sir.

Mr. PASSMAN. How much, then?

Mr. HUTCHINSON. We testified, sir, we did not——

Mr. PASSMAN. Do you have any idea?

Mr. HUTCHINSON. We do not have the breakdown by fiscal year 1962 obligations, nor expenditures against those obligations.

Mr. PASSMAN. You cannot tell us how much money, if any, has been expended against the 1962 allocations?

Mr. HUTCHINSON. I cannot tell you.

Mr. PASSMAN. Thank you. That is what we were trying to find out.

DISCONTINUED PROJECTS IN ETHIOPIA

How many projects did you discontinue in Ethiopia in fiscal year 1962?

Mr. MOSSLER. We either discontinued or completed seven projects, depending on which way you define "discontinued."

Mr. PASSMAN. Maybe you will define it for us. How many did you discontinue?

Mr. MOSSLER. You remember, earlier in the testimony we had a question as to what was a discontinued project.

We stopped seven projects.

Mr. PASSMAN. How many new projects did you initiate in fiscal year 1962?

Mr. HUTCHINSON. In fiscal year 1962, or proposed in 1963?

Mr. PASSMAN. Yes, fiscal year 1962. How many did you initiate?

Mr. MOSSLER. In Ethiopia, the record shows we initiated no new projects.

Mr. PASSMAN. No new projects in Ethiopia.

EDUCATION PROJECTS

For the $702,000, education administration project, P–311, how much is budgeted for equipment and textbooks?

Mr. HUTCHINSON. I am trying to be sure I identify the correct project. I get the $702,000 of obligations, but I do not see the code P–311.

Mr. PASSMAN. Page 311.

Mr. HUTCHINSON. Your question was?

Mr. PASSMAN. How much of the $702,000 estimate for the education and administration project, page 311, is budgeted for equipment and textbooks, or what part of the project is for equipment and textbooks?

Mr. HUTCHINSON. We estimate instructional materials at $30,000, laboratory equipment at $150,000, textbooks at $120,000, and vehicles at $10,000.

Then the printing and local costs of producing the textbooks, another $100,000; the furniture and supplies for 330 classrooms at $130,000, and $40,000 for local regional travel and secretarial assistance.

Mr. PASSMAN. What type of vehicles do you have?

Mr. HUTCHINSON. I do not have the breakdown.

Mr. PASSMAN. Did the American textbook manufacturers give you their cooperation in working out the course, or do you buy them from American printers?

Mr. HUTCHINSON. Sir, these are textbooks that are being prepared in the field. These are instructional courses being developed there. They will not be textbooks that are available just to be purchased off the shelf.

Mr. PASSMAN. We are spending $150,000 for textbooks.

Can the Ethiopians do a better job formulating, printing, and putting in circulation textbooks than the textbook manufacturers of America?

Mr. HUTCHINSON. That is why we are having the project out there, to assist them in the development of the textbooks rather than have them depend on their own development.

Mr. PASSMAN. I thought you said you were assembling out in the field.

Mr. HUTCHINSON. So they will not have to depend on their own resources alone for the development of textbooks. This is one of the aspects of this project, to teach the Ethiopians the techniques of the development of textbooks.

Mr. PASSMAN. Teach them what?

Mr. HUTCHINSON. Teach them the techniques involved in the development of textbooks.

Mr. PASSMAN. And there is $150,000 for textbooks alone; is that correct?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. What kind of textbooks?

Mr. HUTCHINSON. I would have to get the break as to the exact type.

Mr. PASSMAN. Just textbooks—Ethiopian textbooks?

Mr. HUTCHINSON. Yes, for use in the Ethiopian schools.

Mr. PASSMAN. We want to find out if they purchase the materials from the United States, or whether or not you are buying these items from the textbook industry in Ethiopia.

Mr. HUTCHINSON. I would have to get that for you.

Mr. PASSMAN. As far as you know at this time, it is all Ethiopia?

Mr. HUTCHINSON. I think this $120,000 is not.

Mr. PASSMAN. That is what we are trying to find out.

You see how little all of us know about this. Now you are testifying differently than you did a moment ago. Now it is $120,000. Is it spent in America?

Mr. HUTCHINSON. I will have to get the details.

Mr. PASSMAN. You have $10,000 for vehicles. I asked for what type of vehicles.

Mr. HUTCHINSON. I testified I did not have the information on the vehicles.

(The information supplied follows:)

Details of education administration and program development project, Ethiopia

Textbooks:	
English and mathematics textbook for 20,000 secondary school students. To be procured in the United States	$120,000
Elmentary school textbooks (in Amharic) for 80,000 students. To be planned, written, and published in Ethiopia	100,000
Total, textbooks	220,000
Vehicles: 3 "jeep-type" vehicles for use by 7 American education advisers in visiting schools and education administrative offices throughout Ethiopia	10,000

OBLIGATIONS FOR HAILE SELASSIE UNIVERSITY

Mr. PASSMAN. How much money has been obligated to date for the Haile Selassie University project?

Mr. HUTCHINSON. Again, sir, we cannot give you the obligations through fiscal year 1962.

Mr. PASSMAN. We are talking about the 1962 program. Let us break it apart.

Prior to 1962, is there any amount you have obligated for 1962?

Mr. HUTCHINSON. The obligations prior to 1962 are $900,000, sir. As we have testified in connection with all the projects, we do not have our 1962 obligations by projects.

Mr. PASSMAN. The $900,000, all of it, could be on hand for expenditure in subsequent years?

Mr. HUTCHINSON. As the book shows, practically all of the $900,000 was available for expenditure within fiscal 1962.

The reasons we have to fund far in advance are because of the fact that (1) we are obligating for some building costs in connection with this project and we have to get architectural and engineering designs prepared in advance; and (2) we have to enter into a contract with an American university to provide for a teaching staff for the college of education. These, as we have testified, usually are for 2-year contracts which involves the necessity of building up a pipeline. This contract we expect to be with the University of Utah.

Mr. PASSMAN. You have unliquidated $1,172,000?

Mr. HUTCHINSON. That is our estimate of what the unliquidated obligation would be; yes, sir.

Mr. PASSMAN. If we move into fiscal year 1963, that is going to climb up to $1,557,000?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. If you did not get any money for the project, what would it be? How much are you asking for fiscal year 1963?

Mr. HUTCHINSON. We are asking for $1,557,000, sir. You say, if we did not get any money?

Mr. PASSMAN. Yes. I notice here that your estimated obligations are $1,557,000 and your total project elements, fiscal year 1963, is the same amount, $1,557,000. So, you expect to obligate all of it?

Mr. HUTCHINSON. Sir, we do expect to obligate all of it; yes, sir. This is the way we always present our requests for funds. This is our best estimate of the amount of obligations we will enter into during the fiscal year. Certainly we would be estimating.

Mr. PASSMAN. You make your estimate based on the fact that you have obligated all previous years' funds?

Mr. HUTCHINSON. We would not make it on the basis we have obligated all previous year funds; we would make it on the basis of our estimate of the obligations to be entered into during the fiscal year in question.

Mr. PASSMAN. On page 312 this year, you show unliquidated $897,000, yet if we go back to your book just 1 year ago you show an unliquidated balance of $2,250,000.

Mr. HUTCHINSON. For the same project, sir?

Mr. PASSMAN. Same project, Haile Selassie University.

Is there just one?

Mr. HUTCHINSON. Just one university.

Mr. MOSSLER. I think the reason for that is, in our congressional request we felt we were going to put more money into fiscal year 1962 than we actually did. I believe our presentation figure was $2 million, and it turned out we put in only $475,000.

Mr. PASSMAN. I am looking at 1961. Let us go back to table 2. Do you have your books with you?

Mr. MOSSLER. We expected to put in $2 million, as you see, for fiscal year——

Mr. PASSMAN. $2 million, or $2,250,000?

Mr. HUTCHINSON. $2.2 million was estimated for fiscal year 1961. Actual obligations through that date turned out to be only $800,000.

Mr. PASSMAN. Rather than $2,250,000?

Mr. HUTCHINSON. Rather than $2,200,000.

Mr. PASSMAN. That is another figure. We have here $2,250,000.

Mr. HUTCHINSON. You have that for unliquidated obligations. You have obligations of $2.2 million.

Mr. PASSMAN. You put in less than you anticipated?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. By what amount?

Mr. HUTCHINSON. According to the 1961 book, there was $100,000 of obligations prior to fiscal year 1961, and the total obligations in this book, through fiscal year 1961, are $900,000, so there must have been obligations of $800,000 in fiscal year 1961 as compared with the $2.2 million that was included in the book for fiscal year 1962.

Mr. PASSMAN. You were giving the money away faster than it could be intelligently utilized?

Mr. HUTCHINSON. Certainly, there was an estimate of an ability to obligate in fiscal year 1961——

Mr. PASSMAN. My statement is substantially correct, is it——

Mr. HUTCHINSON. I did not quite understand your question.

Mr. PASSMAN. You are obligating funds to the university faster than they can be utilized?

Mr. HUTCHINSON. Apparently we anticipated obligating them faster than they could be utilized. We, in fact, obligated $800,000 instead of $2.2 million.

Mr. PASSMAN. You anticipated an amount earlier?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. I hope you will not make us apologize too often for providing more funds than can prudently be obligated. We have been guilty of that practice in the past. We are not going to blame you for that fact, however.

OBLIGATIONS FOR CONSTRUCTION

Now, how much money has been obligated for the construction? I am speaking of the same university, Haile Selassie University, but dealing with the construction part.

Mr. MOSSLER. We have obligated none for construction yet.

Mr. PASSMAN. You have obligated none, but how much did you propose to obligate that you have not obligated?

Mr. MOSSLER. You asked first whether or not we had obligated any for construction?

Mr. PASSMAN. Yes or no?

Mr. MOSSLER. As of this point, we have approved no program for construction through fiscal year 1962.

Mr. PASSMAN. Have you obligated anything for it?

Mr. MOSSLER. I do not think so, but we do not have our obligation figures yet by project.

Mr. PASSMAN. It could be you have not obligated any, but it could be that you have. Is that the way you think it will read?

Mr. MOSSLER. I would hate to see it read that way because I do not know of a program we have OK'd.

Mr. PASSMAN. What are you going to do with $1,375,000 that you have to the credit of this project you do not contemplate using?

Mr. HUTCHINSON. $1,375,000; that is the $897,000 plus the $475,000.

Mr. PASSMAN. That is right.

Mr. HUTCHINSON. Of the——

Mr. PASSMAN. You show obligations, do you not, of the two together, $1,375,000?

Mr. HUTCHINSON. The total obligations.

Mr. PASSMAN. For what purposes did you obligate the money?

Mr. HUTCHINSON. I can give you the obligations for fiscal year 1961, sir.

Mr. PASSMAN. How about fiscal year 1962?

Mr. HUTCHINSON. That is the same question that we have been answering. We do not have the obligations by projects for fiscal year 1962.

Mr. PASSMAN. You obligated none for construction, but together you have, do you not, $1,375,000, or have there been some revisions since this book was published?

Mr. HUTCHINSON. This is what we are proposing. I can give you the obligations for fiscal year 1961, and I can give you the program approval for fiscal year 1962.

We would assume that has been obligated. I cannot give you the obligations by project as yet.

ESTIMATE COST OF PROJECT COMPLETION

Mr. PASSMAN. Let us project the cost of this to the end, if there is such thing as an end on this university.

Do you have a completed project cost?

Mr. HUTCHINSON. An estimate has been made. Very frankly, I do not have very much confidence in it and I would want to review the estimate as to how much further we go and how long we stay in the project.

Mr. PASSMAN. Why did you lose confidence in this estimate?

Mr. HUTCHINSON. Because, sir, this is projected over such a long period of time.

Mr. PASSMAN. How long a period?

Mr. HUTCHINSON. To 1970.

I would agree I would want to make a careful examination.

Mr. PASSMAN. Would you give us an estimate?

Mr. HUTCHINSON. Five million.

Mr. PASSMAN. To complete?

Mr. HUTCHINSON. Yes, beyond 1963.

Mr. PASSMAN. Beyond 1963. Then you would add to that this other figure, $1,375,000?

Mr. HUTCHINSON. That is correct.

Mr. PASSMAN. Which would make $6,375,000?

Mr. HUTCHINSON. Plus the $1.5 million.

It would be $900,000, plus $475,000, plus $1,557,000, plus $5,120,000; about $8 million.

ENROLLMENT, HAILE SELASSIE UNIVERSITY

Mr. PASSMAN. What is the enrollment now, in its present buildings?

Mr. HUTCHINSON. I do not know whether we have the data or not.

Mr. PASSMAN. You would assume some were enrolled?

Mr. HUTCHINSON. I do not have an enrollment figure.

Mr. MILLER. Page 100.

Mr. MONTOYA. There is language on page 100 that reads as follows:

For higher education, to develop a national university system with an extension and adult education department and a qualified Ethiopian faculty, increasing enrollment by 150 percent (from 2,000 to 4,900) within 10 years.

Mr. HUTCHINSON. Right.

Mr. PASSMAN. That would be 5,000.

Are there any funds going into this project other than U.S. funds?

Mr. HUTCHINSON. The Ethiopian Government will be putting funds into it.

Mr. PASSMAN. Would your lack of faith in this mean they have underestimated the cost?

Mr. HUTCHINSON. I would not have any feeling on that. I just do not have any confidence in an estimate that extends over 7 years.

Mr. PASSMAN. I wish you had been before this committee last year. Some testified the longer the time, the more perfect the program. I am glad we have a man who thinks that when you spread this over too many years we do not know what it will cost.

INCREASING UNLIQUIDATED OBLIGATION RATE

Why are the unliquidated obligations increasing so rapidly on the agricultural project, page 313?

Mr. HUTCHINSON. Again, sir, the basic reason for the substantial unliquidated balance is the fact that we finance the university contract for 2 years following, and there is $1,270,000 in the total obligations here for that university contract which will run through into the following fiscal year.

Mr. PASSMAN. I just do not know how we can understand this. We go from $1,248,000 in 1961 to $1,398,000, and we go in fiscal year 1962 to $1,825,000. I just do not quite understand those figures.

Mr. HUTCHINSON. I think you will find that one of the reasons for the increase in the unliquidated obligation, as I have said, is the fact that the Oklahoma State University contract was funded for a 2-year period forward rather than a 1-year period; therefore, you would have an increase in your pipeline as a result.

Mr. PASSMAN. Of course, we try to reconcile one year against the previous year, and then we try to look forward a year, and it is rather hard to follow.

EXPENDITURES

How much have you actually expended on this project?

Mr. HUTCHINSON. We can give the expenditures by the country, but we do not have the total expenditure by project down to date.

Mr. TENNANT. That is correct. The expenditure figures for the project come in quarterly.

Mr. PASSMAN. How about March 31? Had you spent anything on it then?

Mr. TENNANT. I do not have the figures with me.

Mr. PASSMAN. Do you have the figures with you?

Mr. MOSSLER. I do not have the total expenditures by projects. I have an unliquidated obligation figure for that date.

Mr. PASSMAN. That does not mean anything to us. We want the other, specifically.

(The information supplied follows:)

CUMULATIVE EXPENDITURES THROUGH MARCH 31, 1962, UNDER THE AGRICULTURAL EDUCATION, RESEARCH, AND EXTENSION PROJECT—ETHIOPIA

Cumulative expenditures on the agricultural education, research, and extension project as of March 31, 1962, totaled $6,732,000.

Mr. PASSMAN. It is confusing, gentlemen.

Mr. HUTCHINSON. We have testified repeatedly, if you want detailed project data with obligation and expenditures by project, we do not have that data until well after the end of the fiscal year.

Mr. PASSMAN. Upon what basis are we going to make recommendations?

We are now in fiscal year 1963, spending money just as fast as we can find something to spend it on. If we had held these hearings 90 days ago, these books would have been just as firm as they could be, and you could not have told us what you had actually spent. Those are the things we have to take into account.

Mr. MOSSLER. The one thing we did do was to show you the unliquidated balance by projects going into the fiscal year 1962.

Mr. PASSMAN. Unliquidated simply means you could turn around and deobligate out of the unliquidated sum. That is money you have on hand obligated to be paid out in subsequent years; is that true?

Mr. MOSSLER. Yes.

ADMINISTRATIVE SUPPORT FOR PUBLIC HEALTH COLLEGE AND TRAINING CENTER

Mr. PASSMAN. What type of administrative support do you propose for the public health college project? This public health college project is different, is it not, from the Haile Selassie University?

Mr. HUTCHINSON. It is different.

Mr. PASSMAN. Is it in the same town?

Mr. HUTCHINSON. No, sir. This is a different town.

This is not a university level project.

Mr. PASSMAN. You say "Public Health College and Training Center at Gondar."

Mr. HUTCHINSON. That is correct, but I want to distinguish it from the full level medical school type training. We think it is wise to hold the level of training down to a much lower level where you can train dressers and practical nurses and that sort of thing rather than having a full-fledged medical institution.

Mr. PASSMAN. Dressers?

Mr. HUTCHINSON. Dressers.

Mr. PASSMAN. That is a new wrinkle.

Mr. HUTCHINSON. Those who dress wounds.

Mr. PASSMAN. I am glad to get the definition.

When you get through the explanation, give us an answer to the question.

PARTICIPANTS TO ATTEND UNIVERSITY AT BEIRUT

Mr. HUTCHINSON. The sort of support we are going to provide them, sir, is to have five U.S. technicians working in the college and training center, and to provide for training of 10 participants, 2 of

which will be in the United States, and 8 of which we expect to send to the American University in Beirut.

Mr. PASSMAN. Why are you not sending all 10 there? Is there some special subject you are going to give two of them in America?

Mr. HUTCHINSON. I suppose that is the case, but I do not have special information.

Mr. PASSMAN. If you find out you can send the two to Beirut at less cost——

Mr. HUTCHINSON. I would certainly send them to Beirut.

Mr. PASSMAN. Will you give us a report on that? It would be cheaper for us to take them to Beirut as far as transportation is concerned.

Mr. HUTCHINSON. We will investigate to see what sort of training they will receive in the United States.

(The information follows:)

PARTICIPANT TRAINING UNDER PUBLIC HEALTH COLLEGE PROJECT—ETHIOPIA

Of the two participants scheduled for training in the United States, one is in the field of Public Health Administration and one in the field of Public Health Nursing Education. Training of the type considered necessary in these two fields can best be obtained in the United States, though Beirut is capable of meeting the needs of the other participants in this project.

Mr. ANDREWS. There is a doctor from my district who is an outstanding eye, ear, nose, and throat specialist and a good lecturer who went to Beirut and delivered a series of lectures at his own expense. I am sure he was invited to go over there and deliver the lectures. Later he asked me to take up with the Internal Revenue Service as to whether or not he could deduct his expenses from his income tax. They would not allow it. Do you send lecturers over there?

Mr. HUTCHINSON. To Beirut?

Mr. ANDREWS. Yes, the American University.

Mr. HUTCHINSON. I am not aware of our sending any lecturers from our Africa program into Beirut. We send quite a number of students to Beirut. I am not aware of any lecturers we send.

Are you, Mr. Mossler?

Mr. MOSSLER. I am not.

Mr. HUTCHINSON. Not from the African region.

Mr. ANDREWS. I think this doctor did some good by going over there.

Mr. HUTCHINSON. Right.

Mr. ANDREWS. It is surprising that he could not deduct his expenses from his income tax.

Mr. HUTCHINSON. Well, I better not testify to it.

(Off the record.)

Mr. PASSMAN. I think the record shows that the university in Beirut is an excellent one.

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. I think there are students there from some 65 nations of the world. One of the prerequisites for being considered is that the prospective student must speak English. It is a nonsectarian institution, and it is a very respected university. Almost any country you go to in that part of the world, you hear them talking about the university in Beirut. Is it an American university?

Mr. HUTCHINSON. Yes.

Mr. ANDREWS. The reason I mentioned that, I notice you are sending Ethiopians to the American University in Beirut for training.

Mr. HUTCHINSON. Yes; you will find we do that in many cases.

Mr. PASSMAN. I am impressed by the American University in Beirut.

Are you familiar with that university?

Mr. TROXEL. Yes; I have visited it many times. Mr. Norman Burns is president of the university.

Mr. ANDREWS. He has been before this committee.

Mr. TROXEL. Yes; I believe he has.

Mr. PASSMAN. Then, you concur that it serves a good purpose?

Mr. TROXEL. Yes.

Mr. PASSMAN. Now we shall get back to the question.

PUBLIC HEALTH COLLEGE AND TRAINING CENTER AT GONDAR

What type of administrative support do you propose for the Public Health College and Training Center at Gondar, the project on page 314?

Mr. HUTCHINSON. As I was saying, we propose five U.S. technicians who will be working within the college and training center. We also have the 10 participants we were discussing, 8 of whom we would expect to go to Beirut, and some supporting salaries and teaching materials and other costs. I do not have the material before me and Mr. Mossler is shaking his head that he does not have it.

Mr. PASSMAN. Will you try to get the salaries and materials and other costs? It seems the "Other costs" is a big part of it.

Mr. HUTCHINSON. We will.

(The information supplied follows:)

BREAKDOWN OF "OTHER COSTS," PUBLIC HEALTH COLLEGE PROJECT, ETHIOPIA

The total for "Other costs" is $140,000. This is broken down in the following components:

Salaries of local-hire teaching and administrative staff	$76,000
Travel	10,400
Transportation	2,000
Repairs and maintenance	2,800
Trainee maintenance:	
Clothing, dormitory supplies	9,600
Food and rations	28,000
Utilities	1,200
Office supplies	2,000
Materials for training	7,200
Communications	800
Total	140,000

VEHICLES FOR ETHIOPIA

Mr. PASSMAN. You never did answer the question about that $10,000 for vehicles, whether it would be one automobile or three automobiles.

Mr. HUTCHINSON. We are going back to Haile Selassie?

Mr. PASSMAN. Yes; vehicles.

Mr. HUTCHINSON. I do not know, sir, what the figure is there. We will have to get that.

Mr. PASSMAN. Could it be just one vehicle for the Emperor?

Mr. HUTCHINSON. I am sure it is not a vehicle for the Emperor.

Mr. PASSMAN. We have to do some guessing, since you do not know.

Mr. HUTCHINSON. I would prefer, sir, when I do not know not to guess.

Mr. PASSMAN. We, too, would prefer that you not guess. Could you find out for us?

Mr. HUTCHINSON. We will certainly do so.

Mr. PASSMAN. Is it vehicles or a vehicle?

Mr. HUTCHINSON. There is an "s" on it, sir.

PUBLIC HEALTH ADVISORY SERVICES

Mr. PASSMAN. There is a question as to whether you will obligate the additional $243,000 for this public health advisory project?

Mr. HUTCHINSON. Sir, the $243,000 is for a continuing project, Public Health Advisory Services.

Mr. PASSMAN. You might or might not need that money?

Mr. HUTCHINSON. The $243,000?

Mr. PASSMAN. Yes.

Mr. HUTCHINSON. I have no reason to assume we would not need it. We have not spoken to that project at all.

Mr. PASSMAN. We are speaking concerning it now. Why do you plan to obligate an additional $243,000?

Mr. HUTCHINSON. This, sir, is a continuing project. It will continue to provide the U.S. Public Health specialists who are now already on the project and continue the training of participants. We will have seven Ethiopians who plan to go to the United Kingdom for training, seven in the United States, and four at Beirut. These are the costs of this project plus $21,000 of "other costs" or regular support costs. This is a continuing project that has been in operation for some while.

Sir, you will notice we are proposing ——— in Ethiopia.

Mr. PASSMAN. The language on page 315 would indicate you have done a prety good job there with the nursing section in the Ministry of Public Health, the community nurses, and the dressers, because it says:

> In all fields, Ethiopians have been trained and guided to carry on the various functions of a public health service.

Why do we not cut loose and let them carry it on? Why do we have to get back with a program that seems to be repeating itself?

Mr. HUTCHINSON. It is repeating itself in the sense we are training additional people and continuing to work with the Ministry of Public Health. The fact we have trained a number in the whole spectrum of public health services does not mean they have enough trained personel to serve the country.

Mr. PASSMAN. The last sentence in the second paragraph on the right-hand side of page 315 says:

> In all fields, Ethiopians have been trained and guided to carry on the various functions of a public health service.

Why do you not cut them loose and see what they can do?

Mr. HUTCHINSON. It does not say in adequate numbers, sir.

Mr. PASSMAN. Why could they not train others?

Mr. HUTCHINSON. This is certainly one of the expectations in the project, sir.

Mr. PASSMAN. Can you foresee an end to this particular project?

Mr. HUTCHINSON. I do not have a specific ending date for this project, sir.

Mr. PASSMAN. It could just go on and on?

Mr. HUTCHINSON. It could go on for some while; yes, sir.

Mr. MILLER. I might point out that Ethiopia as a country has a very low ratio of doctors to its population. The table on page 102 indicates the number of people per doctor in Ethiopia is about 92,000. The average in underdeveloped areas is about 7,000 per doctor. The public health situation in Ethiopia is quite a critical one and, as Mr. Hutchinson has pointed out, we have a number of projects that are attempting to treat this particular problem.

LENGTH OF AID PROGRAM IN ETHIOPIA

Mr. PASSMAN. How long have we been in Ethiopia with this giveaway program?

Mr. HUTCHINSON. We know there was one of our very early point 4 type programs in Ethiopia. But when it started, we do not know exactly. There was some program in 1946.

Mr. PASSMAN. That is 16 years.

Mr. HUTCHINSON. The regular mutual security program seems to have started in 1952.

Mr. PASSMAN. I came here in 1946 and you had the program spilling out of the Marshall plan, and I think that started in 1947.

Mr. HUTCHINSON. The figures we have before us show an $800,000——

Mr. PASSMAN. I am talking about mutual security. They change the name so often it is difficult to keep track of it.

Mr. MOSSLER. It started in fiscal year 1952.

Mr. HUTCHINSON. There was $800,000 back earlier than that.

Mr. PASSMAN. Can you tell us how many doctors they have trained since that time?

Mr. HUTCHINSON. I do not know that they had a program to train doctors at that time. I indicated earlier we were training them in the more simple health techniques rather than training doctors. You will notice it says we have trained so many public health nurses, dressers——

Mr. PASSMAN. These are not doctors, as we think of doctors?

Mr. HUTCHINSON. No.

Mr. PASSMAN. Mr. Miller brought up about the shortage of doctors. What program do you have for training doctors?

Mr. HUTCHINSON. We do not have a program for training doctors, but if you have this very critical shortage of doctors it seems to us it makes sense to concentrate on the lower level technicians.

Mr. PASSMAN. I do not say it does not.

PEACE CORPS DOCTORS TO ETHIOPIA

Mr. ANDREWS. Will the chairman yield?

I noticed in the paper this morning where four doctors had joined the Peace Corps and I believe they are being sent to Ethiopia.

Mr. HUTCHINSON. I think the article in the paper stated three were going to Ethiopia and one to Togo, if my memory serves me correctly.

Mr. PASSMAN. Accredited doctors?

Mr. ANDREWS. That is what the paper said.

Mr. PASSMAN. Did I hear earlier in the testimony that Ethiopia serves good beefsteak to lions over there?

Mr. HUTCHINSON. You did not hear me testify to that, sir.

Mr. PASSMAN. I think I heard a statement to that effect.

Mr. HUTCHINSON. You heard no such testimony from me.

Mr. PASSMAN. Have you been there?

Mr. HUTCHINSON. I have not been to Ethiopia.

NURSES TRAINING AND ADVISORY SERVICES, ERITREA

Mr. PASSMAN. When do you propose to phase out the Nurses Training and Advisory Services project, mentioned on page 316?

Mr. HUTCHINSON. Sir, I would not know when this would end. It is another that continues over time and you have to look at it from year to year.

Mr. PASSMAN. Probably as long as Congress appropriates money you will continue it.

That must be an unusually long course. It would appear that the school was established 7 years ago and it has only graduated 43 students. Is that correct?

Mr. HUTCHINSON. That is what it seems to say, sir.

Mr. PASSMAN. How much money have we spent on those 43 students that have graduated?

Mr. HUTCHINSON. For this project, sir, we had obligated through fiscal 1961, $228,000, sir.

Mr. PASSMAN. You show $130,000, too, in your book, do you not?

Mr. HUTCHINSON. We show an estimate of $130,000 in fiscal year 1962, sir. You asked how much we had obligated, and that is $228,000 through the end of fiscal 1961—June 30, 1961.

You will notice that while we do speak of having graduated 43 students, there is also training in connection with midwives and with working with the department of nursing services in areas of nursing education and nursing service administration as well as the actual training of nurses themselves, so you cannot charge it all to those 43.

Mr. PASSMAN. Do you not have obligations in fiscal 1961 and 1962 of $358,000, and not $228,000?

Mr. HUTCHINSON. Sir, you were comparing the figure to the students who have already graduated.

Mr. PASSMAN. I am taking the entire 7 years, and it is indicated that you have obligated $358,000. I do not know whether those obligations have been liquidated or are unliquidated. I just assume the money has been spent.

Mr. HUTCHINSON. The book shows that up to the beginning of 1962, $228,000 had been obligated for the project and that we estimate obligations of $130,000 for 1962.

Mr. PASSMAN. Did you obligate that amount?

Mr. HUTCHINSON. Sir, we do not have obligations by project yet before us. The book shows at the time the book was printed, which was some months ago, 43 students had been graduated through this project, so it would not be fair to add that to the cost when this book was printed.

Mr. PASSMAN. How much of the $130,000 have you spent?

Mr. HUTCHINSON. Sir, I have testified repeatedly that we do not have the obligations by project as of this date.

Mr. PASSMAN. I am in hopes you will try to find out and give us the answers on some of these things. Could you tell us how much you have expended as of the last accounting out of 1962 funds for the project? You estimated you would obligate $130,000. How much of the $130,000 have you spent?

Mr. HUTCHINSON. We cannot tell at this sitting.

Would your financial report show that as of any relatively recent date?

Mr. TENNANT. The reports for June 30 are not in yet. We have March reports which we could use.

Mr. PASSMAN. Previously you had some of your March reports with you.

Mr. TENNANT. They were in total for the country and not by project.

Mr. HUTCHINSON. We can give the total for the country.

Mr. PASSMAN. On what basis would we make a recommendation to the Congress to appropriate money unless you tell us how much you have spent out of the 1962 funds?

Mr. HUTCHINSON. Sir, you have to have a cutoff date at some time.

Mr. PASSMAN. Cut it where you want to. We want to know how much you have on hand obligated, unliquidated, by project and at least by category as of June 30. We are postponing asking that question to give you time for your field reports to come in.

Mr. HUTCHINSON. It will take some time for that information to come in.

Mr. PASSMAN. That is why we are postponing asking that question.

PUBLIC HEALTH DEMONSTRATION AND EVALUATION PROJECT

What is the anticipated cost to finish the public health demonstration and evaluation project, on page 317?

Mr. HUTCHINSON. This is a project we expect to be completed in 1965.

Mr. PASSMAN. What is the completed cost?

Mr. HUTCHINSON. We estimated $280,000 more.

Mr. PASSMAN. Total?

Mr. HUTCHINSON. $280,000 total after 1963, yes.

Mr. PASSMAN. Let us go back and do some adding, then. That is your public health demonstration and evaluation project?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. What kind of demonstration?

Mr. HUTCHINSON. Sir, this project is carried on through a number of health centers which are being used fundamentally for research and control purposes and to treat people, give training in the centers and

make an evaluation as to whether the techniques being used produce worthwhile results. It seems to us such a program is certainly a valuable standard, shall we say, or can provide a valuable standard against which projects can be measured.

Mr. PASSMAN. Who are the evaluators?

Mr. HUTCHINSON. We have five U.S. technicians there.

Mr. PASSMAN. They get $102,000. Do these technicians evaluate their own work?

Mr. HUTCHINSON. They evaluate the work that is being done in the centers, sir.

Mr. PASSMAN. And a good part of the money is going to these technicians, $102,000 of it?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Do you have a group that evaluates the work of these evaluators or do you have the evaluators evaluating their own evaluation reports?

Mr. HUTCHINSON. Sir, these are people working in the centers to provide techniques for the evaluation of public health projects of the type being carried on in these centers. They study the health practices and so on that are being carried out and try to reach some conclusion about the success of these types of approaches.

Mr. PASSMAN. Most of the money is going for U.S. technicians. Who evaluates their worth?

Mr. HUTCHINSON. The reports will be evaluated by the mission and by our technicians here.

Mr. PASSMAN. Do your technicians go there or do they do it in air-conditioned offices here?

Mr. HUTCHINSON. Sir, I wish you would visit the space where our technicians work. I think you will find it is grossly inadequate.

Mr. PASSMAN. You have not told us yet who evaluated the technicians' work?

Mr. HUTCHINSON. It is evaluated by the mission director and our technicians here.

Mr. PASSMAN. Do the mission director and your technicians here get extra money for that activity?

Mr. HUTCHINSON. Sir, that is part of our regular work.

Mr. PASSMAN. Is that part of the $102,000?

Mr. HUTCHINSON. No, sir.

Mr. PASSMAN. Then you are requesting $12,000 for statistical services to be supplied through a contract with an American university?

Mr. HUTCHINSON. Yes. They are to recommend statistical techniques to do the evaluation.

Mr. PASSMAN. I thought the mission director did that. He does not get this in addition to his salary?

Mr. HUTCHINSON. No, sir.

Mr. PASSMAN. Why do you need the $12,000?

Mr. HUTCHINSON. The technicians work for the mission director. They go out and make studies and advise on techniques. In putting in procedures for evaluating the success of the program, you would have to know how many people were treated, what happened to them after they were treated, and so on. This is the work of the technicians.

Mr. PASSMAN. And $102,000 is for the technicians. How many technicians?

Mr. HUTCHINSON. Five, sir.

Mr. PASSMAN. What kind of technicians are they?

Mr. HUTCHINSON. Do you have a list of the specific technicians?

Mr. MOSSLER. No.

Mr. PASSMAN. These are U.S. technicians?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. We shall spend $12,000 for a statistical survey as to what they accomplish. Is that right?

Mr. HUTCHINSON. Sir this will be through a university contract in all probability. They will give advice as to the type of statistical information that must be obtained to measure the success or lack of success of the methods used in this project.

Mr. PASSMAN. Do we not have a system in America that has been successful for generations? You are teaching these people some of our techniques, are you not, and would not they go out as specialists in their own field?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. You would assume they are specialists in that field, and they should be able to tell you what they have accomplished.

Mr. HUTCHINSON. Sir, the specialist in statistical methods is a common technician in a specialized field.

Because a man is a specialist in a particular type of treatment does not mean he knows the statistical methods that should be used to evaluate the work.

EVALUATION BY CONTRACTORS

Mr. PASSMAN. Are these U.S. technicians direct hire by AID?

Mr. HUTCHINSON. These five are direct hire, sir.

Mr. PASSMAN. Directly under AID?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. But the $12,000——

Mr. HUTCHINSON. That will probably be a university contract.

Mr. PASSMAN. Have you finished?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Then let me finish.

You have five U.S. technicians who are direct hire personnel of AID?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. And they go out and do the work, and they get paid, but then do you go out and contract with a university and pay $12,000 for a statistical survey of what the technicians did? Is that the way it is?

Mr. HUTCHINSON. No, sir; it is not.

Mr. PASSMAN. Do you give the university a contract to evaluate the work of the technicians?

Mr. HUTCHINSON. No, sir.

Mr. PASSMAN. What do you mean by contract services?

Mr. HUTCHINSON. I mean this particular service will be obtained by a contract with a university by which someone skilled in statistical techniques of evaluation of public health practices will be assigned, at least for some time, to this particular project to make recommenda-

tions for the installation of statistical methods for evaluation of the particular methods used in these training centers.

The other technicians are likewise making evaluations of the methods being used but they are not statisticians. They are technicians within their own field. This is an evaluation project to attempt to get some standards to be applied to the programs to be carried out and which the Ethiopians could apply in their operations and which we would hope would be helpful to us in the future.

Mr. PASSMAN. Do you mean the Ethiopians will teach them their methods to use when they get back home?

Mr. HUTCHINSON. No, sir.

Mr. PASSMAN. So all we are doing is evaluating? Nobody has had a needle stuck in him yet?

Mr. HUTCHINSON. Sir, people are being treated and I presume some of them receive inoculations and that sort of thing as a part of the demonstration that is going on. But, these are being carried on with a view to establishing controls and evaluating the particular techniques.

Mr. PASSMAN. And nobody knows what they are doing. We know you have five technicians, direct hire, and you are giving a college $12,000 to hire technicians.

You have an item of $1,000 for commodities. What commodities?

Mr. HUTCHINSON. I do not know.

Mr. PASSMAN. Do you know, Mr. Mossler?

Mr. MOSSLER. No, sir.

Mr. PASSMAN. But it is in there?

Mr. MOSSLER. Yes, $1,000.

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MALARIA ERADICATION

Mr. PASSMAN. Through fiscal 1962, $1,541,000 has been obligated for the malaria eradication project on page 318. Is that right?

Mr. MOSSLER. I am not sure we got your question.

Mr. PASSMAN. I note that through fiscal 1962, $1,541,000 has been obligated for the malaria eradication project.

Mr. MOSSLER. This is our estimate of obligations through fiscal year 1962.

Mr. PASSMAN. What have been the expenditures to date?

Mr. HUTCHINSON. Again, sir, we can give you the obligations through fiscal year 1961 and the unliquidated amount through 1961, and the difference between the two will give the expenditures for that fiscal year.

Mr. PASSMAN. Can you tell us whether or not you have liquidated all obligations through fiscal 1961?

Mr. HUTCHINSON. No sir. We had an unliquidated balance of $176,000 as of the end of 1961.

Mr. PASSMAN. Then with relation to the additional $420,000, it could well be that none of that amount has been disbursed?

Mr. HUTCHINSON. That is a possibility, but this is a continuing project that has been underway for some time. I would be reasonably sure the rate of expenditure would be much faster than other projects that have not been underway for some time.

Mr. PASSMAN. What is the estimate of the cost to complete the project?

Mr. HUTCHINSON. This is one we will have to evaluate, sir, and see how much longer it should be continued.

CONTRIBUTIONS OF INTERNATIONAL ORGANIZATIONS TOWARD MALARIA ERADICATION

Mr. PASSMAN. Of course, you have had a special malaria item in prior appropriations, and a substantial amount through the U.N. Is that in addition to any allocation that may have gone to them from the U.N. or this special malaria appropriation?

Mr. MOSSLER. We had two programs, one included in contributions to international organizations, and I do not know where they used the money. In addition, we had a number of bilateral programs. We do not have with us here the breakdown of the worldwide programs.

Mr. PASSMAN. You do not have any other international organization than the U.N. disbursing money for the malaria eradication program, do you?

Mr. MOSSLER. I said the appropriation under "Contributions to international organizations."

Mr. PASSMAN. In prior years you did?

Mr. MOSSLER. In prior years we had a worldwide figure.

Mr. PASSMAN. That is right, and would these disbursements be in addition to that figure?

Mr. MOSSLER. No. The only thing that would be in addition would be any contribution made from the appropriation for "Contributions to international organizations."

Mr. PASSMAN. Which is substantial. We find that almost every item gets in under some other part of the bill. You have had some bilateral programs in the past and you have had the U.N. malaria eradication program?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. To put the total cost together you would have to go into some research to determine the amount that has gone to Ethiopia for malaria eradication, would you not?

Mr. MOSSLER. Yes, I think we would, Mr. Chairman.

EMPHASIS ON PRE-ERADICATION WORK

Mr. PASSMAN. In the project book, near the bottom of page 318, left side, you say:

> Pre-eradication work is now being emphasized and activities are being coordinated with the development of rural health centers. WHO provides the permanent teaching staff for a malaria-eradication training center, at a cost of approximately $100,000 annually.

That would be in addition, too, would it not, to the item on the left-hand side of the page?

Mr. MOSSLER. Yes, sir.

COST OF MALARIA SPECIALISTS

Mr. PASSMAN. What is the annual cost of the three malaria specialists assigned to this project?

Mr. HUTCHINSON. This book shows $69,000.

Mr. PASSMAN. For three?

Mr. HUTCHINSON. That is what it shows.

Mr. PASSMAN. For how long a basis?

Mr. HUTCHINSON. This is figured on the man-year basis, sir.

Mr. PASSMAN. That is about $23,000 each?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. You also have participants under that item. What does that represent?

Mr. HUTCHINSON. That is for two Ethiopians who will take training in Jamaica, sir.

TECHNICIANS UNDER PROGRAM SUPPORT

Mr. PASSMAN. The program support will support 23 technicians in Ethiopia?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. That would indicate that these technicians are employed at a cost of about $15,000 annually, as compared to the ones with the malaria eradication program at $23,000?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. That is a difference of about $8,000 per year. We know they do not get their plane tickets any cheaper or their food any cheaper, and there is not that much differential in the salaries. It looks like the ones getting $15,000 would get more than those in the $23,000 category.

Mr. HUTCHINSON. Why do you reach that conclusion, sir?

Mr. PASSMAN. What is the difference?

Mr. HUTCHINSON. I see no reason to assume that the specialists——

Mr. PASSMAN. Explain the $8,000 difference.

Mr. HUTCHINSON. I have no explanation of the difference but there is no reason to assume——

Mr. PASSMAN. I just assumed that since you went into a general field of technical support that they would be in a higher category, but if you would give an explanation of the differential we would appreciate it. Do you know?

Mr. MOSSLER. No, sir; I do not know the reason for the differential.

Mr. PASSMAN. Thank you. It fouls up the hearing when we cannot get answers to these questions.

Mr. HUTCHINSON. Sir, you must expect there would be variations in the support of technicians very substantially country to country.

Mr. PASSMAN. We are still talking about technicians in Ethiopia. One group is in malaria eradication and another group are technicians that may be advisers to the Emperor, as far as I know, but there is a difference of $8,000 in their salaries. All we want is an explanation, and if you would bring it down to us we would be grateful.

(The information supplied follows:)

COMPARISON OF TECHNICIAN COSTS, MALARIA ERADICATION AND PROGRAM SUPPORT PROJECT, ETHIOPIA

Malaria eradication funds for fiscal year 1963 will provide for the services of four technicians rather than three. The average cost per technician is thus approximately $17,000 as compared with approximately $15,000 for technical support technicians. Differences in home leave schedules, tour-of-duty-termination dates, etc., account for differences in the average cost of technicians.

PUBLIC SAFETY PROGRAM

Mr. PASSMAN. How does the public security project, page 320, differ from the internal security program financed by the military assistance program for Ethiopia?

Mr. HUTCHINSON. Sir, there is no real relation between the public safety project and the military program. This is training specifically and directly with the Ethiopian police.

Mr. PASSMAN. You mean your project here under this, $1,065,000?

Mr. HUTCHINSON. Yes; that is the amount that is obligated through fiscal 1961. We expect to complete it in 1964.

Mr. PASSMAN. What are you training these people to do?

Mr. HUTCHINSON. We are training them in regular police techniques and methods, and the maintaining of public order. The project has involved the provision of vehicles, weapons, communications equipment, and training facilities.

Mr. PASSMAN. Do we have a similar program under the military assistance program?

Mr. HUTCHINSON. I am not familiar with the military assistance program in detail.

Are you familiar with this project?

Mr. TROXEL. I am familiar with it in general terms. There is not a police project under the military program, Mr. Chairman.

Mr. PASSMAN. You mean this is not a police project?

Mr. TROXEL. No, sir. The military assistance program is not working with the police.

Mr. PASSMAN. They do just about whatever they want to with that money; do they not?

Mr. TROXEL. No, sir.

Mr. PASSMAN. They have fighter planes to scare the tribes, and an air-conditioned yacht. Anyway, they are to provide security for the country.

Mr. HUTCHINSON. Sir, this is a police program. It is not related to the military program.

Mr. PASSMAN. That was the question I asked.

You do have a public security project. That is yours.

Mr. HUTCHINSON. This is the police program, sir.

Mr. PASSMAN. Then you have an internal security program.

Mr. HUTCHINSON. Where is that program, sir?

Mr. PASSMAN. You do have an internal security program that is financed out of the military assistance funds.

Mr. HUTCHINSON. Sir, that is a program that is related to much more wide scale and serious internal security problems than a regular police program.

Mr. PASSMAN. But when you say internal security program, you are speaking of the internal security of the country, are you not? Does that not pertain to law and order?

Mr. HUTCHINSON. Yes, sir; police do concern themselves with the maintenance of law and order, of course, whereas the military operations would be much more concerned with exactly the elements that you mentioned—tribal disorder and insurrection of major proportions that you do not normally use the regular police force for.

Mr. PASSMAN. It appears to me that if we had time to run this thing down, maybe the State Department just could not stand to see the military assistance in, and they had to get them one.

Mr. TROXEL. Mr. Passman, I just want to comment that the Department of State is strongly in favor both of the military assistance program for broad scale internal security——

Mr. PASSMAN. They complement each other, do they not?

Mr. TROXEL. They certainly do, sir.

Mr. PASSMAN. Whatever one favors, the other is likely to favor.

Mr. HUTCHINSON. As you know, the law provides our foreign policy guidance comes from the Secretary of State of the United States.

BLUE NILE RIVER BASIN PROGRAM

Mr. PASSMAN. How much has been obligated to date on the Blue Nile River Basin?

Mr. HUTCHINSON. To June 30, 1961, $2,199,000. The estimated obligations in fiscal 1962, $981,000.

Mr. PASSMAN. Can you give us the estimated completed cost?

Mr. HUTCHINSON. We expect that the program for 1963, the $715,000, will complete the project, sir.

Mr. PASSMAN. What are they accomplishing from the expenditure?

Mr. HUTCHINSON. This has been a detailed investigation of the potential of the Blue Nile River Basin for productive employment within Ethiopia. This basin covers some 80,000 square miles. It is anticipated that it will probably be one of the most productive areas in Ethiopia. The studies which have been conducted relate to the anticipated uses of the river water. They have developed a basic plan for the development of the area, which has been supported by hydrologic data, land classification, geologic and economic surveys.

Mr. PASSMAN. Where do we find in our books what you are reading?

Mr. HUTCHINSON. You do not find it there.

Mr. PASSMAN. Pardon me. Go right ahead.

Mr. HUTCHINSON. These sheets are prepared in more detail than the project analysis.

Also included are analyses and recommendations on a number of small projects that seem to have potential for development. There will probably end up eventually being 80 or 90 such projects. It will end up with a land classification survey of the area with the various land uses related to the types of land classified.

Mr. ALEXANDER. Will the chairman yield?

Mr. PASSMAN. Yes; when he gets through reading all this stuff into the record.

Mr. HUTCHINSON. We also expect that the project will end with Ethiopians trained in the methods of operation of the hydrologic

stations and the conduct of ground surveys and with a nucleus of civil engineers trained in water resources development. They issue an annual report, sir, in connection with the work which they are doing under this survey. If you would be interested, I would be glad to give you a copy which the committee can examine.

Mr. PASSMAN. Not a report that size when you have already indicated its contents. The whole story is, this is all paperwork. It is surveys, technicians, contracts; and you have not moved a foot of dirt or touched a canal, have you?

Mr. HUTCHINSON. This has not been what the project has been developed for.

Mr. PASSMAN. You are going to spend here about $3,180,000, and are going to end up with a lot of information, calling for huge expenditures in the future. So far, you have not moved any dirt and you have not deepened any rivers. This is all surveys and paperwork. Is that right?

Mr. HUTCHINSON. We have put in hydrology stations, gaging stations, cableways for the measurement of streamflow, and this kind of work.

Mr. PASSMAN. That is right, but it is all paperwork. You are not going to wind up with any permanent installations on the Blue Nile River Basin. It is all surveys, statistical work, and checking as to what can be done.

Mr. HUTCHINSON. It is a survey of the potential in detail.

Mr. PASSMAN. It is a little disappointing to find that you are spending $3,180,000 and you are going to wind up with a lot of books, such as you have over there, to call for additional money in the future.

Mr. ALEXANDER. Mr. Hutchinson, in all this program are you planning to build any dams in this country?

Mr. HUTCHINSON. We have no plans, sir, for the construction of any dams in Ethiopia.

Mr. ALEXANDER. While I have the floor, would you tell us whether or not you have any programs in Africa for cultural development? I understand in the foreign aid program they have been sending bands, entertainers, and other people throughout the world. Have you any money in this request this year for that, for Africa?

Mr. HUTCHINSON. Not within our request, sir. I do not know about either the USIA or the Department of State appropriation requests, sir.

FUNDS FOR SCHOOL SYSTEMS IN AFRICA

Mr. ALEXANDER. Would you summarize for us in the record all of the assistance that we are going to give, by country, for the development of their schools, the school systems in each of the countries, how much money is involved, whether it is school buildings or teachers? In other words, spell it out in detail, giving the amount by countries, and what it is for. Could you do that?

Mr. HUTCHINSON. We can do that, sir. It will take some time, but we can do it.

Mr. ALEXANDER. I would like to have it for all the countries in Africa.

Mr. HUTCHINSON. Let me say one thing, if I might, in this connection. We have some definitional problem here of what constitutes education, whether it is agriculture or education when you get into

agricultural extension, agricultural research, and this sort of thing.

Mr. ALEXANDER. You could divide it up. Whether it technically comes under a school program does not matter.

Mr. HUTCHINSON. If it is in the form of providing for educating and teaching the people, you would want it included?

Mr. ALEXANDER. Yes, that is right.

WORLDWIDE ASSISTANCE TO EDUCATION PROGRAM

Mr. PASSMAN. If I may, at this point, renew the committee's request for a breakdown of the educational program on a worldwide basis. I believe I asked for that information.

Mr. TENNANT. Yes, sir. We filed that insert. It is at page 2669 of the record, in Mr. Hamilton's testimony.

Mr. PASSMAN. What did it indicate the cost would be?

Mr. TENNANT. Worldwide, for school construction projects, $33,220,000.

Mr. PASSMAN. That is school construction only.

Mr. TENNANT. That is correct, sir.

Mr. PASSMAN. I was afraid we did not get the request as we wanted it. What we actually want is (1) the cost of school construction, and you have that, and (2) the annual cost of the personnel, including agricultural extension work, because practically all universities carry a course in agriculture, too. It is just as much education if you are teaching a man how to spell or to add. So, if you will, try to estimate the total cost in the other fields for us, worldwide.

Mr. TENNANT. For the year 1963? The figures I gave were for 1962.

We will supply that for fiscal year 1963, sir.

(The information supplied follows:)

PROPOSED AID ASSISTANCE TO EDUCATION, FISCAL YEAR 1963

In a general sense, all technical cooperation assistance is intended to impart something new to the recipients and therefore may be considered as educational. However, in this context, "education" is limited to include assistance to formal education systems and establishments and, somewhat more broadly, to building up human resources and institutions, such as in the fields of agriculture and public health.

The following figures, which are summaries of the attached papers, are estimated to be the overall assistance to education (as defined above) for each region under the AID program for fiscal year 1963.

[Thousands of dollars]

	Africa	Latin America	Near East-south Asia	Far East	Total
School construction	13,522	9,379	4,746	2,285	29,832
Personnel:					
(a) United States	7,688	5,945	3,460	3,508	20,601
(b) Local	407	135	46	450	1,038
Participant training	7,534	10,893	2,646	4,793	25,866
Contract services	26,616	12,502	16,544	10,093	65,755
Commodities	9,012	10,609	2,099	8,081	29,801
Total	64,779	49,463	29,441	29,210	172,893

PROPOSED AID GRANT ASSISTANCE TO EDUCATION FOR FISCAL YEAR 1963

The following is a list of proposed AID projects for fiscal year 1963 in Latin America, country by country, in the area of education. "Education" is considered here in its most general sense. The tabulation includes not only formal education, but also participant training programs and other forms of training and learning. The source for the information is the program and project data book for fiscal year 1963. Estimations had to be made in some cases in the totals and breakdown into individual categories. Furthermore, the projects themselves are illustrative.

The differences between this tabulation and that prepared for page 2669: (Mr. Hamilton's testimony of July 13, 1962) are resolved by the fact that, in the following tables, some of the funds for school construction are included under the heading of either "Contract services" or "Commodities." Also, "Other costs" have been broken out to fit one or more of the above categories where they fall within the meaning of education. The grand total for all education projects under this definition is $49,463,000.

PROPOSED AID ASSISTANCE TO EDUCATION FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the education functional category) as well as assistance in other sectors, such as agriculture and public health.

Grand total, Latin America

(1) School construction	$9,379,000
(2) Personnel:	
(*a*) United States	5,945,000
(*b*) Local (teachers, etc.)	135,000
(3) Participant training	10,893,000
(4) Contract services	12,502,000
(5) Commodities	10,609,000
Total	49,463,000

PROPOSED AID ASSISTANCE TO EDUCATION IN ARGENTINA FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the educational functional category) as well as assistance in other sectors, such as agriculture and public health.

The formal education system within Argentina is highly centralized and both public and private schools, at all levels, are under the supervision of the Federal Government.

(1) School construction	----------
(2) Personnel:	
(*a*) United States	$155,000
(*b*) Local (teachers, etc.)	----------
(3) Participant training	593,000
(4) Contract services	1,460,000
(5) Commodities	340,000
Total	2,548,000

PROPOSED AID ASSISTANCE TO EDUCATION IN BOLIVIA FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the educational functional category) as well as assistance in other sectors, such as agriculture and public health.

The formal educational system within Bolivia is highly centralized and both public and private schools, at all levels, are under the supervision of the Federal Government.

(1) School construction	$700,000
(2) Personnel:	
(a) United States	265,000
(b) Local (teachers, etc.)	----------
(3) Participant training	551,000
(4) Contract services	710,000
(5) Commodities	1,016,000
Total	3,440,000

PROPOSED AID ASSISTANCE TO EDUCATION IN BRAZIL FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the educational functional category) as well as assistance in other sectors, such as agriculture and public health.

The formal educational system within Brazil is under the jurisdiction of both the Federal Government and the individual State governments.

(1) School construction	$1,472,000
(2) Personnel:	
(a) United States	1,441,000
(b) Local (teachers, etc.)	----------
(3) Participant training	2,130,000
(4) Contract services	3,798,000
(5) Commodities	1,016,000
Total	9,907,000

PROPOSED AID ASSISTANCE TO EDUCATION IN CHILE FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the educational functional category) as well as assistance in other sectors, such as agriculture and public health).

The formal educational system within Chile is highly centralized, and both public and private schools at all levels are under the supervision of the Federal Government.

(1) School construction	----------
(2) Personnel:	
(a) United States	$410,000
(b) Local (teachers, etc.)	15,000
(3) Participant training	341,000
(4) Contract services	766,000
(5) Commodities	358,000
Total	1,890,000

PROPOSED AID ASSISTANCE TO EDUCATION IN COLOMBIA FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the educational functional category) as well as assistance in other sectors, such as agriculture and public health.

The formal educational system within Colombia is under the jurisdiction of both the Federal Government and the individual state governments.

(1) School construction	----------
(2) Personnel:	
(*a*) United States	$291,000
(*b*) Local (teachers, etc.)	70,000
(3) Participant training	476,000
(4) Contract services	410,000
(5) Commodities	445,000
Total	1,692,000

PROPOSED AID ASSISTANCE TO EDUCATION IN COSTA RICA FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the educational functional category) as well as assistance in other sectors, such as agriculture and public health.

The formal educational system within Costa Rica is highly centralized and both public and private schools, at all levels, are under the supervision of the Federal Government.

(1) School construction	----------
(2) Personnel:	
(*a*) United States	$151,000
(*b*) Local (teachers, etc.)	----------
(3) Participant training	255,000
(4) Contract services	433,000
(5) Commodities	356,000
Total	1,195,000

PROPOSED AID ASSISTANCE TO EDUCATION IN DOMINICAN REPUBLIC FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the educational functional category) as well as assistance in other sectors, such as agriculture and public health.

The formal educational system within the Dominican Republic is highly centralized and both public and private schools, at all levels, are under the supervision of the Federal Government.

(1) School construction	----------
(2) Personnel:	
(*a*) United States	$80,000
(*b*) Local (teachers, etc.)	----------
(3) Participant training	450,000
(4) Contract services	300,000
(5) Commodities	850,000
Total	1,680,000

PROPOSED AID ASSISTANCE TO EDUCATION IN ECUADOR FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the educational functional category) as well as assistance in other sectors, such as agriculture and public health.

The formal educational system within Ecuador is highly centralized and both public and private schools, at all levels, are under the supervision of the Federal Government.

(1) School construction	$380,000
(2) Personnel:	
(a) United States	329,000
(b) Local (teachers, etc.)	
(3) Participant training	491,000
(4) Contract services	350,000
(5) Commodities	371,000
Total	1,921,000

PROPOSED AID ASSISTANCE TO EDUCATION IN HAITI FOR FISCAL 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the educational functional category) as well as assistance in other sectors, such as agriculture and public health.

The formal educational system within Haiti is highly centralized and both public and private schools, at all levels, are under the supervision of the Federal Government.

(1) School construction	$1,360,000
(2) Personnel:	
(a) United States	240,000
(b) Local (teachers, etc.)	
(3) Participant training	107,000
(4) Contract services	
(5) Commodities	650,000
Total	2,357,000

PROPOSED AID ASSISTANCE TO EDUCATION IN EL SALVADOR FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the educational functional category) as well as assistance in other sectors, such as agriculture and public health.

The formal educational system within El Salvador is highly centralizd and both public and private schools, at all levels, are under the supervision of the Federal Government.

(1) School construction	$1,650,000
(2) Personnel:	
(a) United States	394,000
(b) Local (teachers, etc.)	
(3) Participant training	540,000
(4) Contract services	34,000
(5) Commodities	320,000
Total	2,938,000

PROPOSED AID ASSISTANCE TO EDUCATION IN GUATEMALA FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the educational functional category) as well as assistance in other sectors, such as agriculture and public health.

The formal educational system within Guatemala is highly centralized and both public and private schools, at all levels, are under the supervision of the Federal Government.

(1) School construction	
(2) Personnel:	
(a) United States	$277,000
(b) Local (teachers, etc.)	
(3) Participant training	172,000
(4) Contract services	60,000
(5) Commodities	473,000
Total	982,000

PROPOSED AID ASSISTANCE TO EDUCATION IN HONDURAS FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the educational function category) as well as assistance in other sectors, such as agriculture and public health.

The formal educational system within Honduras is highly centralized and both public and private schools, at all levels, are under the supervision of the Federal Government.

(1) School construction	$75,000
(2) Personnel:	
(a) United States	352,000
(b) Local (teachers, etc.)	
(3) Participant training	314,000
(4) Contract services	35,000
(5) Commodities	350,000
Total	1,126,000

PROPOSED AID ASSISTANCE TO EDUCATION IN MEXICO FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the educational functional category) as well as assistance in other sectors, such as agriculture and public health.

The formal educational system within Mexico is under the jurisdiction of both the Federal Government and the individual state governments.

(1) School construction	
(2) Personnel:	
(a) United States	$83,000
(b) Local (teachers, etc.)	
(3) Participant training	117,000
(4) Contract services	
(5) Commodities	
Total	200,000

PROPOSED AID ASSISTANCE TO EDUCATION IN NICARAGUA FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the educational functional category) as well as assistance in other sectors, such as agriculture and public health.

The formal educational system within Nicaragua is highly centralized and both public and private schools, at all levels, are under the supervision of the Federal Government.

(1) School construction	$243,000
(2) Personnel:	
(a) United States	107,000
(b) Local (teachers, etc.)	----------
(3) Participant training	275,000
(4) Contract services	----------
(5) Commodities	580,000
Total	1,205,000

PROPOSED AID ASSISTANCE TO EDUCATION IN PANAMA FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the educational functional category) as well as assistance in other sectors, such as agriculture and public health.

The formal educational system within Panama is highly centralized and both public and private schools, at all levels, are under the supervision of the Federal Government.

(1) School construction	----------
(2) Personnel:	
(a) United States	$147,000
(b) Local (teachers, etc.)	----------
(3) Participant training	467,000
(4) Contract services	250,000
(5) Commodities	427,000
Total	1,291,000

PROPOSED AID ASSISTANCE TO EDUCATION IN PARAGUAY FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the educational functional category) as well as assistance in other sectors, such as agriculture and public health.

The formal educational system within Paraguay is highly centralized, and both public and private schools, at all levels, are under the supervision of the Federal Government.

(1) School construction	$465,000
(2) Personnel:	
(a) United States	219,000
(b) Local (teachers, etc.)	----------
(3) Participant training	486,000
(4) Contract services	134,000
(5) Commodities	88,000
Total	1,392,000

PROPOSED AID ASSISTANCE TO EDUCATION IN PERU FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the educational functional category) as well as assistance in other sectors, such as agriculture and public health.

The formal educational system within Peru is highly centralized, and both public and private schools, at all levels, are under the supervision of the Federal Government.

(1) School construction	----------
(2) Personnel:	
(*a*) United States	$350,000
(*b*) Local (teachers, etc.)	----------
(3) Participant training	857,000
(4) Contract services	1,080,000
(5) Commodities	1,058,000
Total	3,291,000

PROPOSED AID ASSISTANCE TO EDUCATION IN URUGUAY FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the educational functional category) as well as assistance in other sectors, such as agricultural and public health.

The formal educational system within Uruguay is highly centralized, and both public and private schools, at all levels, are under supervision of the Federal Government.

(1) School construction	$2,700,000
(2) Personnel:	
(*a*) United States	40,000
(*b*) Local (teachers, etc.)	----------
(3) Participant training	192,000
(4) Contract services	552,000
(5) Commodities	314,000
Total	3,798,000

PROPOSED AID ASSISTANCE TO EDUCATION IN VENEZUELA FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the educational functional category) as well as assistance in other sectors, such as agriculture and public health.

The formal educational system within Venezuela is highly centralized and both the public and private schools, at all levels, are under the supervision of the Federal Government.

(1) School construction	----------
(2) Personnel:	
(*a*) United States	$154,000
(*b*) Local (teachers, etc.)	----------
(3) Participant training	915,000
(4) Contract services	200,000
(5) Commodities	345,000
Total	1,614,000

PROPOSED AID ASSISTANCE TO EDUCATION IN BRITISH GUIANA FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the educational functional category) as well as assistance in other sectors, such as agriculture and public health.

The formal educational system within British Guiana is controlled by the colonial government.

(1) School construction	$160,000
(2) Personnel:	
(a) United States	53,000
(b) Local (teachers, etc.)	-------
(3) Participant training	192,000
(4) Contact services	25,000
(5) Commodities	-------
Total	430,000

PROPOSED AID ASSISTANCE TO EDUCATION IN BRITISH HONDURAS FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the educational functional category) as well as assistance in other sectors, such as agriculture and public health.

The formal educational system within the British Honduras is controlled by the colonial government.

(1) School construction	-------
(2) Personnel:	
(a) United States	$5,000
(b) Local (teachers, etc.)	-------
(3) Participant training	173,000
(4) Contract services	15,000
(5) Commodities	2,000
Total	195,000

PROPOSED AID ASSISTANCE TO EDUCATION IN THE EASTERN CARIBBEAN ISLANDS FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the educational functional category) as well as assistance in other sectors, such as agriculture and public health.

The formal educational system within the eastern Caribbean islands will be, after independence, controlled by the individual member governments of the West Indies Federation.

(1) School construction	-------
(2) Personnel:	
(a) United States	$70,000
(b) Local (teachers, etc.)	-------
(3) Participant training	281,000
(4) Contract services	230,000
(5) Commodities	290,000
Total	871,000

PROPOSED AID ASSISTANCE TO EDUCATION IN JAMAICA FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the educational functional category) as well as assistance in other sectors, such as agriculture and public health.

The formal educational system within Jamaica will be, after independence, controlled by the Central Government.

(1) School construction	$174,000
(2) Personnel:	
(a) United States	50,000
(b) Local (teachers, etc.)	------
(3) Participant training	160,000
(4) Contract services	30,000
(5) Commodities	111,000
Total	525,000

PROPOSED AID ASSISTANCE TO EDUCATION IN SURINAM FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the educational functional category) as well as assistance in other sectors, such as agriculture and public health.

The formal educational system within Surinam is controlled by the colonial government.

(1) School construction	------
(2) Personnel:	
(a) United States	$2,000
(b) Local (teachers, etc.)	------
(3) Participant training	41,000
(4) Contract services	------
(5) Commodities	------
Total	43,000

PROPOSED AID ASSISTANCE TO EDUCATION IN THE CENTRAL AMERICAN REGION FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the educational functional category) as well as assistance in other sectors, such as agriculture and public health.

The formal educational system within the central American region is controlled by the individual national governments.

(1) School construction	---------
(2) Personnel:	
(a) United States	$40,000
(b) Local (teachers, etc.)	---------
(3) Participant training	317,000
(4) Contract services	310,000
(5) Commodities	435,000
Total	1,102,000

PROPOSED AID ASSISTANCE TO EDUCATION IN THE LATIN AMERICAN REGION FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the educational functional category) as well as assistance in other sectors, such as agriculture and public health.

The formal educational system within the Latin American region is controlled by the individual national governments.

(1) School construction	---------
(2) Personnel:	
(a) United States	$240,000
(b) Local (teachers, etc.)	---------
(3) Participant training	---------
(4) Contract services	1,320,000
(5) Commodities	225,000
Total	1,785,000

PROPOSED AID ASSISTANCE TO EDUCATION, AFRICA, PROGRAMS FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the education functional category) as well as assistance in other sectors, such as agriculture and public health.

(1) School construction	$13, 522, 000
(2) Personnel:	
(a) United States	7, 688, 000
(b) Local	407, 000
(3) Participant training	7, 534, 000
(4) Contract services	26, 616, 000
(5) Commodities	9, 012, 000
Total	64, 779, 000

PROPOSED AID ASSISTANCE TO EDUCATION, CAMEROON, FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education, primarily for teacher training in the trade and secondary educational fields in west Cameroon.

In comparison with other countries in tropical Africa, the Republic of Cameroon may be considered rather more developed from the standpoint of general education. In east Cameroon, more than 300,000 children and young people were attending schools in 1960 as compared with 50,000 in 1946. This was approximately 46 percent of the children of school age. However, in east Cameroon, only 29 percent of the children of school age were attending school. Secondary education is less well developed. There are no institutions of higher learning in the country.

(1) School construction	-------
(2) Personnel:	
(a) United States	$40, 000
(b) Local (teachers, etc.)	-------
(3) Participant training	210, 000
(4) Contract services	50, 000
(5) Commodities	85, 000
Total	385, 000

PROPOSED AID ASSISTANCE TO EDUCATION, CENTRAL AFRICAN REPUBLIC FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the education functional category) as well as assistance in other sectors, such as agriculture and public health.

The formal educational system within the Central African Republic is still largely administered by the French and remains unevenly distributed between urban and rural areas.

(1) School construction	-------
(2) Personnel:	
(a) United States	$15, 000
(b) Local (teachers, etc.)	-------
(3) Participant training	50, 000
(4) Contract services	-------
(5) Commodities	80, 000
Total	145, 000

PROPOSED AID ASSISTANCE TO EDUCATION, CHAD FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the education functional category) as well as assistance in other sectors such as agriculture and public health.

The formal educational system within Chad is still largely concentrated in the few urban centers of the country, and its expansion to rural areas is a primary goal.

(1) School construction	----
(2) Personnel:	
(a) United States	----
(b) Local (teachers, etc.)	----
(3) Participant training	$50,000
(4) Contract services	----
(5) Commodities	----
Total	50,000

PROPOSED AID ASSISTANCE TO EDUCATION, REPUBLIC OF THE CONGO (LEOPOLDVILLE) FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the education functional category) as well as assistance in other sectors, such as agriculture and public health.

The formal educational system within the Republic of the Congo is characterized by a high enrollment at the primary level (1,500,000) which dwindles sharply at higher levels (approximately 300 complete secondary education annually). The major bottleneck is at the secondary level created to a large extent by the lack of qualified teachers and the lack of teaching and learning materials.

(1) School construction	$500,000
(2) Personnel:	
(a) United States	25,000
(b) Local	5,000
(3) Participant training	500,000
(4) Contract services	1,250,000
(5) Commodities	500,000
Total	2,780,000

PROPOSED AID ASSISTANCE TO EDUCATION, CONGO (BRAZZAVILLE) FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the educational functional category) as well as assistance in other sectors, such as agriculture and public health.

The formal educational system within the Congo is still rudimentary and its development remains one of the principal goals of the development in the Congo.

(1) School construction	----
(2) Personnel:	
(a) United States	----
(b) Local (teachers, etc.)	----
(3) Participant training	$50,000
(4) Contract services	----
(5) Commodities	----
Total	50,000

PROPOSED AID ASSISTANCE TO EDUCATION (DAHOMEY) FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the educational functional category) as well as assistance in other sectors, such as agriculture and public health.

The formal educational system within Dahomey is the French system of classical-humanitarian education. There are no technical-vocational schools. The country puts the highest premium on education of the four Entente countries.

(1) School construction	$400,000
(2) Personnel:	
(a) United States	45,000
(b) Local (teachers, etc.)	-------
(3) Participant training	15,000
(4) Contract services	45,000
(5) Commodities	215,000
Total	720,000

PROPOSED AID ASSISTANCE TO EDUCATION (ETHIOPIA) FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the educational functional category) as well as assistance in other sectors, such as agriculture and public health.

The formal educational system within Ethiopia is Government-supported but now reaches only about 165,000 elementary and 22,000 secondary school children. The seven college-level institutions which now form the nucleus of a national university have an enrollment of approximately 1,200. A program for rapid expansion of classroom and teacher training facilities is now underway.

(1) School construction	$800,000
(2) Personnel:	
(a) United States	352,000
(b) Local (teachers, etc.)	146,000
(3) Participant training	279,000
(4) Contract services	1,320,000
(5) Commodities	972,000
Total fiscal year 1963	3,869,000

PROPOSED AID ASSISTANCE TO EDUCATION, GABON, FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the educational functional category) as well as assistance in other sectors, such as agriculture and public health.

The formal educational system within Gabon is still largely under the supervision of the French. Although the percentage of school-age children in school is already high for Africa, the expansion of education remains of the highest priority for the Gabonese.

(1) School construction	$150,000
(2) Personnel:	
(a) United States	-------
(b) Local (teachers, etc.)	-------
(3) Participant training	50,000
(4) Contract services	-------
(5) Commodities	-------
Total	200,000

PROPOSED AID ASSISTANCE TO EDUCATION, GHANA, FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes in sectors other than formal education, such as agriculture and public health. No assistance to formal education is planned.

The formal educational system within Ghana is based on the British system.

(1) School construction	$1,500,000
(2) Personnel:	
(a) United States	617,000
(b) Local	----------
(3) Participant training	105,000
(4) Contract services	770,000
(5) Commodities	90,000
Total	3,082,000

PROPOSED AID ASSISTANCE TO EDUCATION, IVORY COAST, FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the educational functional category) as well as assistance in other sectors, such as agriculture and public health.

The formal educational system within Ivory Coast is the French system of classical-humanitarian education. There are practically no vocational or technical schools. University students go to Dakar, Senegal, or France, although a University of Abidjan is being developed.

(1) School construction	----------
(2) Personnel:	
(a) United States	----------
(b) Local (teachers, etc.)	----------
(3) Participant training	$125,000
(4) Contract services	535,000
(5) Commodities	230,000
Total	890,000

PROPOSED AID ASSISTANCE TO EDUCATION, GUINEA, FOR FISCAL YEAR 1963

The formal education system within the Republic of Guinea is in the French humanistic tradition with very little emphasis on technical education. Only a small segment of the school-age population attends school, and of those that do, very few go beyond the primary school level.

(1) School construction	----------
(2) Personnel:	
(a) United States	----------
(b) Local (teachers, etc.)	----------
(3) Participant training	$55,000
(4) Contract services	920,000
(5) Commodities	----------
Total	975,000

PROPOSED AID ASSISTANCE TO EDUCATION, KENYA, FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the educational functional category) as well as assistance in other sectors, such as agriculture and public health.

The formal educational system within Kenya is based on the British model. As in many African countries, there is a relatively broad base at the primary level, narrowing considerably at the secondary level. The number of higher school certificates, requisite to admission to British-oriented universities, is extremely small.

(1) School construction	$683,000
(2) Personnel:	
(a) United States	183,000
(b) Local (teachers, etc.)	----------
(3) Participant training	309,000
(4) Contract services	985,000
(5) Commodities	154,000
Total	2,314,000

PROPOSED AID ASSISTANCE TO EDUCATION, LIBERIA, FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the educational functional category) as well as assistance in other sectors, such as agriculture and public health.

The formal educational system within Liberia is based on the American pattern and a prime area of AID activity. About 5 percent of the people are able to read and write on or above the fourth-grade level.

(1) School construction	$346,000
(2) Personnel:	
(a) United States	1,734,000
(b) Local (teachers, etc.)	---
(3) Participant training	170,000
(4) Contract services	2,612,000
(5) Commodities	1,893,000
Total	6,755,000

PROPOSED AID ASSISTANCE TO EDUCATION, LIBYA, FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the educational functional category) as well as assistance in other sectors, such as agriculture and public health.

The formal educational system within Libya includes about 500 elementary schools, 61 secondary and vocational schools, 8 teacher-training schools, and 2 universities (1 of which is for religious training). School enrollment has expanded about 20 percent every year since independence and is expected to rise from 125,000 in 1961 to 190,000 in 1966. Sixty percent of school-age children now attend school, but the great need is for more and better-trained teachers.

(1) School construction	---
(2) Personnel:	
(a) United States	$275,000
(b) Local (teachers, etc.)	---
(3) Participant training	252,000
(4) Contract services	403,000
(5) Commodities	80,000
Total	1,010,000

PROPOSED AID ASSISTANCE TO EDUCATION, MALAGASY REPUBLIC, FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the educational functional category) as well as assistance in other sectors, such as agriculture and public health.

The formal educational system within Malagasy, comprising both public and missionary schools, is a modification of the French system. In 1958 about 46.5 percent of the inhabitants of school age were attending classes with 321,000 students in primary schools, 17,000 in secondary institutions, and 6,300 in technical training.

(1) School construction	---
(2) Personnel:	
(a) United States	---
(b) Local (teachers, etc.)	---
(3) Participant training	---
(4) Contract services	$150,000
(5) Commodities	100,000
Total	250,000

PROPOSED AID ASSISTANCE TO EDUCATION—MALI FOR FISCAL YEAR 1963

The formal education system within the Republic of Mali is in the French humanistic tradition with very little emphasis on technical education. Only a small segment of the school age population attends school, and of those that do, very few go beyond the primary school level.

(1) School contruction	$550,000
(2) Personnel:	
(a) United States	25,000
(b) Local (teachers, etc.)	----------
(3) Participant training	300,000
(4) Contract services	175,000
(5) Commodities	500,000
Total	1,550,000

PROPOSED AID ASSISTANCE TO EDUCATION—MOROCCO FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the educational functional category) as well as assistance in other sectors, such as agriculture and public health.

The formal educational system within Morocco is still largely patterned after the French system in form and in content although the system is constantly being expanded and adapted to meet the specific needs of Morocco. In this transitional period, U.S. assistance to Moroccan education is most useful in the areas of agricultural and vocational education and public administration.

(1) School construction	----------
(2) Personnel:	
(a) United States	$261,000
(b) Local (teachers, etc.)	14,000
(3) Participating training	94,000
(4) Contract services	50,000
(5) Commodities	34,000
Total	453,000

PROPOSED AID ASSISTANCE TO EDUCATION (NIGER) FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the educational functional category) as well as assistance in other sectors, such as agriculture and public health.

The formal education system within Niger is the French system of classical-humanitarian education. There is practically no technical or vocational type education. It is estimated that only about 5 to 10 percent of children of school age actually attend school.

(1) School construction	$205,000
(2) Personnel:	
(a) United States	39,000
(b) Local (teachers, etc.)	----------
(3) Participant training	----------
(4) Contract services	145,000
(5) Commodities	101,000
Total	490,000

PROPOSED AID ASSISTANCE TO EDUCATION IN NIGERIA FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the educational functional category) as well as assistance in other sectors, viz, agriculture and Government management.

The formal educational system in Nigeria has about 7,000 primary schools, 800 secondary and teacher training schools, and two universities. At these institutions are about 1.1 million primary school students, 125,000 secondary school students and teachers-in-training, and 2,500 university students. The school system is being developed on the basis of recommendations by a British-American-Nigerian survey headed by Sir Eric Ashby.

(1) School construction	[1] $2, 533, 000
(2) Personnel:	
(*a*) United States	2, 191, 000
(*b*) Local (teachers, etc.)	80, 000
(3) Participant training	1, 003, 000
(4) Contract services	8, 984, 000
(5) Commodities	612, 000
Total	15, 403, 000

[1] Includes $1,000,000 development loans.

PROPOSED AID ASSISTANCE TO EDUCATION FEDERATION OF RHODESIA AND NYASALAND FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the education functional category) as well as assistance in other sectors, such as agriculture and public health.

Since 1954 responsibility for the formal education system within the Federation has been divided between the Federal and provincial governments. The Federal Government has responsibility for European primary and secondary education in the three provinces and for all higher or university education (both white and native) within the federation. The provincial governments have authority in respect to native primary and secondary education within the three territories. African primary and secondary facilities in the territories are generally recognized as inadequate, although in the larger urban areas the provincial governments have commenced construction of several African schools. Missionaries also have made a considerable contribution to the existent African facilities.

(1) School construction	$565, 000
(2) Personnel: United States	370, 000
(3) Participant training	20, 000
(4) Contract services	920, 000
(5) Commodities	40, 000
Total	1, 915, 000

PROPOSED AID ASSISTANCE TO EDUCATION, SENEGAL FOR FISCAL YEAR 1963

The formal education system within the Republic of Senegal is in the French humanistic tradition with very little emphasis on technical education. Only a small segment of the school age population attends school, and of those that do, very few go beyond the primary school level.

The capital of Senegal is the seat of the regional university for former French West Africa.

(1) School construction	$600, 000
(2) Personnel:	
(*a*) United States	----------
(*b*) Local (teachers, etc)	----------
(3) Participant training	30, 000
(4) Contract services	----------
(5) Commodities	325, 000
Total	955, 000

PROPOSED AID ASSISTANCE TO EDUCATION, SIERRA LEONE, FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the education functional category) as well as assistance in other sectors, such as agriculture and public health.

The formal educational system within Sierra Leone is built largely on the British pattern. The literacy rate is approximately 10 percent.

(1) School construction	$400,000
(2) Personnel:	
(a) United States	276,000
(b) Local (teachers, etc.)	
(3) Participant training	85,000
(4) Contract services	587,000
(5) Commodities	254,000
Total	1,602,000

PROPOSED AID ASSISTANCE TO EDUCATION, SOMALI REPUBLIC, FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the educational functional category) as well as assistance in other sectors, such as agriculture and public health.

The formal educational system within the Somali Republic is one of the key areas where U.S. assistance can help attain economic and social progress. Literacy is only about 5 percent; the country's school system is grossly inadequate and complicated by problems arising from the merger of the two regions. The U.S. program is concentrated on the basic problem of teacher education.

(1) School construction	$545,000
(2) Personnel:	
(a) United States	96,000
(b) Local (teachers, etc.)	23,000
(3) Participant training	105,000
(4) Contract services	215,000
(5) Commodities	38,000
Total	1,022,000

PROPOSED AID ASSISTANCE TO EDUCATION, SUDAN, FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the education functional category) as well as assistance in other sectors, such as agriculture and public health.

Public school education in the Sudan is available for both boys and girls through the high school level either free or at nominal charge. There are also a number of private schools. Educational facilities are extremely limited, however, and it is estimated that for the school year 1960–61, only a little over 10 percent of the school population between the ages of 7 and 15 were actually attending school. Higher education is provided at the Khartoum Technical Institute and the University of Khartoum.

(1) School construction	$150,000
(2) Personnel:	
(a) United States	550,000
(b) Local (teachers, etc.)	
(3) Participating training	715,000
(4) Contract services	1,100,000
(5) Commodities	840,000
Total	3,355,000

PROPOSED AID ASSISTANCE TO EDUCATION, TANGANYIKA, FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the educational functional category) as well as assistance in other sectors, such as agriculture and public health.

The formal educational system within Kenya is based on the British model. As in many African countries, there is a relatively broad base at the primary level, narrowing considerably at the secondary level. The number of higher school certificates, requisite to admission to British oriented universities, is extremely small.

(1) School construction	-------
(2) Personnel:	
(*a*) United States	$40,000
(*b*) Local (teachers, etc.)	-------
(3) Participant training	50,000
(4) Contract services	502,000
(5) Commodities	35,000
Total	627,000

PROPOSED AID ASSISTANCE TO EDUCATION, TOGO, FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes in sectors other than formal education, such as agriculture and public health, highway maintenance, and community development. No assistance to formal education is planned.

The formal education system within Togo is based upon the French system.

(1) School construction	--------
(2) Personnel:	
(*a*) United States	$145,000
(*b*) Local	35,000
(3) Participant training	322,000
(4) Contract services	--------
(5) Commodities	395,000
Total	897,000

PROPOSED AID ASSISTANCE TO EDUCATION, TUNISIA, FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal (projects within the education functional category) as well as assistance in other sectors, such as agriculture and public health.

The formal education system within Tunisia is being rapidly expanded to provide educational and training opportunities up to the interests and capacities of all the country's young people. The system includes primary and secondary schools, agricultural and vocational schools and the University of Tunis. All of these schools are part of the public school system; none is parochial.

(1) School construction	$3,000,000
(2) Personnel:	
(*a*) United States	84,000
(*b*) Local (teachers, etc.)	104,000
(3) Participant training	910,000
(4) Contract services	403,000
(5) Commodities	484,000
Total	4,985,000

PROPOSED AID ASSISTANCE TO EDUCATION, UGANDA, FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the education functional category) as well as assistance in other sectors, such as agriculture and public health.

The formal educational system within Uganda is based on the British model. As in many African countries, there is a relatively broad base at the primary level, narrowing considerably at the secondary level. The number of higher school certificates, requisite to admission to British oriented universities, is extremely small.

(1) School construction	0
(2) Personnel:	
(*a*) United States	$75,000
(*b*) Local (teachers, etc.)	
(3) Participant training	20,000
(4) Contract services	950,000
(5) Commodities	170,000
Total	1,215,000

PROPOSED AID ASSISTANCE TO EDUCATION, UPPER VOLTA, FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the education functional category) as well as assistance in other sectors, such as agriculture and public health.

The formal educational system within Upper Volta is the French system of classical-humanitarian education. There are no vocational or technical schools. University students go to Dakar, Senegal, or to France.

(1) School construction	0
(2) Personnel:	
(*a*) United States	$50,000
(*b*) Local (teachers, etc.)	
(3) Participant training	20,000
(4) Contract services	150,000
(5) Commodities	60,000
Total	280,000

PROPOSED AID ASSISTANCE TO EDUCATION, AFRICA REGIONAL PROJECTS PROGRAM, FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for education purposes. All the projects included in these figures are within the education functional category. For the Africa regional projects program there are no education activities outside this category.

The education activities in the regional program are confined to those which cannot reasonably be carried out under the country programs. An example is the African scholarship program of American universities through which 190 American colleges and universities offer scholarships to African students and AID contributes to the cost of selecting and orienting students and provides subsistence stipends.

(1) School construction	$595,000
(2) Personnel:	
(*a*) United States	200,000
(*b*) Local	
(3) Participant training	1,640,000
(4) Contract services	3,395,000
(5) Commodities	725,000
Total	6,555,000

PROPOSED AID ASSISTANCE TO EDUCATION TO NEAR EAST-SOUTH ASIA COUNTRIES FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes in all Near East-South Asia countries. Included is assistance to formal education (projects within the education func-

tional category) as well as assistance in other sectors, such as agriculture and public health.

(1) School construction	$4,646,000
(2) Personnel:	
(a) United States	3,460,000
(b) Local (teachers, etc.)	46,000
(3) Participant training	2,646,000
(4) Contract services	16,544,000
(5) Commodities	2,099,000
Total	29,441,000

PROPOSED AID ASSISTANCE TO EDUCATION, AFGHANISTAN, FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the education functional category) as well as assistance in other sectors, such as agriculture and public health.

The formal education system within Afghanistan is designed to help this emerging nation to satisfy its urgent needs for trained manpower. A severe shortage of trained manpower and skilled administrators exists at all levels of the society; illiteracy has been estimated as high as 95 percent. The U.S. aid program is devoting considerable effort in helping Afghanistan to develop both academic and technical education and training.

(1) School construction	----------
(2) Personnel:	
(a) United States	$344,000
(b) Local (teachers, etc.)	
(3) Participant training	130,000
(4) Contract services	1,129,000
(5) Commodities	368,000
Total	1,971,000

PROPOSED AID ASSISTANCE TO EDUCATION, CEYLON, FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the education functional category) as well as assistance in other sectors, such as agriculture and public health.

Ceylon school system is based primarily on the British system, but somewhat out-of-date. Nothing has been done to develop this system since the British left. All schools in Ceylon are currently being nationalized.

(1) School construction	----------
(2) Personnel:	
(a) United States	$39,000
(b) Local (teachers, etc.)	
(3) Participant training	115,000
(4) Contract services	250,000
(5) Commodities	15,000
Total	419,000

PROPOSED AID ASSISTANCE TO EDUCATION, UNITED ARAB REPUBLIC (EGYPT), FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the education functional category) as well as assistance in other sectors, such as agriculture and public health.

The formal educational system within the United Arab Republic (Egypt) is being expanded by the Government as a deliberate part of the 5-year development plan. There has been a substantial expansion of teaching facilities and a considerable extension of free education to a growing number of students. More

recently President Nasser has indicated that the Government is now taking steps to provide free education at all levels this year.

(1) School construction	None
(2) Personnel	$126,000
(3) Participant training	227,000
(4) Contract services	1,230,000
(5) Commodities	34,000
Total	1,617,000

PROPOSED AID ASSISTANCE TO EDUCATION, INDIA, FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the education functional category) as well as assistance in other sectors, such as agriculture and public health.

The formal education system within India is based primarily on the British model, educational administration being divided between the state and central governments. India must expand and redirect her educational system in order that education may play a more effective role in helping to achieve the plans for economic development of the nation. Expansion of an already existing extensive and complex educational system such as that of India must be planned and implemented in an articulated fashion for all educational levels concurrently—elementary through adult education.

(1) School construction	------
(2) Personnel:	
(*a*) United States	$294,000
(*b*) Local	(1)
(3) Participants	243,000
(4) Contract services	4,159,000
(5) Commodities	1,259,000
Total	5,955,000

[1] Not available.

PROPOSED AID ASSISTANCE TO EDUCATION, IRAN, FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the Education functional category) as well as assistance in other sectors, such as agriculture and public health.

Until recently, the formal educational system within Iran in many ways lagged far behind the nation's economic and social-political requirements, and the Ministry of Education could be characterized by indecision, ineffective operation and an unclear concept of educational administration and programing. However, Iranian educators now recognize the necessity for sharp revision in Iran's approach to national education if Iran is to come anywhere near its announced education goals, and several significant steps forward have been taken recently within the Ministry of Education, each of which can be attributed to U.S. advice, instruction, and constant pressure.

(1) School construction	------
(2) Personnel:	
(*a*) United States	$1,219
(*b*) Local (teachers, etc.)	------
(3) Participant training	325
(4) Contract services	786
(5) Commodities	70
Total	2,400

PROPOSED AID ASSISTANCE TO EDUCATION, IRAQ, FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the education functional category) as well as assistance on other sectors, such as agriculture and public health.

The formal educational system within Iraq is basically inefficient and ineffective with little relationship to modern needs. Learning is based on memorization and repetition.

(1) School construction	
(2) Personnel:	
(a) United States	
(b) Local	
(3) Participant training	$300,000
(4) Contract services	175,000
(5) Commodities	
Total	475,000

PROPOSED AID ASSISTANCE TO EDUCATION, JORDAN, FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the educational functional category) as well as assistance on other sectors, such as agriculture and public health.

The formal educational system within Jordan is based on memorization and repetition and stresses general or academic curriculums at all levels which accounts for the shortage of skilled manpower in the country. Arabic is the language of instruction. Government schools offer an 11-year program leading toward a matriculation examination as the final measure of achievement.

(1) School construction	$200,000
(2) Personnel:	
(a) United States	134,000
(b) Local	13,000
(3) Participant training	137,000
(4) Contract services	392,000
(5) Commodities	150,000
Total	1,026,000

PROPOSED AID ASSISTANCE TO EDUCATION, NEPAL, FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the educational functional category) as well as assistance in other sectors, such as agriculture and public health.

Although the present school system reaches a relatively small portion of the number of school-age children in Nepal, the country nevertheless has a policy of providing free education through grade 5 and is expanding school facilities as rapidly as finances are available and trained teachers can be provided. The United States is currently assisting the Nepalese develop a system from the ground up based along the American system with substantial stress on agricultural and vocational education. The dollar figure shown represents only a small fraction of the assistance which the United States is actually providing in the field of education. The larger part of the U.S. program of educational and institutional development in Nepal consists of U.S.-owned Indian rupees (approximately $3.1 million).

(1) School construction	$30,000
(2) Personnel:	
(a) United States	282,000
(b) Local (teachers, etc.)	
(3) Participant training	189,000
(4) Contract services	
(5) Commodities	29,000
Total	530,000

PROPOSED AID ASSISTANCE TO EDUCATION, PAKISTAN, FOR FISCAL YEAR 1963

The following figures have reference to U.S. dollar cost elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the educational functional category) as well as assistance in other sectors, such as agriculture and public health.

The formal educational system within Pakistan is much too small for the school-age population and is deficient in quality. Only 40 percent of the children of school age attend school at all, and only 16 percent complete the 5 years of primary education. Nearly half of those who enter primary school never advance beyond the first grade and only about 6 percent complete the 10 years of primary and secondary education. The Commission on National Education published in January 1960, a report which is the basis of the educational sector of the second 5-year plan. It has given the United States the unusual opportunity of participating in the radical reform of an entire national educational system.

(1) School construction	0
(2) U.S. personnel	$51,000
(3) Participant training	173,000
(4) Contract services	4,519,000
(5) Commodities	0
Total	4,743,000

PROPOSED AID ASSISTANCE TO EDUCATION, TURKEY, FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the educational functional category) as well as assistance in other sectors, such as agriculture and public health.

The formal educational system of Turkey is generally patterned on the European system of elementary schools covering grades 1 to 5, middle level (secondary and lycees) encompassing grades 6 to 12 and the 3- to 4-year technical and university level institutions. Education is 95 percent Government supported attendance is compulsory for grades 1 to 6 and beyond that level admittance is based on a national examination system.

(1) School construction	0
(2) Personnel (United States only)	$825,000
(3) Participant training	867,000
(4) Contract services	1,304,000
(5) Commodities	164,000
Total	0

PROPOSED AID ASSISTANCE TO EDUCATION, YEMEN, FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included in assistance to formal education (projects within the educational functional category) as well as assistance in other sectors, such as agriculture and public health.

The formal educational system within Yemen is limited primarily to Koranic schools. Formal schools are limited in number and are archaic.

(1) School construction	----------
(2) Personnel:	
(a) United States	----------
(b) Local (teachers, etc.)	----------
(3) Participant training	$180,000
(4) Contract services	----------
(5) Commodities	----------
Total	180,000

PROPOSED AID ASSISTANCE TO EDUCATION, CENTO, FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance provided through CENTO which indirectly contribute to the educational base of the three regional member countries, Turkey, Iran, and Pakistan. CENTO has no direct program in the education field.

The activities supported by the indicated funding take various form such as (1) providing U.S. technicians and consultants for short periods; (2) scheduling limited participant training; (3) underwriting the costs of regional studies and appropriate seminars for regional experts; and (4) financing small amounts

of training and demonstration equipment in particular cases. Such activities must benefit two or more countries, be noncompetitive with U.S. bilateral programs, and be best carried out on a regional basis.

(1) School construction	-------
(2) Personnel:	
United States	$50,000
Local	30,000
(3) Participant training	60,000
(4) Contract services	-------
(5) Commodities	10,000
Total	150,000

PROPOSED AID ASSISTANCE TO EDUCATION NESA REGIONAL FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the educational functional category) as well as assistance in other sectors, such as agriculture and public health.

The American University of Beirut is one of the two institutions of higher learning in Lebanon. The facilities of this American-sponsored institution will continue to be made available to participants from approximately 40 countries.

(1) School construction	---------
(2) Personnel:	
(*a*) United States	$56,000
(*b*) Local (teachers, etc.)	3,000
(3) Participant training	---------
(4) Contract services	2,600,000
(5) Commodities	---------
Total	2,659,000

PROPOSED AID ASSISTANCE TO EDUCATION TO ALL FAR EAST COUNTRIES FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes in all Far East countries. Included is assistance to formal education (projects within the educational functional category) as well as assistance in other sectors, such as agriculture and public health.

(1) School construction	$2,285,000
(2) Personnel:	
(*a*) United States	3,508,000
(*b*) Local (teachers, etc.)	450,000
(3) Participant training	4,793,000
(4) Contract services	10,093,000
(5) Commodities	8,081,000
Total	29,210,000

PROPOSED AID ASSISTANCE TO EDUCATION, BURMA FOR FISCAL YEAR 1963

The formal educational system within Burma is inadequate, particularly at the college and university training level. While there has been a substantial increase in facilities, the large increase since independence in 1948 in numbers of students has resulted in inadequate facilities, severely lowering living conditions and academic standards.

(1) School construction, W–66–AA Rangoon University Intermediate College	$1,000,000
(2) Personnel:	
(a) United States	----------
(b) Local	----------
(3) Participant training	100,000
(4) Contract services	----------
(5) Commodities	----------
Total	1,100,000

PROPOSED AID ASSISTANCE TO EDUCATION, CAMBODIA FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the educational functional category) as well as assistance in other sectors, such as agriculture and public health.

Cambodia's extensive educational requirements receive concentrated attention in the proposed fiscal year 1963 development grant program. This assistance will help develop the public school system and establish new training facilities. The Cambodian Government currently applies upward of 20 percent of domestic revenues to these purposes.

(1) School construction	$560,000
(2) Personnel: United States	372,000
(3) Participant training	566,000
(4) Contract services	977,000
(5) Commodities	739,000
Total	3,314,000

PROPOSED AID ASSISTANCE TO EDUCATION, CHINA, FOR FISCAL YEAR 1963

The literacy rate in Taiwan is high—about 90 percent—and the formal educational system is relatively well developed at all levels. For this reason, AID assistance to education in fiscal year 1963 will be restricted to activities contributing directly to increases in agricultural and industrial production. Assistance is planned in the fields of vocational agricultural education, industrial vocational education, and science education.

(1) School construction	-------
(2) Personnel:	
(a) United States	$60,000
(b) Local	-------
(3) Participant training	90,000
(4) Contract services	100,000
(5) Commodities	375,000
Total	625,000

PROPOSED AID ASSISTANCE TO EDUCATION, INDONESIA, FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the education functional category) as well as assistance in other sectors, such as agriculture and public health.

The public school system in Indonesia has grown rapidly since independence, and there is now more than 44,000 elementary and secondary schools. In addition, there are some 500 junior and senior high schools for vocational and technical training, 135 junior-senior high schools for business training, and more than 500 high schools for general and technical teacher training.

There is also a state university system including 14 State-supported universities, plus 250 private universities, colleges, and academies offering a variety of educational programs.

(1) School construction	
(2) Personnel:	
(*a*) United States	$495,000
(*b*) Local (teachers, etc.)	
(3) Participant training	1,180,000
(4) Contract services	4,650,000
(5) Commodities	525,000
Total	6,850,000

PROPOSED AID ASSISTANCE TO EDUCATION, KOREA, FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the education functional category) as well as assistance in other sectors, such as agriculture and public health.

The formal educational system in Korea is based on the old Chinese classical system. However, as a consequence of technical assistance rendered under the MS program, the ROKG is now attempting to modernize the system, placing emphasis on vocational type training.

(1) School construction	0
(2) Personnel:	
(*a*) United States	$385,000
(*b*) Local (teachers, etc.)	
(3) Participant training	255,000
(4) Contract services	355,000
(5) Commodities	150,000
Total	1,145,000

PROPOSED AID ASSISTANCE TO EDUCATION, LAOS, FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the education functional category) as well as assistance in other sectors, such as agriculture and public health.

The formal educational system with Laos suffers from a shortage of well-trained teachers. U.S. aid to Lao education concentrates on improving teacher training facilities and promoting self-help construction of village schools to enable the villagers to participate in meeting their local needs and to provide for placement of the teacher trainee graduates.

(1) School construction	$725,000
(2) Personnel:	
(*a*) United States	80,000
(*b*) Local (teachers, etc.)	
(3) Participant training	110,000
(4) Contract services	225,000
(5) Commodities	300,000
Total	1,340,000

PROPOSED AID ASSISTANCE TO EDUCATION, PHILIPPINES, FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the education functional category) as well as assistance in other sectors, such as agriculture and public health.

The formal educational system within the Philippines is primarily provided by the public sector on the elementary level (95 percent of enrollment) and by the private sector on the secondary (63 percent of enrollment) and collegiate levels (96 percent of enrollment). While the Philippines compares favorably

with other underdeveloped countries in terms of its literacy level (75 percent) and student enrollment, current educational achievements are considered inadequate due to a lack of funds, textbooks, facilities, and competent teaching standards, and should be improved to provide an educated populace capable of undertaking the task of accelerated development.

(1) School construction	None
(2) Personnel:	
(a) United States	$470,000
(b) Local (teachers, etc.)	None
(3) Participant training	349,000
(4) Contract services	150,000
(5) Commodities	1,155,000
Total	2,124,000

PROPOSED AID ASSISTANCE TO EDUCATION, THAILAND, FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the educational functional category) as well as assistance in other sectors such as agriculture and public health.

In order for education in Thailand to keep pace with national development requirements, expansion and improvement is needed throughout the current system of primary, secondary, vocational and higher education as well as teacher training and adult education. The Government has indicated its intent to achieve universal elementary education as soon as possible. At present, education is compulsory through the fourth grade. There is evidence of a growing interest and awareness of the need for long-range comprehensive educational planning to meet development needs and made the best use of Thai and other resources available.

(1) School construction	----------
(2) Personnel:	
(a) United States	$1,030,000
(b) Local	----------
(3) Participant training	938,000
(4) Contract services	1,948,000
(5) Commodities	2,015,000
Total	5,931,000

PROPOSED AID ASSISTANCE TO EDUCATION, VIETNAM, FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the educational functional category) as well as assistance in other sectors, such as agriculture and public health.

The formal educational system within Vietnam is based on the French system. The literacy rate in Vietnam is low. The Vietnamese Government has devoted considerable effort to the establishment of primary and secondary schools throughout the country. AID is assisting the Vietnamese Government in extending education to the populace, with particular emphasis on making education available in rural areas and expanding vocational education.

(1) School construction	----------
(2) Personnel:	
(a) United States	$80,000
(b) Local (teachers, etc.)	400,000
(3) Participant training	1,150,000
(4) Contract services	1,365,000
(5) Commodities	2,585,000
Total	5,580,000

PROPOSED AID ASSISTANCE TO EDUCATION, FAR EAST REGIONAL (INCLUDING SEATO PROJECTS) FOR FISCAL YEAR 1963

The following figures have reference to elements of assistance which will be given primarily for educational purposes. Included is assistance to formal education (projects within the educational functional category) as well as assistance in other sectors, such as agriculture and public health.

Far East regional educational projects are directed to increasing technical training for Asians in three operating centers, Japan, the Philippines and Hawaii. Additional specific education facilities include SEATO Graduate School of Engineering in Thailand, a SEATO Cholera Research Center in Pakistan, and a Malaria Eradication Training Center in the Philippines. At various times, agricultural workshops in various Asian nations have also been sponsored.

(1) School construction	----
(2) Personnel:	
(a) United States	$536,000
(b) Local (teachers, etc.)	50,000
(3) Participant training	55,000
(4) Contract services	[1] 323,000
(5) Commodities	237,000
Total	1,201,000

[1] The contract service component does not reflect personnel and participant costs which are included in their respective designations.

Mr. CONTE. With regard to the question concerning sending bands over to Africa, I think you will find that in the Cultural Exchange Act which we passed about 2 years ago. It will be in Mr. Rooney's committee's budget coming out Friday. It is in the Cultural Exchange Act.

Mr. ALEXANDER. It comes under foreign aid, does it not?

Mr. CONTE. No. It comes under his committee on the State and Justice appropriation. It is about $40 million a year, I think.

WORLDWIDE COST OF EDUCATION PROGRAM

Mr. PASSMAN. If you really want to get a little shock, through development grants and supporting assistance alone—this does not mean health, government management, all of the kindred programs—the education program for fiscal 1963 is $113,086,000. This is just the grants and supporting assistance.

Mr. ANDREWS. All over the world?

Mr. PASSMAN. Yes. It will go up, no doubt. The total is $437,600,000. If you pick up the other categories of education, you have food and agriculture, forests, fishing, mining, power, transportation, housing, urban, utilities, manufacturing, service industry, financial institutions, regional development, education, health, government management, economic policy and planning, public safety, internal security, community development, social welfare, labor affairs, general and technical support in connection therewith. The total is $437,600,000.

(Off the record.)

Mr. TENNANT. That is worldwide.

Mr. PASSMAN. I did not know you had half a billion dollars in there for education.

Mr. HUTCHINSON. That is the entire development grant program.

Mr. PASSMAN. Worldwide, supporting assistance and development grants. There are different phases of education in that.

Mr. FORD. Is that using "education" in the broad sense?

Mr. PASSMAN. The education itself, not in any "broad sense," is $113 million. It gives all the categories.

Mr. HUTCHINSON. That is the total of all the sectors and categories, not just education.

Mr. PASSMAN. That is right. I said education alone, as distinguished from the others, is $113 million. If you add the building construction to that, it is well over half a billion dollars.

Mr. TENNANT. I believe the construction figures are in that $113 million.

Mr. PASSMAN. This has nothing to do with development loans. This is development grants and supporting assistance, not the building.

Mr. HUTCHINSON. I think you will find there is some construction—in fact, I am positive there is some construction—in development grants.

Mr. PASSMAN. Some.

Mr. HUTCHINSON. So there is construction included.

Mr. PASSMAN. But it has nothing to do with what you have referred to as loans, and I refer to it as credits.

Mr. HUTCHINSON. To the extent school construction is included in that, it would not be in those figures.

COMPLETION OF BLUE NILE RIVER BASIN PROGRAM

Mr. PASSMAN. On the Blue Nile River, when do you anticipate this project will be completed?

Mr. HUTCHINSON. We expect to finish the project in 1963.

Mr. PASSMAN. If the evaluators later should determine the recommendations are not in keeping with the best interests of Ethiopia, would you start a new program?

Mr. HUTCHINSON. I would not think so, sir.

Mr. PASSMAN. $3,180,000 for nothing but a lot of paperwork, stacked up on a lot of tables, to me appears to be a lot of money. You do have in this, if I am reading correctly now, for this very thing, $568,000 for U.S. technicians alone in fiscal 1963.

Mr. HUTCHINSON. That is right, sir. There will be 31 technicians there from the U.S. Bureau of Reclamation.

Mr. PASSMAN. Would you not add that onto the other?

Mr. HUTCHINSON. That, sir, is part of the $715,000 estimated obligations in 1963.

Mr. PASSMAN. Now we get the total cost for this paperwork up to $3,895,000, do we not?

Mr. HUTCHINSON. The total of the project, sir, is $2,199,000, plus the $981,000 estimated in 1962, plus the $715,000 for 1963.

Mr. PASSMAN. When you get all these items added, it is $3,895,000.

Mr. TENNANT. That is correct.

Mr. PASSMAN. And that is for paperwork. Can you visualize what a project like that would cost when you get into fulfilling the recommendations that this survey may have brought out? Have you had an opportunty to go into that phase of it?

Mr. HUTCHINSON. Sir, I have no idea what projects, if any, might develop in the future as a result of the studies which have been done.

Mr. PASSMAN. This report by the Bureau of Reclamation on the Blue Nile River Basin investigation; does it recommend a certain type of projects, if you have read it?

Mr. HUTCHINSON. I submitted it, sir, only as a sample of the work being done by this group. I do not know of the recommendations.

COST BREAKDOWN ON BLUE NILE PROJECT

Mr. PASSMAN. You have an item here which always comes in, and it is getting bigger all along, "Other costs, $130,000."

Mr. HUTCHINSON. You are speaking again now——

Mr. PASSMAN. Ethiopia, Blue Nile River Basin investigation.

Mr. HUTCHINSON. I do not have a breakdown in detail of the costs there. It is costs for local-hire personnel, for locally purchased equipment——

Mr. PASSMAN. Give it to us completely.

Mr. HUTCHINSON. I do not have a breakdown of each of those items.

Mr. PASSMAN. Does your supporting partner over there have it?

Mr. MOSSLER. No, sir. I have the same information Mr. Hutchinson has.

Mr. PASSMAN. Nothing.

Mr. MOSSLER. Nothing more than he has.

Mr. PASSMAN. So you are completely even on that score.

COMPLETION OF BLUE NILE INVESTIGATION

Mr. FORD. May I ask a question, Mr. Chairman.

When will this investigation be completed?

Mr. HUTCHINSON. Fiscal year 1963.

Mr. FORD. By next June 30?

Mr. HUTCHINSON. By next June 30.

Mr. FORD. The total cost in a 3-year period from inception to end is about $3 million?

Mr. PASSMAN. No, sir. It is $3,895,000, exactly. I think you testified that that was the correct figure, did you not?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. $3,895,000.

Mr. FORD. What is the magnitude of this project, if and when it comes to brick and mortar?

U.S. PARTICIPATION IN CONSTRUCTION OF BLUE NILE PROJECT

Mr. HUTCHINSON. It does not come to brick and mortar in the sense of being a particular project, sir, that will come out of the study. This is the basic data which would be required for determining a program for the development of the area. It has to do with the soil classification, data as to availablity of water, in what amounts and what types, the geologic conditions of the area, what economic conditions actually are there now, what weather conditions are. A meteorological network has been established. A whole system of land classification and land use has been prepared. They have also developed a group of engineers that will be working in the area in all of these fields in the future. You would not be expecting a particular development project to be coming out of it.

Mr. FORD. Is it contemplated when this program is completed we would actively participate in the financing of it?

Mr. HUTCHISON. We have no plans, sir, for participation in the financing of development in the valley as of this moment. May I go off the record?

Mr. PASSMAN. Yes, in this instance.

Mr. HUTCHINSON. Off the record.

ORIGIN OF BLUE NILE INVESTIGATION

Mr. FORD. When was this survey initiated?

Mr. HUTCHINSON. This was begun in 1956.

Mr. FORD. It is a 6-year investigation.

Mr. HUTCHINSON. Yes, sir. It is a very complete investigation of all the basic geological, soil, economic, water, meteorological, and so on, conditions which exist in the area. They are so limited in area, and the area is susceptible of development, that it seems worthwhile to take a look at this one, which seems to offer much greater potential than other areas.

Mr. PASSMAN. What is the average width of this river?

Mr. HUTCHINSON. I would not know how wide the river is, sir.

Mr. PASSMAN. What is the length of the river?

Mr. HUTCHINSON. It is a quite long river. This I know.

Mr. PASSMAN. The investigation is limited to the Ethiopian part of it, is it not?

Mr. HUTCHINSON. Yes, sir. The investigation is so limited.

Mr. PASSMAN. When I see that we are spending $3,895,000 for this Blue Nile River Basin investigation, and the large number of technicians assigned to the project, and knowing that in the past we have committed funds to very expensive projects far in advance of any completed survey as to what we could expect these projects to accomplish for the country, it would only follow that if we spend this much money for a survey which covers just paperwork, no construction work, it could very easily be that in subsequent years there would be requests for large sums to carry out some type of construction program. That is why we would like you to insert in the record any envisioned projected costs. It would appear to me that, as you are using American technicians and you are endeavoring to do such a complete job in your findings, maybe they should likewise give you an estimate of what their recommended projects will cost, if it is only for our benefit, speaking of your department, for your guidance. Usually these things lead to requests for substantial sums at subsequent dates.

Mr. TROXEL. Mr. Passman, with your permission, I would like to mention some reasons why the Department of State has urged, over the course of years that this project be done. Off the record.

Mr. PASSMAN. If you have information, it would appear to me the time for this committee to have requested it would have been several years ago and not now, because this paper work operation, costing $3,895,000, is coming to an end. You are going to complete your work.

Mr. TROXEL. Yes, sir.

PROSPECTS FOR CONSTRUCTING BLUE NILE PROJECT

Mr. PASSMAN. I think we are just a little bit late in requesting it. We do know, if history means anything, in all probability when these technicians or engineers, whatever type of personnel you have, finish these evaluations, they will have recommendations as to what you could do to utilize the facilities of this river. Without doubt, it will call for money in subsequent years.

(Off the record.)

Mr. TROXEL. In the case of the Blue Nile, we feel the project is justified in terms of the development potential of Ethiopia.

(Off the record.)

Mr. PASSMAN. If you can, give us some idea of what we can look forward to. While you are doing that, find out the length of this river. I am not talking about the Nile. I am talking about the Blue Nile.

Speaking of the longest river in the world, you are talking about the Nile, not the Blue Nile?

Mr. TROXEL. Yes, sir, but it contributes flow to the Nile as a whole. I am sure, Mr. Chairman, you would not want us to give the figures on all the dams all the way downstream.

Mr. PASSMAN. I just want to get some general idea, as Mr. Ford indicated, whether you can foresee utilizing the information you get by this very large expenditure.

I do not see how you could have spent that much money unless a lot of this work was done in air-conditioned offices in Washington.

Mr. HUTCHINSON. I am sure you will find these 31 technicians have lived under conditions which are not like sitting in air-conditioned offices.

Mr. PASSMAN. There is no law to make them go over there.

LOAN FOR COTTON TEXTILE MILL

Why did you not include development loan No. 88 for the cotton textile mill in your justifications this year?

Mr. HUTCHINSON. Sir, the project was completed and the loan disbursed.

Mr. PASSMAN. I could not quite hear you.

Mr. HUTCHINSON. So far as I know, the only reason for not putting a sheet on it, sir——

Mr. PASSMAN. I am always curious when I hear people whisper.

Mr. HUTCHINSON. You encouraged us to do that, sir.

Mr. MOSSLER. I thought Mr. Hutchinson said the loan had been disbursed, and I was not sure the entire amount had been disbursed. I thought perhaps he meant the loan had been made and we were not planning on making any additional loan.

Mr. PASSMAN. That supplementary information is very valuable.

How about the Controller? Have you some information on that, too?

Mr. TENNANT. Nothing in addition to what has been testified.

Mr. HUTCHINSON. Which loan are you speaking of now? No. 88, you say?

Mr. PASSMAN. Yes, sir.

Mr. HUTCHINSON. This is the so-called Saide loan that was made some years ago in the amount of some $400,000. If my memory serves me correctly, speaking entirely from memory now, because I have nothing before me, so far as I am aware, my original testimony is correct that the project has been completed.

Yes, sir, the amount of the loan agreement was $500,000, not $400,000. There has been disbursed against the loan $499,999.94.

Mr. PASSMAN. The last information you gave to us is $426,000. We do not have that figure.

Mr. HUTCHINSON. This must be a later report, sir. This is from inception through March 31, 1962.

Mr. TENNANT. You are reading, Mr. Chairman, from last year's presentation books, I believe.

Mr. PASSMAN. Yes.

Mr. HUTCHINSON. This is March 31, 1962.

Mr. PASSMAN. It says here:

Status of individual projects approved, Development Loan Fund, including loan status, March 31, 1961, loan terms and narrative description of the purpose and basis of the loan and other pertinent factors concerning the loan, table 3, green paper.

Are you not supposed to include that in subsequent years if you have an unliquidated balance? Where you have unliquidated funds, there is always the possibility that there will be some deobligations, and we had expected that from the information given to us last year that you have recouped. I believe that is a new word for deobligating.

Mr. MILLER. Mr. Chairman, as I understand the testimony that Mr. Hutchinson just gave, it is that the loan is fully disbursed, with perhaps the omission of 6 cents.

The books do not include all loans which are fully disbursed.

Mr. PASSMAN. There is some misunderstanding on the part of the committee as to whether you had disbursed the funds, because you used two different figures.

Mr. MILLER. We should, of course, be happy to provide you with all the information that we can. In the preparation of these books, of course we have attempted to provide you with information that is valuable. We have to shorten some of the information and summarize it, as we have a great deal of information.

Mr. PASSMAN. That is expected. But we try to reconcile 1 year's request against what you say you are going to do in another year. We expect to run into some unobligated funds. The only way we can clear it up is to ask questions.

Mr. HUTCHINSON. I am still confused, sir, because we would expect that the disbursements would be different now from what they were last year.

DISBURSEMENTS ON DEVELOPMENT LOANS

Mr. PASSMAN. I think that under the legislation, inasmuch as interest and repayments are involved, you are supposed to give the committee a list of all the development loans.

Mr. HUTCHINSON. We shall be glad to give you a list of all in our region, sir.

Mr. PASSMAN. We are going to request that you give us a list of all the unpaid development loans, because we are certainly interested in how we are coming on the amount of interest.

SHIP FOR ETHIOPIA

What is the name of the ship about which we had the hassle with the military assistance people? The State Department gave one figure for the Emperor's yacht which caused a lot of embarrassment to a Member of Congress. The committee gave another one slightly in excess of $3 million. I think there was over $1 million for the air conditioning. Have you made any contributions out of any of the funds that you handle for the Emperor's yacht?

Mr. MOSSLER. We have not.

Mr. PASSMAN. Mr. Natcher?

GNP GROWTH RATE IN ETHIOPIA

Mr. NATCHER. Ethiopia has enjoyed about 3,000 years of independence, Mr. Hutchinson, and I believe, according to the justification, has some 19 million people. Under the gross national product we find that Ethiopia for the year 1959 had $787 million; in 1960, the amount is $823 million; and for 1961 calendar year, estimated, it will be some $865 million. From 1959 to 1961 we have a percentage increase of about 9.1. That is a good increase, would you not agree, Mr. Hutchinson?

Mr. HUTCHINSON. Yes, sir, I would.

Mr. NATCHER. According to the information our committee has, the rate of increase for our own country, which is the strongest country in the world, is a little over 7 percent over last year.

PROGRAM OBJECTIVES IN ETHIOPIA

What do you hope to accomplish in Ethiopia, Mr. Hutchinson, in the program about which you have testified to the committee?

Mr. HUTCHINSON. Sir, I think we intend to accomplish a number of things.

(Off the record.)

Mr. HUTCHINSON. We are concentrating on the two sectors in which there seems to be a real interest on the part of all of the Ethiopian population in seeing growth and developing, that is, education and health. While, as you have indicated, there have been some sharp increases in the total volume of GNP, the per capita GNP is extremely low, reaching only $45 per individual in the last year.

So, we feel that by working in these particular sectors we can perhaps accomplish actually worthwhile results in those particular areas, while at the same time promoting stability within the country.

Mr. NATCHER. What is the total amount you are requesting for Ethiopia?

Mr. HUTCHINSON. $———.

SOVIET UNION CREDIT TO ETHIOPIA

Mr. NATCHER. At any time during the past 5 years have we received any indication to the effect that the Soviet Union has attempted to make any overtures to Ethiopia from the standpoint of mutual security?

Mr. HUTCHINSON. Yes, indeed, sir. They have granted them credits of $114 million, if my memory serves me correctly, which was made about 2 years ago. The credit has been very slow moving and small amounts have been drawn down.

(Off the record.)

Mr. NATCHER. Is this amount of money on a loan?

Mr. HUTCHINSON. It is all a loan.

Mr. PASSMAN. Are most of them short term and at a high rate of interest?

Mr. TROXEL. Not necessarily.

Mr. HUTCHINSON. This was at 2½ percent.

Mr. NATCHER. The $114 million is a 2½-percent loan?

Mr. HUTCHINSON. Yes, sir.

Mr. NATCHER. What are the limitations on the amounts that can be drawn each year? Do you know?

Mr. TROXEL. The limitations are on reaching agreement with the Russians as to loans for individual projects, agreed to by both parties.

Mr. NATCHER. Is there any stipulation between the countries on this loan as to how the money can be used?

Mr. TROXEL. The Czech loan did have certain stipulations. The $102 million basic loan from the U.S.S.R. had no stipulations that were announced. It was simply a line of credit for individual projects to be worked out in due course.

VALUE OF CONTINUING PROGRAM IN ETHIOPIA

Mr. NATCHER. Do you feel with the loan that you have just testified about from the Soviet Union and other assistance that might be in the offing, our program should continue on in Ethiopia as it has in the past.

Mr. HUTCHINSON. I feel, sir, that it should continue.

(Discussion off the record.)

Mr. HUTCHINSON. We do not see under present circumstances drastically increasing the aid we would be providing.

Mr. NATCHER. As a matter of fact, is it not true we are just participating as far as Ethiopia is concerned? As far as accomplishments are concerned, you do not expect too much, do you?

Mr. HUTCHINSON. I think we expect to accomplish a good bit in the specific projects we are carrying on. We do expect to be able to help improve their educational system. We expect to be able to get approaches to education incorporated in their system which should have an influence throughout their entire educational setup. We have established some technical high schools and that sort of thing which we feel will have an influence in the education beyond the primary level they give their people. We feel we can make these kinds of beginnings in their educational institutions and it will have an effect throughout the economy. We expect to accomplish this both in the public health field and in the education field.

We do not expect through this program we will be contributing in a marked and dramatic way to increases in their GNP in the short run. We do feel we will be able to influence their institutional development significantly.

COOPERATION BY ETHIOPIA

Mr. NATCHER. Since the amount requested for Ethiopia is not large, are you receiving the kind of cooperation that you should receive from this country?

Mr. HUTCHINSON. We are receiving it, sir, insofar as these particular areas are concerned. In the field of education and health, they are enthusiastic. They are working with us. The Emperor himself is very much interested in the educational field. All levels of government and the people seem to be interested in both these fields. (Off the record.)

Mr. TROXEL. (Off the record.)

EFFECT OF REDUCTION ON PROGRAM

Mr. NATCHER. Do you feel the amount requested is justified at this time and should be no larger?

Mr. HUTCHINSON. That is our feeling at this time.

Mr. NATCHER. If that amount were reduced some $3 million, would it affect this program too much?

Mr. HUTCHINSON. Yes, sir; I think $3 million would very drastically interfere with the program, sir. It would be hardly enough to carry through to completion even those projects we expect to terminate.

Mr. PASSMAN. Before yielding to Mr. Alexander, there is a lot of difference between a hard loan and grants, or development credits, as Mr. Dillon would call them.

We are supposed to have sheets on these disbursed loans.

Mr. HUTCHINSON. We would be delighted to give them to you.

Mr. PASSMAN. They should either be in or out. You should not have it in on some of the countries and out on some others.

Mr. RABIN. I agree that is confusing.

LOANS FOR TEXTILE INDUSTRY

Mr. ALEXANDER. Would you give us for the record any grants, or loans, or any kind of disbursement from our Government that has to do with textiles in any country in this area?

Mr. HUTCHINSON. I will be glad to. I know of two offhand which have been made in the past.

The one we just mentioned for $500,000 to a small mill in Ethiopia. There is a much larger mill in the Sudan to which we made a $10 million loan.

Mr. ALEXANDER. Is it still the policy of the State Department, even when we have great difficulty with our textile mills in this country to go ahead and try to promote all of the competition throughout the world they possibly can?

Mr. HUTCHINSON. No, sir. Textile loans are made under extremely rare circumstances, as a matter of fact, and we are under instruction to make a specific finding as to the extent of any possible competition with U.S. industry and the influence upon the U.S. economy of any of the assistance we provide.

In the case of these two particular loans, and I am speaking from memory, I am sure that the finding was to the effect that the product

of these mills was to be used for internal consumption within these countries.

We will still be glad to get for you the information on any textile financing that has been done.

Mr. ALEXANDER. I wish you would put all the financing of any type that you are doing for textiles in writing in the record.

(NOTE.—Subsequently the Agency advised that only the two loans mentioned have been made in the African area.)

Mr. ALEXANDER. As a matter of fact, the last administration had come to the point and agreed they would not make any further loans in regard to the development of the textile industry throughout the world. Frankly, even though we make a loan to a country that is going to use it within their borders, we unleash capital to them to further develop their own textile plants which would be in competition with us.

I certainly hope you will take a second look at your policy.

Mr. HUTCHINSON. I do not mean to imply in any way we are financing textiles as a general policy. Certainly we are not.

Mr. ALEXANDER. Whether you are doing it as a policy or not; if you are doing it, it is policy.

Mr. HUTCHINSON. These two loans were made quite a number of years ago, both these mentioned here.

Mr. ALEXANDER. I wish you would put that in the record, when they were made.

Mr. HUTCHINSON. I would be glad to. I think we can give you that right now.

The Sudan textile loan was made in 1959, May 22, 1959, was when the agreement was signed.

The Ethiopian loan was made August 6, 1959.

Mr. ALEXANDER. I trust and hope you will not make any more.

POLITICAL CLIMATE IN ETHIOPIA

With specific reference to Ethiopia, I notice it is a neutral country now and the Government of this country has been influenced a great deal by a young group of people. Was it previously a pro-Western Government prior to the time they took over?

Mr. HUTCHINSON. I would like for Mr. Troxel to comment on that.

Mr. TROXEL. I think it would be fairest to say it has been an unallied country in any formal sense for a good many years. It has no treaties with either the East or the West that put it in a—strictly speaking—pro-Western or pro-Eastern category.

(Off the record.)

Mr. ALEXANDER. It is cooperating in the fields from which it can get advantages.

I understand Mr. Hutchinson to say we were limited in the fields we could work over there, mainly health and education.

Mr. TROXEL. These are the two areas where we get the most for our money. As long as we can meet our basic objectives, economic and political, by a program in only two areas, why, that makes a lot of sense to us.

LOANS BY IBRD AND EXIMBANK

Mr. ALEXANDER. I notice development grants are $———. What about development loans, either by our Government or by the International Bank for Reconstruction, or the U.N., or any of these worldwide organizations of which we are a part?

How much is the total of that?

Mr. HUTCHINSON. We have no loans contemplated as far as our program is concerned. I would have to check and see what the situation is with respect to the IBRD, or Eximbank loans. Nothing is shown for 1962.

The IBRD did make a $2 million loan in 1962. Mr. Troxel tells me there is an Eximbank contemplated.

Mr. ALEXANDER. How much?

Mr. TROXEL. There is the aircraft for the Ethiopian Airlines.

Mr. HUTCHINSON. That loan has already been made. That is the $10 million.

Mr. TROXEL. It probably is; I stand corrected.

Mr. ALEXANDER. What is the total of all of those?

Mr. HUTCHINSON. If you want to total it by fiscal years——

Mr. ALEXANDER. What will be given in 1963?

Mr. HUTCHINSON. Off the record.

Mr. ALEXANDER. Why are you establishing a committee to coordinate these?

Mr. HUTCHINSON. This is the assistance being provided through other countries which are not development loans at all, sir.

You will notice a number of other countries are in fact providing assistance.

This does say all these countries, including possibly the IBRD, are expecting $10 million in assistance in 1963, so it would seem to us if so many countries are going to be operating in the field, it would be well for us to have a group that we can consult from time to time so each will know what the other is doing and be able to coordinate their efforts.

We think, for example, it would be well for them to know where we are concentrating our efforts.

Mr. ALEXANDER. What, if anything, have we to do with this oil refinery that is being promoted in Ethiopia?

Mr. HUTCHINSON. I am not familiar with the refinery at all, sir.

Mr. TROXEL. Off the record.

Mr. ALEXANDER. In other words, as far as we are concerned, all we are putting up at this time is the $———.

Mr. TROXEL. Yes.

Mr. ALEXANDER. Which is grants?

Mr. HUTCHINSON. Yes.

Mr. ALEXANDER. That is all.

AID PROGRAM FOR 1961–63

Mr. FORD. For fiscal year 1961, the development grant program was $8.5 million. For fiscal year 1962, $6.4 million, and proposed for 1963, $———.

Mr. HUTCHINSON. Yes.

Mr. FORD. The development loans in fiscal year 1961 were $29.1 million?

Mr. HUTCHINSON. Yes, sir.

Mr. FORD. Is the testimony there is none in fiscal year 1962?

Mr. HUTCHINSON. Yes, sir; that is correct.

Mr. FORD. (Off the record.)

Mr. HUTCHINSON. That is correct.

PUBLIC LAW 480 PROGRAM FOR FISCAL YEAR 1963

Mr. FORD. What are we contemplating under Public Law 480 for fiscal year 1963?

Mr. MOSSLER. In 1963, we expect to have a total of $——— in title I sales.

Mr. FORD. $———?

Mr. MOSSLER. In title I sales, and we have had substantial title II and title III programs in past years in Ethiopia.

There is an estimate here of $——— in title II and $——— also in title III.

Mr. FORD. What about title IV?

Mr. MOSSLER. In title IV, they are considering one there—that is sales for dollars. There is a possibility of a title IV program which I think could run up possibly to $———.

Mr. FORD. So you are thinking in the magnitude of $——— in fiscal year 1963?

Mr. MOSSLER. I believe that is the total of those four categories; yes, sir.

Mr. FORD. The testimony is, no Eximbank loans are contemplated for fiscal year 1963?

Mr. HUTCHINSON. We are aware of none.

Mr. FORD. What is the military program for fiscal year 1963?

Mr. MOSSLER. Ethiopia, 1963 program, $———.

COMMUNICATIONS ESTABLISHMENT IN ETHIOPIA

Mr. FORD. We have this communications establishment in Ethiopia. Is that on an indefinite term, or is there a fixed term?

Mr. TROXEL. On an indefinite term, sir.

Mr. FORD. Is there any specific quid pro quo involved there, or what are the terms?

Mr. TROXEL. There is no specific quid pro quo.

(Off the record.)

Mr. FORD. What is the current atmosphere as to our long-term utilization of that facility?

Mr. TROXEL. So far there have not been any problems.

(Off the record.)

Mr. FORD. Do you have any idea how much we have invested there?

Mr. TROXEL. No, sir; I do not.

I know something of the present physical plant and the number of people we have there, but I have never seen what the total investment has been.

(Discussion off the record.)

Mr. FORD. In what part of Ethiopia is this located?

Mr. TROXEL. Right near Asmara. A lot of it is right in the city itself.

OTHER FREE WORLD ASSISTANCE TO ETHIOPIA

Mr. FORD. What is the other free world assistance contemplated for fiscal year 1963? Do you have any means of knowing that?

Mr. HUTCHINSON. Yes. We check with the countries and through this coordinating group, and also with the DAC in Europe. We do not have too much on 1963. We have in the special fund $1 million. There is something wrong with these figures. They do not add up correctly. I know we anticipate about $10 million in fiscal year 1962. I thought we had the break, but I do not see it, sir.

Mr. FORD. Are you talking about the European and the various international agencies, or are you talking about a more limited group? Ten million dollars is considerable compared to fiscal year 1962 and prior years if you combine all those agencies.

Mr. HUTCHINSON. We were anticipating about $10 million, including the IRBD, the U.N., the Europeans, some amounts from the Netherlands and the United Kingdom.

Mr. FORD. For fiscal year 1963?

Mr. HUTCHINSON. For fiscal year 1963; yes, sir.

Mr. FORD. Those are all loans?

Mr. HUTCHINSON. No; these will not be all loans. It would be a mixture of loans and grants.

Mr. FORD. Can you get a breakdown and include it for the record?

Mr. HUTCHINSON. I will, sir.

(The information follows:)

Other free world assistance to Ethiopia for fiscal year 1963

[In millions]

IBRD/IDA	$8.0
U.N.	
Other free world (Germany, the Netherlands, United Kingdom, etc.)	2.0
Total	12.0

SINO-SOVIET ASSISTANCE TO ETHIOPIA

Mr. FORD. Are there any current plans for Sino-Soviet bloc assistance over and above the $114 million listed in the justifications?

Mr. HUTCHINSON. I am not aware of any. That credit has not been utilized, and I am not aware of any.

Mr. TROXEL. So little has been drawn down that there would not be much point in their offering another figure with a string of zeros after it.

(Off the record.)

Mr. FORD. Against a total of $114 million?

Mr. TROXEL. Yes.

(Off the record.)

Mr. FORD. Is the long-range thinking, as far as we are concerned, based on assistance in the development grant area, or are we laying the groundwork for a substantial development loan program?

Mr. HUTCHINSON. Off the record.

PUBLIC LAW 480 PROGRAM FOR ETHIOPIA

Mr. FORD. Your Public Law 480 programs, as you contemplate them for fiscal year 1963, are larger than in prior years. What justifies that?

Mr. MOSSLER. I notice in 1962 we had no title I sales at all, so the big increase is in the title I sales category. Title II was somewhat lower, about $1 million lower and title III is about the same level.

Mr. HUTCHINSON. Why there is a need for the sales program, I could not testify to. I suspect this is an Agriculture Department concern.

Mr. FORD. You have —— in 1963 against 5.9 in fiscal 1962. Do these, except for the sales program, generate local currencies that are retained and made available in Ethiopia?

Mr. MOSSLER. The title III program does not generate local currency. Title II sometimes does. Frankly, I am not sure whether in this particular program it does or not.

Mr. FORD. Can you get for the record the amount of local currencies that are available in total in Ethiopia?

Mr. HUTCHINSON. I think we have the figure. If not, we will be glad to submit it for the record.

Mr. MOSSLER. I find we do have under title II $400,000 that is to generate local currencies, but so far it is not on deposit.

Mr. FORD. Is that the total amount of local currencies?

Mr. MOSSLER. That is the total status as of the end of June 1962.

Mr. FORD. Who has control of that?

Mr. HUTCHINSON. This would be deposited in an account in Ethiopia subject to the joint control of our mission and Ethiopia.

Mr. FORD. What are the plans for utilization of that?

Mr. HUTCHINSON. I do not know, sir.

Mr. FORD. That is all, Mr. Chairman.

Mr. PASSMAN. Mr. Hutchinson, grants for assistance appropriations are made on a 1-year basis and if the money is not obligated it lapses; is that correct?

Mr. HUTCHINSON. Yes, unless it is obligated or unless authority is given for its reappropriation, it lapses.

Mr. PASSMAN. We understand that, but that part that is not obligated lapses?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. Under your development credits, sometimes referred to as development loans, that appropriation remains available until expended or obligated: is that correct?

Mr. HUTCHINSON. Yes, sir.

DEVELOPMENT LOANS FOR CAPITAL PROJECTS

Mr. PASSMAN. Did you mention earlier that your Department policy has been, or is now, to get more of the projects under the development credits or development loans?

Mr. HUTCHINSON. To get the capital projects, yes, sir; the construction costs.

Mr. PASSMAN. Under the second category?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. That is the category where if a partial obligation is made it is the intent, short of a catastrophe in this country, it is expected the funds would be made available in subsequent years to complete the project?

Mr. HUTCHINSON. No, sir. In this category the funds have already been made available.

Mr. PASSMAN. I am talking about a $1 billion project where you have perhaps expended $500 million and it is to be expected that the Congress would, and it is the intent, short of a catastrophe, that Congress would make appropriations in subsequent years to complete the project?

Mr. HUTCHINSON. You seem to be talking of the authority to make long-term commitments, which is a different authority from that to make obligations.

Mr. PASSMAN. You use your own terminology. You make a long-term commitment, but if you make an obligation it is intended that you will have a stronger chance of carrying out that commitment?

Mr. HUTCHINSON. That is correct, but that commitment is made in support of a program. That is quite different from a specific loan for a project where you must have the obligational authority before you enter into the commitment.

Mr. PASSMAN. You can be as evasive as you like——

Mr. HUTCHINSON. I am not being evasive, sir.

Mr. PASSMAN. But others have testified before this committee that anything short of a catastrophe, they would expect the money to be forthcoming.

Mr. HUTCHINSON. But, sir, you asked me in the beginning of this discussion what our policy is concerning the transfer of construction costs of certain projects which had in the past been financed on a grant basis under the development loan or grant appropriation. I testified to financing from the appropriation for development credits. I made no statement on the other and the two things are not related.

Mr. PASSMAN. Others have testified that the plans call for getting more and more of the program in the development loan, or development credit, category, and to me it is quite obvious why this is planned. The other members of the committee can evaluate it any way they wish.

We shall recess until 10 a.m. tomorrow.

TUESDAY, JULY 17, 1962.

TREASURY TRANSACTIONS

Mr. PASSMAN. The committee will come to order.

It looks as if we are getting off to a fairly brisk start with our spending habits in fiscal year 1963.

According to the Treasury statement of July 11, the foreign assistance program expenditures so far in fiscal 1963, beginning July 1, are about three times the amount spent for foreign aid during the same period in fiscal year 1962.

The deficit situation is running true to form.

We have withdrawn from the Treasury, from July 1 to July 11, 1962, $4,927,077,893.76, as compared to $3,901,866,730.80 for the corresponding period in fiscal year 1962.

I hope that this is not the pattern we are going to follow throughout fiscal year 1963, because we have already withdrawn $1 billion, or 25 percent, more to operate in the first 11 days this year than we had in the corresponding period last year.

I now want to read this statement into the record, hoping that maybe it will be useful to those who may read it, including members in both the legislative and executive branches:

JAGAN'S COLLATERAL FOR AMERICAN AID

If an individual walked into a bank and wanted a loan, he would hardly open his request by insulting the bank president.

Yet a man who wants $28 million in U.S. money took the stand the other day to tell the world he thought Fidel Castro is the "greatest liberator of the 20th century." He was Dr. Cheddi Jagan, Prime Minister of British Guiana in South America.

In swearing that Castro is a great liberator, he was insulting the U.S. system of free enterprise and private capital which built Cuba up for two generations. Castro grabbed the fruits of this system when he came into power in 1959.

Jagan has been in and out of New York and Washington calling on diplomats, the State Department and even the White House. In heaping praise upon Castro, he appears to be trying the same line which has netted gifts and loans from the United States for Soviet satellites and pro-Soviet "neutrals."

Yet what bank would think of considering a loan—or grant—of money to an individual who spoke in glowing terms of a bank robber or counterfeiter?

GABON

We shall consider this morning the request for Gabon.

The 1962 program was $260,000 and you are requesting $—— for fiscal year 1963.

You had $54,000 in fiscal year 1961; is that correct?

Mr. HUTCHINSON. That is correct, for fiscal year 1961.

Since these books were printed, there has been a change in the 1962 program from an anticipated $260,000 to $400,000, sir.

Mr. PASSMAN. What brought about that change?

NEW PROJECT WITHOUT CONGRESSIONAL APPROVAL

Mr. HUTCHINSON. It was primarily one particular project. There was a specific request from the President of the country for a survey of the water supply system for the city of Libreville, which is estimated to cost $150,000.

There are minor changes in the estimated cost of the other projects which make up the other $10,000.

Mr. PASSMAN. Did you have this water project in your justifications last year?

Mr. HUTCHINSON. I am not aware of it.

Mr. PASSMAN. It is a new project?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Gentlemen, you have a law to protect you on this, but if any American agency would pull such a deal in this country, it would be turned over to the Department of Justice. We give you latitude in this program that we do not have in any program in America

that I know about, and I am rather familiar with our public works program.

If the President of the Mississippi River Commission should take money appropriated to the lower Mississippi and tributaries he could apply that money to any program, if it has been authorized, as long as he does not exceed the amount, but if he started a brand new project without justifying it to the Congress, he would be subject to prosecution.

We give consideration to foreigners we never think about giving to our own people.

Mr. HUTCHINSON. I want the record to show we have done nothing illegal.

Mr. PASSMAN. I did not say that you had. I qualified that in the beginning by saying that we have a double standard, so that you can do things for foreign nations that we cannot, under any circumstances, do for our own people.

You have started a project here which you did not justify before the Congress.

What is the proposed total cost of this project?

Mr. HUTCHINSON. I think it is also fair to say that the whole program last year for new projects was not justified on an individual project basis.

Mr. PASSMAN. Was not what?

Mr. HUTCHINSON. Was not justified on an individual project basis.

Mr. PASSMAN. It follows, nevertheless, that in these books you printed—for what purpose I will never know, because they are not accurate enough for this committee to use for sound judgment—you indicated you had spent $260,000 and now the amount has increased to $400,000.

We have to, somehow or other, try to understand how this agency operates by the figures you give to us in these justification books, but to have them established later, all along the way, as being inaccurate leaves the committee without adequate information for consideration of your future funds.

Mr. HUTCHINSON. That is why I am giving you the information.

Mr. PASSMAN. You have not given it to us, I am asking for the information.

PROPOSED COST OF WATER SUPPLY PROJECT

What is the proposed cost of this water project?

Mr. HUTCHINSON. Sir, this is a survey of the Libreville water supply system. We do not know what the cost of the water supply system would be. This is a study to determine the most practical method of supplying the water and what the cost might, in fact, be. Rough estimates may have been made but this particular survey is estimated to cost $150,000 to determine the most feasible method and what the cost might be.

Mr. PASSMAN. When did you obligate the $150,000?

Mr. HUTCHINSON. I do not know the date of the obligation, sir. All I am telling you is of the program approval to the field authorizing them to enter into an obligation which was made subsequent to the date these books were printed.

Mr. PASSMAN. On what date did you make that determination?

Mr. HUTCHINSON. I do not have the date, sir.

Mr. PASSMAN. You do not know when you made that determination and you do not know when you obligated $150,000 toward this project that you had not justified last year?

Mr. HUTCHINSON. As we previously testified, sir, we do not have the obligations by project as yet.

Mr. PASSMAN. You do not even know when you authorized the field, or approved it?

Mr. HUTCHINSON. It is easy to find out the date.

Mr. PASSMAN. Gentlemen, what do you expect the committee to do, just sit here and look at you and put a lot of stuff in the record that is not accurate? We have to get this information. We have been asking the same type of questions since we started these hearings and we are going to continue asking them until the day we complete the hearings.

Mr. MILLER. Mr. Chairman?

Mr. PASSMAN. Yes, sir.

Mr. MILLER. I would like to comment briefly on this matter.

PROGRAM REVISIONS SUBSEQUENT TO PRINTING JUSTIFICATIONS

You may recall that the books were prepared during the latter part of February and the early part of March because at that time the projected date of the hearings was either late March or early April. This matter had been discussed with your staff and I think you will find that the correspondence bears out that we were happy to begin at that time. For that reason the books were prepared at that time, and of course, this was not at the end of fiscal year 1962. The data had to be estimated at that time. These estimates were as accurate as we could make them.

Mr. PASSMAN. Had you appeared before the committee at that time, we would have assumed we were discussing the accurate fiscal 1962 program?

Mr. MILLER. It was the best estimate at that time.

Mr. PASSMAN. At a subsequent date, if ever, we would have learned that the 1962 program was something different than you presented in March?

This is a worldwide program and it is running completely wild.

This committee is trying to understand what it is all about and what you are doing.

PROJECT OBLIGATION DATA

As it stands at this time, you do not know when you authorized the field to enter into this contract and you do not, as of this time, know when you obligated the funds?

Mr. HUTCHINSON. We do not know when the funds were obligated on any of these projects.

Mr. PASSMAN. All right. I am talking about this project.

Mr. HUTCHINSON. Insofar as this project——

Mr. PASSMAN. If you will answer the question so far as these projects are concerned, I will appreciate it. We want the record to show you do not know when you obligated the funds for this project. We

may not ask the same questions on other projects, but we would like to deal with each project as we go along and not muddle it up by what you have said in the past.

Mr. HUTCHINSON. Sir, insofar as the date of the program approval is concerned, it is very easy to get. I do not have it with me here today.

Mr. PASSMAN. Could you also ascertain when you obligated the money?

Mr. HUTCHINSON. Sir, we do not have obligations by project, as we have repeatedly testified, at this stage.

Mr. PASSMAN. The committee insists upon knowing when you obligated money for this project.

Mr. HUTCHINSON. Then we will have to go to the field.

Mr. PASSMAN. That is what we want to know, when did you obligate the money for this project?

Would this survey that is proposed to cost $150,000, on which you have yet to make disbursements, in all probability, lead up to a request for development credit funds for the construction of the project?

Mr. HUTCHINSON. Yes, sir. We would hope that we could get some participation in the financing by other countries but in all probability it will lead to an application for development credit.

Mr. PASSMAN. Did Gabon have a balanced budget in 1961?

Mr. HUTCHINSON. Apparently, in 1961, it was balanced, sir.

Mr. PASSMAN. That would be fiscal 1962, the way we keep our records, would it not?

Mr. HUTCHINSON. This was probably calendar 1961.

I am not absolutely sure of the Gabonese fiscal year, but I am reasonably sure it is the calendar year.

Mr. PASSMAN. I believe that, for fiscal 1962, which would be 6 months of calendar 1961, our grand old Nation had a deficit that could have been near $9 billion, but by the bookkeeping system we have, it indicated approximately a $7 billion deficit.

We hope they will continue to have a balanced budget, and operate with substantial surpluses, because maybe we can phase out some of these programs before we get them started.

PRIMARY SCHOOL CONSTRUCTION

Is the primary school construction project shown on page 331 contingent upon a Peace Corps project in this country?

Mr. HUTCHINSON. The Peace Corps is providing personnel for this project, yes, sir.

Mr. PASSMAN. I noticed that one of the high officials in India, which is a recipient of billions of dollars of U.S. handouts, now is very critical of the Peace Corps.

For what purpose was the $200,000 obligated in fiscal year 1962?

Mr. HUTCHINSON. Sir, this is for equipment in connection with the construction; for fiscal 1962?

Mr. PASSMAN. Yes, sir.

Mr. HUTCHINSON. The obligations were for cement, $80,000; for roofing materials, $32,000; for steel rods, $16,000; doors and windows, $16,000; paint, $7,000; tools and machinery for construction, $18,000; trucks and jeeps, $56,000.

Mr. PASSMAN. Trucks and jeeps, $56,000?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Out of $200,000 for primary school construction?

Mr. HUTCHINSON. $200,000. You are right, $225,000 is what it totals, but this is one of the adjustments I mentioned earlier.

Mr. PASSMAN. Adjusted upward to $225,000?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Even on that basis, jeeps and trucks are still approximately 25 percent of the total construction?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Is this primary school construction program in one location or is it scattered throughout the country?

Mr. HUTCHINSON. It is scattered, sir.

Mr. PASSMAN. Why would you need so many trucks and jeeps on a small project of this type?

Mr. HUTCHINSON. Sir, we are involved in this assistance with 40 of these projects directly and they estimate the total program is for 75——

Mr. PASSMAN. Seventy-five what?

Mr. HUTCHINSON. Schools. It would take quite a bit of transport in order to transport the local and imported materials to the sites, things of this sort.

Mr. PASSMAN. Is any expenditure made yet, or have funds been disbursed on this project?

Mr. HUTCHINSON. Again, sir, I do not know what expenditures by projects are. We estimated that we would spend $150,000 out of the originally estimated $200,000; this is a project that is starting in fiscal year 1962 and, as you know, most of the programs were late in starting, so I would doubt there have been any expenditures.

Mr. PASSMAN. Could you tell us how many trucks and jeeps are involved this project?

Mr. HUTCHINSON. Fifteen in 1962.

Mr. PASSMAN. It is strange that you could firm up so beautifully the original estimate, and when you decide to adjust it upward by $25,000, we have that figure complete, and then you can break it down as to steel, cement, trucks, and everything else; and yet when we endeavor to learn how much of it has been disbursed, we draw a blank.

Try to get us information on this and, if you will, whether or not there has been an adjustment up or down on the trucks and jeeps.

Mr. HUTCHINSON. Yes, sir.

(The information follows:)

VEHICLES FOR PRIMARY SCHOOL CONSTRUCTION PROGRAM, GABON

No disbursements had been made as of April 30, 1962.

There were no adjustments, up or down, on the amount programed for trucks and jeeps. The $25,000 upward adjustment reflected more detailed estimates of the amount of cement and roofing material necessary for the project.

DISEASE CONTROL PROJECT

Mr. PASSMAN. You are requesting $60,000 for three technicians for the new disease control project. It would appear in the detail of their activities that the project is still under study; is that correct?

Mr. HUTCHINSON. Certainly, sir, all of these projects will be subject to a subsequent review before we approve the actual entering into an obligation. This one certainly is in that state—as are all new projects for fiscal year 1963, I might add. This will be subject to a further review before entering into the obligation is actually approved.

Mr. PASSMAN. You are requesting for fiscal 1963 $60,000 for three technicians, are you not?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. You do not yet know what the technicians are going to do, do you?

Mr. HUTCHINSON. We do not know the exact details of their duties, sir.

Mr. PASSMAN. As a matter of fact, they may not even be employed?

Mr. HUTCHINSON. I have no reason to assume they would not be employed.

Mr. PASSMAN. You do not know for what purposes you are going to use them. If you do not know what you are going to use them for, there would be a possibility you would not use them at all. It looks to me like——

Mr. HUTCHINSON. The technicians we are intending to use on the project are a public health physician, a clinician, and an environmental sanitary technician for 6 months. These are the technicians that we would——

Mr. PASSMAN. Did you say a moment ago you did not know what kind of technicians? Is this the same thing?

Mr. HUTCHINSON. I do not know the duties of these technicians in detail.

Mr. PASSMAN. I did not understand the reply that way. What is an environmental sanitation technician?

Mr. HUTCHINSON. Sir, I am not a public health expert myself, but I would assume that an environmental sanitation technician is a man who is concerned with those conditions in which people live that affect their health.

That is, the whole environmental complex of living conditions in a particular location, I would suppose.

FEASIBILITY SURVEY FOR KINGUELE DAM

Mr. PASSMAN. What is the estimate of the cost of the feasibility survey of a dam at Kinguele?

Mr. HUTCHINSON. I believe that the estimated cost is $90,000.

Mr. PASSMAN. You have one listed on page 333 as industry. Is that the same project?

Mr. HUTCHINSON. Yes, sir, that is the same project.

Mr. PASSMAN. This survey will likewise lead to, in all probability, an application for development credit funds at some subsequent date?

Mr. HUTCHINSON. Yes, sir. Again, we have real expectations that we will be able to get other countries to go in with us in connection with the financing of the project in some substantial manner. It is almost certain to lead to an application for development loans.

In this area, we have had very good success, as you will recall from the testimony in connection with the Cameroon Railway, of getting European financing on very good terms, even on a grant basis.

Mr. PASSMAN. They got very good terms, I understand, as they have always done.

Mr. HUTCHINSON. Nonetheless, it still represents two things; one, aid to the country concerned; two, a drain of resources on the country providing the assistance.

Mr. PASSMAN. They are making profitable loans.

TECHNICAL SUPPORT COSTS

Let us take up "Technical support," $45,000; what kind of technical support is that to be?

Mr. HUTCHINSON. This is the overhead cost associated with carrying on the program.

Mr. PASSMAN. What program?

Mr. HUTCHINSON. The total program we are carrying on in Gabon.

Mr. PASSMAN. How are you going to apply it, percentagewise?

Mr. HUTCHINSON. We do not apply it percentagewise to the several, sir. We do not have cost-accounting techniques that spread the costs project by project. Those costs that are clearly and definitely associated with the project are assigned to the project and those which are not clearly and definitely assignable to a specific project are carried as overhead as appears in this item.

Mr. PASSMAN. Let us take up this food and agriculture item. Is that exactly what it says? Is this a survey or does it actually mean food?

Mr. HUTCHINSON. This is the salary and costs associated with one agriculture extension adviser.

Mr. PASSMAN. Would education be the same thing?

Mr. HUTCHINSON. Do you want me to testify on that?

Mr. MOSSLER. This is participant training in this case.

Mr. PASSMAN. Technical support would provide technicians on food and agriculture?

Mr. MOSSLER. A portion of the technical support in this case is to reimburse the Department of State for personnel, general services, and administrative support; that is $30,000.

Then we have some TDY advisory services, $10,000; and two vehicles which total $5,000. This is the breakdown.

Mr. PASSMAN. Vehicles? There are some vehicles going out there? What kind of vehicles?

Mr. MOSSLER. I do not have the exact make of the vehicles in this instance, Mr. Chairman.

Mr. PASSMAN. For what project?

Mr. HUTCHINSON. These are not for particular projects. These are for general support of all the projects there.

Mr. PASSMAN. Just to have on hand in case you need them?

Mr. HUTCHINSON. Sir, to use for general supervision of all of the projects that are being carried on out there.

Mr. PASSMAN. Why do you not break down what the State Department is getting? They are getting $30,000; but what percentage is that? You have a total of $210,000, and that brings them in for approximately 15 percent of the total?

Mr. HUTCHINSON. The total of $210,000?

Mr. PASSMAN. That is the way I read it.

Mr. HUTCHINSON. I am not sure what figure you are referring to.

Mr. PASSMAN. I am looking at page 333.

Mr. HUTCHINSON. Sir, the $210,000 you are referring to is the total of projects under $100,000. The total program we are contemplating for 1963 is $ ———, so the support costs are associated with the total ——

Mr. PASSMAN. Where do you find the total to which you are referring?

Mr. HUTCHINSON. For fiscal year 1963.

AID PROGRAM, FIRST YEAR OF INDEPENDENCE

Mr. PASSMAN. When did this nation gain its independence?

Mr. TROXEL. August 17, 1960.

Mr. PASSMAN. The year it gained its independence we had a project for $54,000; is that correct?

Mr. TROXEL. I do not know.

Mr. HUTCHINSON. We had $54,000 in fiscal year 1961, sir. I do not know the exact date.

Mr. PASSMAN. That would be calendar year 1960, would it not, half the year, as far as the United States is concerned?

Mr. HUTCHINSON. Half of calendar year 1960.

Mr. PASSMAN. It grew from $54,000 to $60,000 and then from $260,000 to $——— this year?

Mr. HUTCHINSON. From $54,000 to $400,000 to $———.

Mr. PASSMAN. Let us put it this way: From $54,000 in 1961 to $260,000, according to your justifications as published for presentation to the committee, but you upped it to $400,000 before the committee got to it, and you have $——— for fiscal year 1963?

If you have the same growth in fiscal year 1963, over the original estimate, it would be expected that would go up if you had the money.

Mr. Andrews?

Mr. ANDREWS. I assume this country also is a member of the United Nations?

Mr. HUTCHINSON. Yes, sir.

Mr. ANDREWS. They have a total population of about 440,000 people?

Mr. HUTCHINSON. Yes, sir. I would like to speak to that, if I could.

Mr. ANDREWS. I would like to have some more information on that.

NATURAL RESOURCES IN GABON

Mr. HUTCHINSON. This is a very small country in terms of population; however, it is a country which is richer in resources than almost any of the countries we have been talking about. It has very rich timber resources and it has extremely rich mineral resources. Its prospects for growth and development are exceptionally good in terms of its resources, and American companies are very much interested in investment.

For example, Bethlehem Steel already has a very substantial commitment there.

Mr. ANDREWS. For a steel mill?

Mr. HUTCHINSON. For iron mines, sir.

There are other minerals there, and as I mentioned, timber; this is one place that it seems to us, if we could concentrate some developmental resources, we might be able to do something to bring about some of the interrelations we have mentioned with some of the other areas nearby which are not nearly so well off, so that this is one area we feel we should look at very carefully.

Mr. ANDREWS. What type of timber do they have there? I see here it says okoume.

Mr. HUTCHINSON. I am not a forestry expert, which is an understatement. I do not know what this particular timber is usable for. I do know——

Mr. ANDREWS. Do you, Mr. Troxel, know anything about that?

Mr. TROXEL. Not very much. I do know that for very many years they have exported hard grade woods used in cabinetmaking—that kind of thing—to France. They produce some beautiful furniture from it but I am afraid I could not describe the kind of wood.

PROPOSAL FOR DAM PROJECT

Mr. ANDREWS. I note you referred several times to a proposed $10 million dam. Have you made any plans to assess the financing of that dam?

Mr. HUTCHINSON. Sir, we have provided a $95,000 item in fiscal 1963 for a feasibility study associated with that dam. We would expect that when those studies are completed that we would be getting an application for financing. We would also expect, however, on this particular project, we ought to be able to get others to come in with us on the financing. It is our full intent to exploit that possibility to the fullest.

The country's balance-of-payments prospects are good and it has a history of other countries coming in, and of private investment. We think the prospects are really very excellent of getting others to come in with us in the event we plan this dam.

Mr. ANDREWS. You do plan, if the survey shows it could be economically justified, to participate in the financing of that dam?

Mr. HUTCHINSON. This would be our expectation; yes, sir.

Mr. ANDREWS. That is all.

Mr. PASSMAN. Mr. Rhodes?

Mr. RHODES. What kind of a dam? Is it a multiple-purpose structure?

Mr. HUTCHINSON. No, sir; this is basically a dam for power.

Mr. RHODES. No flood control involved?

Mr. HUTCHINSON. Not that I am aware of. We will know better when the survey is completed. It is my understanding it will be fundamentally a dam for power rather than a multiple-purpose one.

Do you know, Mr. Troxel?

Mr. TROXEL. That is also my understanding.

Mr. RHODES. What is the rainfall in this country? Is it a wet or arid country?

Mr. HUTCHINSON. It is a wet country.

ETHNIC CHARACTER OF GABON

Mr. RHODES. What is the population like, ethnically speaking?

Mr. TROXEL. There are a number of tribes.

I am not terribly familiar with them but they are typical for the most part of the people you find along the coast. You do not have the kind of variation you have in those countries where there are large arid areas upcountry. They are more homogeneous ethnically, but I understand there is a wide variation linguistically.

Mr. RHODES. Are they similar to the inhabitants of the Congo in their characteristics?

Mr. TROXEL. Somewhat similar, but I think there are very few of the people who belong in the Bakongo group as such.

Mr. RHODES. Are they more similar to the Congolese than they would be to the inhabitants of the Sahara Desert section?

Mr. TROXEL. Yes, sir; much more so, particularly the Congolese in the southern and western parts of the country.

POSSIBILITY OF ECONOMIC MERGER WITH SURROUNDING COUNTRIES

Mr. RHODES. Is this country likely to merge later with one of its neighbors? I noted its neighbors, Congo (Brazzaville) and Cameroon and others are former French possessions.

Mr. HUTCHINSON. I wish Mr. Troxel would speak to this.

I would hope, sir, that with the resources this country has, if they can get their economy really growing, this would be enough of an attraction to lead to some kind of association. The fact it has these resources is one reason it, itself, is not too interested in association. Economically, some such association with countries in the area, it seems to me, is essential for stability in the area.

Mr. TROXEL. If I may add, there has been some move in that direction by way of the Equatorial Customs Union (UDE) which has been set up comprising the Gabon, Congo (Brazzaville), Chad, and the Central African Republic; the four countries traditionally called the Equatorial States—plus the Cameroon. They have had a series of meetings recently and have set up a small customs secretariat. We certainly hope that this means there will be freedom in trade, in the use of resources and in the movement of people as a basic step in creating a larger entity.

Mr. HUTCHINSON. This is one reason we feel this is one area in which our aid might very profitably be concentrated as contrasted with some of the other areas, notwithstanding the fact that the population is so very small. In fact, we may have to get some population movements and that sort of thing, based on the economic resources if we can get some economic growth.

Mr. RHODES. It seems like you are building a mansion right next to the poorhouse here.

Mr. HUTCHINSON. Right.

Mr. RHODES. This is mainly beyond our control but at least we can push in certain directions.

Mr. HUTCHINSON. Right.

PARTICIPATION IN REGIONAL ORGANIZATIONS

Mr. RHODES. Is this nation part of any of the groups of African nations which have been formed?

Mr. TROXEL. Yes, sir.

In addition to the UDE—the customs union—there is the UAM, where we have 12 French-speaking African states. Gabon also participates in several organizations under the UAM, particularly the OAMCE, the organization for economic cooperation. It is a member of Air Afrique, where instead of developing a series of airlines, they are developing a single airline. Then it is in several of the less important subsidiary organizations such as the UAMPT, the postal and telegraph union.

There is a good deal of effort to try to pull these countries together.

Mr. HUTCHINSON. You will recognize these organizations mentioned are those representing moderate groups in Africa.

Mr. RHODES. Yes, sir.

Mr. TROXEL. These groups deserve to be taken seriously and we try to take them seriously. Unless advantage can be taken of this trend toward cooperation, the future for some of these countries does not look too bright.

I might mention in passing that one of the things always of interest about Gabon is Dr. Schweitzer and the hospital at Lambarene.

Mr. RHODES. I think that is all, Mr. Chairman.

SIZE OF GABON

Mr. PASSMAN. Ruandi and Urundi are the two new African countries that I believe have a land area smaller than that of West Virginia; is that correct?

Mr. HUTCHINSON. Yes, sir.

Mr. TROXEL. That sounds about right.

Mr. PASSMAN. It would appear that this nation we are discussing now, Gabon, has a land area several times the total size of those two nations?

Mr. TROXEL. No, sir; I do not believe so.

Mr. PASSMAN. There has been a lot of ink wasted on this map then.

Mr. TENNANT. Gabon is about the size of Colorado.

Mr. PASSMAN. Gabon in land areas is four times the size of the two nations referred to; Ruandi and Urundi; is that correct?

Mr. HUTCHINSON. According to the map, it has 103,000 square miles. We do not have anything in the book on Urundi.

Mr. PASSMAN. I am looking at the map here in your justifications.

Mr. HUTCHINSON. Yes, sir. That would be about right, about four times.

POPULATION OF GABON

Mr. PASSMAN. What is the population of Gabon?

Mr. HUTCHINSON. 440,000.

Mr. PASSMAN. You do not expect them to cut this up into additional nations, do you?

Mr. TROXEL. There is no prospect of that.

Mr. PASSMAN. If Gabon is four times the size of the two countries just brought in, Rwanda and Burundi, it could well be that, based upon land area, they could take this 400,000 people and cut that into four nations and get more aid. I do not want to suggest that, but the chances are they have already been considering it.

AFRICAN COUNTRIES PRESENTLY RECEIVING AID

Mr. ANDREWS. How many countries are we aiding in Africa now?

Mr. HUTCHINSON. Twenty-nine.

Mr. ANDREWS. I counted 32.

Mr. HUTCHINSON. As I understand the figure 32, it is 29 in Africa, plus the European countries of Spain and Yugoslavia, plus a regional program—giving you 32.

Mr. PASSMAN. Do you list in the record the number of African countries we are not supporting? That would be easier. Which ones are they?

Mr. HUTCHINSON. We have not included Algeria.

Mr. PASSMAN. Algeria only was born about 11 days ago.

Mr. HUTCHINSON. We have people who are making studies.

Mr. PASSMAN. Give them another week. Let us talk about nations over 15 days old.

Mr. HUTCHINSON. We have not yet provided any assistance to Mauritania, and of course, we are not providing assistance to South Africa.

We have not yet provided assistance to the two countries you have mentioned, Rwanda and Burundi.

Mr. PASSMAN. They also came into being on July 1, did they not?

Mr. HUTCHINSON. I think that was the date.

Mr. PASSMAN. I am serious about this.

Mr. HUTCHINSON. I am serious, too.

Mr. PASSMAN. Let us discuss nations over 15 days old. I am not going to ask you to go to 30 days; just 2 weeks.

Mr. RHODES. Why are we not giving aid to South Africa? Have they asked for it?

Mr. HUTCHINSON. There are a number of reasons. First, they have not asked for it; second, their resources and investments, both locally and from the United States and other sources, are such that there would be no need for assistance. There is certainly the question of our political relations with South Africa as well.

Mr. PASSMAN. That is South Africa and Mauritania.

Mr. HUTCHINSON. We are not providing any assistance to the Portuguese territory of Angola.

Mr. PASSMAN. I am not talking about territories but nations. We are providing aid to Portugal, are we not?

Mr. HUTCHINSON. No, sir; we are not providing——

Mr. PASSMAN. You have other aid programs.

Mr. HUTCHINSON. There has been some economic assistance.

Mr. PASSMAN. What difference does it make; you have economic assistance and military, the same as you do in this other program. Study the bill and then we shall not get into a lot of these misunderstandings here.

That is two of them; Mauritania and the Republic of South Africa?

Mr. HUTCHINSON. There are a number of these very small areas I do not quite know how to classify.

Mr. PASSMAN. We would like to stick to nations if we can, because certainly all of these nations have territories and possessions. We are even getting into some of those now, but we have two specific examples.

GHANA

How about Ghana? Do you have a program for Ghana in fiscal 1963?

Mr. HUTCHINSON. Yes, we do.

Mr. PASSMAN. When did Ghana gain its independence?

Mr. HUTCHINSON. It was one of the earlier countries.

Mr. TROXEL. March 6, 1957.

Mr. PASSMAN. When did we start our aid program in Ghana?

Mr. HUTCHINSON. There was a title II, Public Law 480 program in 1956.

Mr. PASSMAN. We actually started the aid program in Ghana before they gained their independence?

Mr. HUTCHINSON. This was a voluntary agency program, sir. This was a surplus food program.

Mr. PASSMAN. It was still provided for by tax dollars; is that correct?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. What we are trying to do is ascertain when the aid program started. We are using your own books here, and we are not getting into what title or what section of the bill is involved. We just want to know if you had an aid program of some type for Ghana prior to its independence.

Mr. HUTCHINSON. The regular aid program was started in 1957, sir.

Mr. PASSMAN. What are we going to do about your own books, where you indicate 1956–61, inclusive?

Mr. HUTCHINSON. I testified there was a title III voluntary relief agency, Public Law 480 program in 1956.

Mr. PASSMAN. Did you have a Public Law 480 program for Ghana in fiscal 1960 or 1956?

Mr. HUTCHINSON. Yes, sir, in both years.

Mr. PASSMAN. The Public Law 480 commodities are bought with U.S. taxpayers' dollars?

Mr. HUTCHINSON. As a part of the price-support program, sir,

Mr. PASSMAN. What price support program?

Mr. HUTCHINSON. The farm price-support program.

Mr. PASSMAN. We are not supporting these commodities to create surpluses. It is secondary that there are surpluses. Nevertheless, you had a Public Law 480 program for Ghana in fiscal 1956?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. That was prior to the time they gained their independence?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Could you give us the aggregate amount from the beginning through fiscal 1961?

Mr. HUTCHINSON. Through fiscal 1961?

Mr. PASSMAN. Through fiscal 1960, if you have it broken down that way.

Mr. MOSSLER. The aid program through fiscal year 1960—we do have it through 1961.

Mr. PASSMAN. 1960 is what we want.

Mr. HUTCHINSON. That is a cumulative figure.

Mr. MOSSLER. $2.5 million.

DEVELOPMENT GRANT PROGRAM

Mr. PASSMAN. For fiscal 1961 you had $1,577,000?

Mr. HUTCHINSON. That was the development grant program, sir.

Mr. PASSMAN. Gentlemen, you have about 29 facets you draw from, so let us stick to the amount.

Did you have a program in fiscal 1961 of $1,577,000 from all facets?

Mr. HUTCHINSON. No, sir, not from all facets.

This was the development grant portion only.

Mr. PASSMAN. What was your total for fiscal year 1961 in all categories?

Mr. HUTCHINSON. It appears to be $21.6 million.

Mr. PASSMAN. $21.6 million?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. On development grants, you had $1,577,000?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. In fiscal year 1962 you increased that to $2.2 million?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. In 1963 you propose to increase it to $———.

Mr. HUTCHINSON. $———; yes, sir.

Mr. PASSMAN. Is this one of the friendlier nations, and one that subscribes to our philosophy, or one of those just a little bit rambunctious and that talks unfavorably about us occasionally?

Mr. HUTCHINSON. It is not in the first category.

Mr. PASSMAN. Not in the first category?

Mr. HUTCHINSON. No, sir.

Mr. PASSMAN. Is that the way to get more money, gentlemen? Originally, there was proposed $1,577,000, and we jumped the figure up to $2.2 million; and then they really started talking unfavorably about us and you increased it to $———.

TOTAL PROGRAM IN GHANA

Could you give us the amount of the total program to Ghana from 1956 to 1962, inclusive, all categories of aid?

Mr. TENNANT. $35.6 million.

Mr. HUTCHINSON. What categories does this include?

Mr. PASSMAN. All categories.

Mr. TENNANT. I have taken the one figure I am not sure of. Do you have the figure for 1962 other than the $9.2 million?

AID CONTRIBUTION TO EX-IM BANK LOAN

Mr. HUTCHINSON. That is the point I want to make. There was an agreement at the time the Export-Import Bank entered into the loan which it made to the Volta River Aluminum Co. that half of this

obligation would be subsequently picked up by the AID program. Therefore, there has been a $55 million item picked up.

Mr. PASSMAN. $55 million?

Mr. HUTCHINSON. Yes; of the potential Export-Import credit of $110 million.

This does not represent any increase in the total assistance already agreed to be made available to Ghana but it does represent a change in the source of financing the way the agreements were originally set up.

Mr. PASSMAN. We are switching from the Export-Import Bank loan of $110 million, $55 million to AID?

Mr. HUTCHINSON. That is right.

It is the same loan. We have agreed to reimburse the Export-Import Bank 50 percent for their disbursement under that loan.

Mr. PASSMAN. Is it identically the same terms, same rate of interest, and same pay-back?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Why did you switch from the Export-Import Bank to the AID program?

Mr. HUTCHINSON. It is my understanding it was because of the fact the Bank felt that this much exposure to a particular company was beyond the limits the Bank likes to reach from time to time.

Mr. PASSMAN. But they approved the loan prior to the time AID agreed to take up half of it?

Mr. HUTCHINSON. No; this is not my understanding. It is my understanding that AID agreed it would pick up half of it at the time the loan was being negotiated by the Export-Import Bank.

U.S. AID TO GHANA FROM ALL SOURCES

What is the total? Pull all of the figures together. We are trying very hard to get all of the programs together.

We jumped it from $35 million, and we add to that $110 million, which brings us to $145 million.

Let us see if we can find some other items.

Mr. HUTCHINSON. I do not get the figure $110 million.

Mr. PASSMAN. You said the Export-Import Bank had a loan of $110 million, and AID picked up $55 million?

Mr. HUTCHINSON. Yes, sir; therefore, we would pick up the $55 million of the program in Ghana, rather than $110 million.

Mr. PASSMAN. But that does not lessen the fact that the Export-Import Bank is in for $55 million, does it?

Mr. HUTCHINSON. That is correct.

Mr. PASSMAN. If you leave the Export-Import Bank out and take $55 million, and then pick up $36 million, does that bring it to $91 million?

Mr. MOSSLER. Mr. Chairman, through 1961 we had $24.1 million and in 1962, AID has $130.1 million, giving us a total of $154.2 million; and the Export-Import Bank's portion of $55 million brings it to $209.2 million.

Mr. PASSMAN. We have gone up to $209 million.

Mr. MONTOYA. Would the chairman yield?

Mr. PASSMAN. Yes, Governor.

DEVELOPMENT LOANS TO GHANA

Mr. MONTOYA. Do you have any loans other than under the Development Loan Fund to Ghana?

Mr. HUTCHINSON. Yes, under the Development Loan Fund to Ghana, we have a loan of $27 million to the power authority under the Volta River project.

Mr. MONTOYA. Well, combining the Eximbank loan, the Development Loan Fund, and the program under AID, what total do you arrive at in total expenditures by this Government within Ghana?

Mr. PASSMAN. You mean obligations?

Mr. MONTOYA. Obligations.

Mr. PASSMAN. $209 million.

Mr. MONTOYA. He did not include the Development Loan Fund in the figure he gave you.

Mr. HUTCHINSON. Yes.

Mr. MOSSLER. I double counted the $55 million. I gave you the total AID figure for 1962 as $130,100,000, but that includes both the Eximbank's portion of $55 million and the AID portion of $55 for the Volta River loan.

Mr. PASSMAN. You are the same people who allocate and keep up with these funds downtown. Do you have as much trouble understanding it downtown as you do here?

Now, what is the figure?

Mr. MOSSLER. $154.2 million through fiscal year 1962.

Mr. PASSMAN. Inclusive or exclusive of the Eximbank?

Mr. HUTCHINSON. Inclusive of the $55 million.

Mr. PASSMAN. What do you have proposed, total, for fiscal year 1963 to this little country?

Mr. HUTCHINSON. $———, sir.

The increase here is primarily in two projects. One is the assistance to the basic science building of the medical school in Ghana, which is estimated to run $———.

VOLTA RIVER DEVELOPMENT PROJECT

The other is $500,000, the amount we propose to use for making studies associated with the Volta River development. I would like to speak to that for just a minute.

This Volta River development, as you know, is extremely large in relation to this total economy ——

Mr. PASSMAN. We were told that years ago. We would like to have you explain it.

Mr. HUTCHINSON. It is going to have very great economic and social implications in the economy. They are going to uproot populations. They are going to move them.

They are going to have to reestablish them in villages. This provides an opportunity, it seems to us, for exercising some influence on their whole social and economic patterns.

In a country faced with the problems which you have indicated, it seems to us that a time of change of this sort presents a real opportunity to exercise some influence on their outlook, their form of economic and social organization——

Mr. PASSMAN. Could you substitute perhaps "favorable" or "effective" influence?

Mr. HUTCHINSON. I would be glad to substitute those words.

Mr. PASSMAN. Only providing you can establish it with some facts. You are on this Volta Dam?

Mr. HUTCHINSON. I am talking about the use of the $500,000 which I mentioned, sir. It would seem to us if we could, in this time of considerable change that is bound to result, be influential in getting small private businesses established, to influence the cooperative movement for social and economic organization in the villages, it would present a unique opportunity to exercise a favorable influence on the direction of thought and institutional development within the country.

Mr. PASSMAN. Let me say to the gentleman that his lecture is going to be very helpful, but we would like to go back and pick up the grant.

Mr. HUTCHINSON. The $500,000 is part of the grant program.

Mr. PASSMAN. It is in connection with the Volta development project?

Mr. HUTCHINSON. Yes; this is one of the reasons the assistance level goes up in 1963 over 1962 as far as development grants are concerned.

TOTAL COST OF THE VOLTA PROJECT

Mr. CONTE. What is the overall cost of the Volta project?

Mr. HUTCHINSON. The overall cost of the Volta project is $198 million estimated to be the cost of the dam and the power facilities associated with it.

Now, the original cost estimate—and there are still those who hold this is not a sound cost estimate—is $125 million for the smelter. That includes about a $25 million reserve for contingencies.

However, the IBRD, the Eximbank, and ourselves felt further allowances should be made for additional contingencies since experience with these projects is such they almost always do cost more than the original estimate. So a provision has been made for financing an additional amount which could bring the cost up to $160 million.

Mr. CONTE. You first mentioned $198 million.

Mr. HUTCHINSON. That is for the dam and the power facilities.

Mr. CONTE. Plus $125 million for the smelter?

Mr. HUTCHINSON. For the smelter, and we have arranged financing which, if the cost increases eventuate, would provide for $164 million. That is the figure I have here.

Mr. CONTE. Instead of $125 million?

Mr. HUTCHINSON. Instead of $125 million. These are contingencies we have provided for in the financing that has been set up.

Mr. PASSMAN. Would you reconcile your figures with what you say in the books? I know that is going to be very difficult. The book says $196 million; you use $198 million.

Mr. HUTCHINSON. I was in error. $196 million is correct.

Mr. CONTE. The overall cost is estimated at $362 million?

Mr. HUTCHINSON. $196 million and $164 million; that is $360 million. The total cost estimate on the dam and power facilities is $196 million rather than $198 million.

FINANCING OF VOLTA DAM PROJECT

Mr. CONTE. How much of that is grant aid and how much will be under the Development Loan Fund and under the Eximbank?

Mr. HUTCHINSON. The $196 million is made up this way—$98 million will be contributed by the Government of Ghana.

The IBRD is lending $47 million. The British are putting $14 million in and the Development Loan——

Mr. CONTE. As a loan?

Mr. HUTCHINSON. Yes, this is a British loan. And the Development Loan Fund has put $27 million in. I am taking these figures from memory. I will have to add them up and see if they check. The Eximbank, $10 million. This should add up to $196 million, sir. That is the cost of the dam and the power facilities.

Mr. CONTE. That adds up to $186 million.

Mr. HUTCHINSON. $10 million from the Eximbank. You probably did not get that figure.

Mr. PASSMAN. Only time will tell whether this will be sufficient.

Mr. HUTCHINSON. It is $196 million.

CONTRIBUTIONS TO ALUMINUM REFINERY PROJECT

The smelter, the $164 million for which financing has been provided, is made up this way—there is $12 million of equity provided by Kaiser and Reynolds. There is an additional agreement on the part of these companies to put $20 million in in the form of so-called prepaid tolling charges.

Then there is a further agreement on the part of these companies in the event the cost estimates as originally set up, the $125 million that I mentioned, prove inadequate, then they will put in an additional amount, up to $34 million, in the form of prepaid tolling charges again.

Mr. MONTOYA. Do you mean to increase the prepaid tolling charges an additional $34 million?

Mr. HUTCHINSON. An additional $34 million.

Then there is the $110 million loan which I just mentioned, which has been entered into by the Eximbank with the company. AID is taking up half the expenditures. I said $34 million. It should be an additional $32 million apparently. There is a total of $54 million of equity and prepaid tolling charges. I guess I was wrong. It is an additional $22 million rather than $32 million because it is $54 million that Kaiser and Reynolds are undertaking to put into it—$12 million in equity, and a total of $42 million in the form of prepaid tolling charges—and $110 million loan from the Eximbank of which half is being picked up by the AID. This should add to $164 million. I think it does.

This is the financing that has been set up.

Mr. CONTE. How much of this have we already given?

Mr. HUTCHINSON. We have signed the loan agreements for all of this, sir. These agreements were made sometime last year, again before I came on board. The final agreements were signed in late December or early January.

ENGINEERING SURVEYS

Mr. CONTE. Has an engineering firm made a survey of all this?

Mr. HUTCHINSON. There have been many, many surveys made, starting back over a period of years by the British, an American concern, and Kaiser has gone into this in very, very great detail, and the IBRD likewise surveyed the project very carefully. We had our own engineers and the Eximbank go over the engineering studies that have been made of the project.

Mr. PASSMAN. Are you not going to restudy the project in fiscal year 1963?

Mr. HUTCHINSON. No, sir.

Mr. PASSMAN. Why do you have $500,000 in here for the new project survey, Volta development?

Mr. HUTCHINSON. This, sir, is the item I was addressing myself to a few moments ago where I said we wanted to study the effects of this very large project on the whole social and economic structure of the area.

Mr. PASSMAN. The project has been approved, has it not?

Mr. HUTCHINSON. The project has been approved.

Mr. MONTOYA. I would like to ask one question here.

LOAN AGREEMENTS AND CONTRACTS FOR VOLTA DAM

You have already entered into contracts with respect to this Volta Dam project?

Mr. HUTCHINSON. We have already entered into the loan agreements, yes, sir; the contracts for the construction of the dam have been let some time ago and construction is well underway.

Mr. MONTOYA. Have you examined those contracts?

Mr. HUTCHINSON. The construction contracts?

Mr. MONTOYA. No, the loan agreements.

Mr. HUTCHINSON. The loan agreements were very carefully examined by the IBRD, the Eximport Bank and the AID.

Mr. MONTOYA. Do those contracts contain any provision which makes the loan agreements, or the servicing of the loan agreements, contingent upon appropriations by the Congress?

Mr. HUTCHINSON. No, sir; they do not.

Mr. MONTOYA. Is it a definite commitment then?

Mr. HUTCHINSON. Yes, because the funds have already been appropriated, and—let me put the statement this way—the obligation was charged against Development Loan Funds already appropriated and those funds are no longer available.

Mr. MONTOYA. Then the testimony of Dean Rusk was in error when he assured this committee that all these contracts had provisions making their binding effect contingent upon appropriations by the Congress?

Mr. HUTCHINSON. Sir——

Mr. MONTOYA. That is in the record.

Mr. HUTCHINSON. There is a provision in the loan agreement, sir, which permits the cancellation of the agreement in the event of an occurrence of an extraordinary circumstance which could be violent change and so on in the country itself. But the obligation has been charged against appropriated funds.

I am not familiar in detail with the Secretary's testimony. I think something has been prepared in that connection.

Is that correct?

Mr. TENNANT. I believe the Secretary was talking to section 202(b) commitments. This occurred in the current fiscal year.

Mr. MONTOYA. He may have been talking about that.

My question was directed at all types of commitments for this project.

Mr. HUTCHINSON. I can only testify that the loan agreements have all been signed and the obligations charged against funds already appropriated.

COMMITMENTS CONTINGENT ON APPROPRIATIONS

Mr. MONTOYA. Let me ask you this: In any future commitment, is there anything wrong in any agreements to have a provision to the effect that any commitments made in those loan agreements for funds should be contingent upon the Congress passing upon those commitments? Is there anything wrong with that?

Mr. HUTCHINSON. Yes, sir; I think there is. I do not think you will ever be able to get a financial plan arranged if you have to give that kind of a contingent commitment.

Take this particular project, for example. If it had been subject to that kind of commitment we would not have been able to get the IBRD commitments for $47 million, nor the British commitments. And I am sure if we can only enter into contingent commitments, we will not be able to arrange firm financing in advance.

Mr. MONTOYA. In the event that that situation would occur, we would not be hurt by it, would we?

Mr. HUTCHINSON. If you adopt the thesis that the AID program is in the interest of the United States, and that the furthering of the development of these countries is in the interest, then we would be hurt.

Mr. MONTOYA. I cannot adopt the thesis with respect to Ghana because the history of the country reflects otherwise.

Mr. HUTCHINSON. This was a very troublesome and difficult decision, as you know.

Mr. MONTOYA. Yes.

FINANCING OF REFINERY PROJECT

Now, you mentioned with respect to the smelter financing that $20 million would be financed through prepaid tolling charges by the companies involved, and that an additional $22 million in prepaid tolling charges might also be incorporated into the financial structure.

Mr. HUTCHINSON. Yes, sir. That is in the event of cost overruns over the estimate.

Mr. MONTOYA. How will these sums be paid? Will they be paid before the start of the project? Will they be paid at the tail end of the project? At what stage?

Mr. HUTCHINSON. They will be paid, sir, as the project progresses and the costs are determined. There is a provision for pari passu payment out of the $110 million, and the prepaid tolling charges so that the cost overruns will be shared.

Mr. MONTOYA. Now, in the financial agreements that have been entered into and put in this one package, do those financial agreements reflect this $20 million, and $22 million constitute a loan commitment by any Government agency to finance those companies in the payment of these prepaid tolling charges?

Mr. HUTCHINSON. No, sir; they do not.

Mr. MONTOYA. Where is that money coming from, and how is it to be contributed by these companies?

Mr. HUTCHINSON. It is coming out of the financial resources of the companies themselves.

Mr. MONTOYA. Do you know whether or not they have asked for any loans from any Government agency to provide for these funds?

Mr. HUTCHINSON. They have not asked for a loan to provide for these funds from any Government agency, sir. They do have an investment guarantee on these funds, but they do not have a loan to cover these funds.

RESETTLEMENT OF UPROOTED PEOPLE

Mr. MONTOYA. You mentioned that one of the main purposes and goals of this particular project is to resettle people from outlying areas into the project area.

Mr. HUTCHINSON. Not of this particular project.

Mr. MONTOYA. The Volta Dam project?

Mr. HUTCHINSON. No. It is not a purpose of this project, the Volta Dam project, to do this. This will be a necessary concomitant of the project. I was testifying we had in our fiscal year 1963 development grant program $500,000 which we intend to use to see what kind of social and economic organization might be established.

Mr. MONTOYA. But you have in view the eventual resettlement of people from one section of the country into the other as a result of this project?

Mr. HUTCHINSON. That will be necessary; yes, sir.

Mr. MONTOYA. Now, have you within your advance planning any provision or plan to the effect that we might have to build housing for these people out of American aid funds?

Mr. HUTCHINSON. No, sir; we do not.

Mr. MONTOYA. If that eventuality occurs——

Mr. HUTCHINSON. We do not contemplate undertaking the costs of resettlement, sir.

Mr. PASSMAN. It is perfectly obvious to all members of the committee now just how far afield the Congress went last year in abdicating its prerogatives to the executive branch. The continuation of this project, and many others to follow, will not be contingent upon appropriations by the Congress. The commitments have been made. I argued that last year, and I think history will certainly place me on the side of accuracy.

Mr. HUTCHINSON. May I speak to that?

Mr. PASSMAN. To what?

Mr. HUTCHINSON. To the remarks you made.

Mr. PASSMAN. That is my remark, and we are going to get along with the questioning.

Mr. HUTCHINSON. You will not permit me to speak to it?

Mr. PASSMAN. You can speak to it after we get some of these questions in.

You have adopted the role of lecturing us about every 5 minutes.

On page 110, you say:

(Off the record.)

Specifically, what do you mean by that statement?

(Off the record.)

Mr. PASSMAN. We are not going to cut any witness off from saying what he wants to, but we hope to complete these hearings no later than September 1. We must move along and ask questions and get answers.

Regarding what the people told us last year, Mr. Rusk and others, it was contingent upon an appropriation, and along the way we are getting testimony to the contrary.

If I may clear one thing in connection with the sentence on page 110:

(Discussion off the record.)

U.S. CONTRIBUTIONS TO VOLTA RIVER PROJECT

Mr. PASSMAN. May I ask this question in connection with the $196 million for the Volta River project?

You have the World Bank in for $47 million. What percentage of the capital of the World Bank do we put up?

Mr. HUCTHINSON. About one-third, I think.

Mr. PASSMAN. About one-third. So that in effect——

Mr. HUTCHINSON. Is it one-third, or 28 percent?

Mr. TROXEL. About one-third.

Mr. PASSMAN. Which would mean that one-third of that amount would be U.S. aid.

CONTRIBUTION OF GHANA TO VOLTA RIVER PROJECT

Now, with respect to the $98 million that would be put up by Ghana, would it be possible for Ghana then to borrow the $98 million against the reputation of their country?

Mr. HUTCHINSON. We would not expect to loan Ghana the money to subscribe to this project.

Mr. PASSMAN. Not specifically.

It is expected Ghana will earn dollars from her exports?

Mr. HUTCHINSON. Certainly, sir.

Mr. PASSMAN. And if you make available additional money to Ghana upon her credit, and for other projects, then that would release to Ghana the dollars they earn to do with what they like?

Mr. HUTCHINSON. We do not have any expectation or anticipation of general support of Ghana's balance-of-payments position. We would expect that any aid we would be providing here would be only for additive projects which would not otherwise be carried out, so in that sense would not be releasing foreign exchange which would otherwise be free.

Mr. PASSMAN. Some of the other top people testified that we had no control over the internal affairs, the bookkeeping, or what disposition these people make of the dollars they earn. If we credit to these peo-

ple dollars which should carry out planned projects in their countries and pay for materials and commodities they would purchase from this country, they could use the money we credit to them to purchase those commodities, pay for those contracts, thereby releasing the dollars they earn to use as they see fit.

Mr. HUTCHINSON. That is certainly true.

Mr. PASSMAN. If it is true, then certainly indirectly there is a possibility, or a formula whereby we could wind up financing the other $98 million.

Mr. HUTCHINSON. If you would permit me to finish my statement, you would not reach those kinds of conclusions.

Mr. PASSMAN. I am going to reach whatever conclusion commonsense dictates.

Now, please finish your statement.

Mr. HUTCHINSON. My statement was, this is true in a situation in which you are providing general balance-of-payments support to a country. It is not true in a situation in which you are financing projects which are additive to the program which a counrty would otherwise carry out.

Mr. PASSMAN. Your testimony just contradicts what some of the higher people testified. You reconcile your differences. The record indicates something contrary to what you are saying. The very fact that some of these countries we are talking about, even out in Africa, many of them in Latin America, are taking their dollar credits and purchasing our gold would certainly indicate they are being able to use AID dollar credits to purchase what they would normally spend their own dollars for, releasing their dollars to purchase our gold and, in addition to that, build up tremendous dollar assets. The report is very complete on that.

Mr. HUTCHINSON. That is not true of African countries.

Mr. PASSMAN. Some African countries, recipients of foreign aid, are buying our gold.

COMMITMENTS UNDER SECTION 202(b) AUTHORITY

Mr. RHODES. The Volta Dam is not part of a 202(b) plan?

Mr. HUTCHINSON. That is correct.

Mr. PASSMAN. Under what law can you make a commitment which is as definite as you have testified this one is? Saying even though Congress might not appropriate funds——

Mr. HUTCHINSON. This is made under the authority to make loans, sir, which is contained in title I of the law. These commitments are development loans. We have entered into formal loan agreements for the financing of this particular project, and the amounts of money that we have agreed to loan are charged against the funds which are appropriated pursuant to that title of the law. They are not related to section 202(b) commitments at all.

Mr. RHODES. Unless I misunderstand the intent of the law which we passed last year, the only time that anybody has testified that Congress is committed—I do not agree we are, but there has been testimony to the effect—is when a 202(b) arrangement has been entered into with a country.

Mr. HUTCHINSON. But, sir, you get appropriations. There was $1,112,500,000 appropriated last year for the purpose of making loans. Those funds remain available until expended.

Now, when you enter into a loan agreement with the country, you agree to finance the project through to completion—that is, your financing and that of others is designed to carry it to completion—or it is to be financed, and you obligate that appropriation in the amount of your loan, on a loan-by-loan basis.

That is what has been done.

Mr. RHODES. The money has been appropriated?

Mr. HUTCHINSON. Yes, indeed.

Mr. RHODES. Well, this is a little different picture than I interpreted from your original statement.

Mr. HUTCHINSON. Congress has already appropriated the money.

OBLIGATIONS FOR VOLTA RIVER PROJECT THROUGH FISCAL YEAR 1962

Mr. PASSMAN. To what extent have you obligated funds to the Volta River project through fiscal year 1962?

Mr. HUTCHINSON. Through fiscal year 1962, we have obligated the $27 million which was loaned for the dam to the Volta River Authority, and we have obligated the $55 million which we intend to pick up from the Eximbank credit, sir.

Mr. PASSMAN. Beyond that, it would require an appropriation?

Mr. HUTCHINSON. No, sir; the funds have already been appropriated for this purpose—you say beyond this?

Mr. PASSMAN. Beyond the amount you just gave, the $55 million, plus the $27 million, and plus the $10 million; beyond that, it is contingent upon an appropriation by Congress to continue the project?

AVAILABILITY OF APPROPRIATED FUNDS FOR LOAN AGREEMENTS

Mr. HUTCHINSON. It would be possible to make an additional loan to this project out of funds already appropriated by the Congress, and so in that sense it would not be necessary for Congress to appropriate the funds.

Mr. PASSMAN. Would that situation also apply to all other projects that would fall in this category?

Mr. HUTCHINSON. It would.

Mr. PASSMAN. If you have projects, the aggregate completion costs being $5 billion, and you only have $1,112,500,000, what would you do?

Mr. HUTCHINSON. You would have to choose the projects that you made a loan to. You could not make commitments for financing the projects through in an amount in excess of your appropriation.

First, it would be poor policy, and secondly, you will recall section 611 of the statute which requires that you have a reasonable estimate of the cost before you enter into this kind of an obligation.

FINANCING ADDITIONAL COSTS OF LOAN AGREEMENTS

Mr. PASSMAN. We appropriated last year for this development credit, $1,112,500,000. Now, if you have obligated the $1,112,500,000 on projects throughout the world, and have a zero unobligated bal-

ance, and the total you have obligated for the Volta River project, No. 187, is the $55 million that you picked up from the Ex-Im Bank, and the $27 million, and the Congress did not appropriate funds in subsequent years, then where would you get the money to carry out this commitment?

Mr. HUTCHINSON. The funds have already been appropriated to carry out the commitment, sir, in the $1,112,500,000.

Mr. PASSMAN. I just made the statement, that if you had completely obligated the entire fund to projects throughout the world, you had zero funds available, and the Congress did not appropriate any additional funds to the Volta River project, where would you get the money?

Mr. HUTCHINSON. You could not make any additional loans to this project under those circumstances.

You said, where could——

Mr. PASSMAN. If you had liquidated all the funds Congress had made available. The condition of the project is contingent upon the Congress appropriating additional funds if you have obligated all available funds; is that right?

Mr. HUTCHINSON. If we have obligated all the available funds, the funds that we are talking about for this project are included within the obligations which exhausted the authority to enter into obligations.

Mr. PASSMAN. I am thinking strictly in terms of any additional cost that may be required to complete the project.

Mr. HUTCHINSON. Any additional cost over and above the loan agreements which have been made, if all the loan funds are exhausted, would require appropriations.

INVESTMENT GUARANTEES FOR U.S. CONTRACTORS

Mr. PASSMAN. With respect to the aluminum smelter we were discussing earlier, if these American companies go out into this region and build a smelter, then in the event of seizure by Ghana of the property the investments are guaranteed?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. Under the contract, what would be the waiting period before the American company could file for reimbursement for its investment?

Mr. HUTCHINSON. There are specific waiting periods provided.

Mr. PASSMAN. Just give us approximately how long.

Mr. HUTCHINSON. I would not want to give you an approximate figure without knowing. An application must be filed within 9 months and not later than 1 year after the event has occurred.

The DLF shall have up to 6 months to notify the investors of its determination after the application is filed.

Mr. PASSMAN. So if they go beyond 1 year, they cannot file?

Mr. HUTCHINSON. They cannot claim.

Mr. PASSMAN. In the event a condition like that should exist and then the government should be friendly again, and they should decide they want to release the property back to the American enterprise and let them operate as originally planned, are there any provisions to cover such a situation?

Mr. HUTCHINSON. There are provisions for recovery; the details I do not have with me.

Mr. PASSMAN. Are these companies with an investment guarantee also eligible for DLF credits?

Mr. HUTCHINSON. Yes, sir. They are eligible. This particular loan that has been made is from the Ex-Im Bank.

Mr. PASSMAN. I just wanted to find out. The American companies which will build the smelter with the guaranteed investment could apply to the DLF for a loan?

Mr. HUTCHINSON. Yes, sir, and any other American company, not just by virtue of participating in this project.

Mr. PASSMAN. We are dealing specifically with this one. They could be eligible?

Mr. HUTCHINSON. They could file an application; yes, sir.

Mr. PASSMAN. It could very well be that Uncle Sam not only would be financing a good part of the Volta River project with the American taxpayers' dollars, but could also be providing the money for the building of the aluminum smelter?

Mr. HUTCHINSON. There is a U.S. loan of $110 million for the building of the smelter.

Mr. PASSMAN. That is only the beginning. This thing could broaden out.

I can understand with this $500,000 that you are using out there, it could cost a tremendous amount of money to relocate these people.

CLARIFICATION OF VOLTA PROJECT COMMITMENTS

Mr. MONTOYA. I have secured the testimony of Secretary Rusk, and I will read it at this point into the record.

Mr. MONTOYA. Do you have any escapes in case the Congress does not appropriate these funds?

Secretary RUSK. Oh, yes.

Mr. MONTOYA. What kind of escapes?

Secretary RUSK. These forward commitments are contingent upon appropriations except in the case of certain parts of them that were taken out of current appropriations so they were available at the time.

Do you have any quarrel with that statement?

Mr. HUTCHINSON. Insofar as the first part of the statement is concerned, sir, the Secretary was clearly referring to the 202(b) type commitment which is a true statement.

So far as the second part is concerned, it is certainly true we had obligated the amount of funds I have indicated and therefore the funds had already been appropriated.

Mr. MONTOYA. I do not believe the Secretary's statement is ambiguous. This is my interpretation of it:

The Secretary in effect said that the commitments were contingent upon appropriations except with respect to those commitments for which funds available had already been obligated.

Mr. HUTCHINSON. That is right. We have already obligated——

Mr. MONTOYA. And appropriated?

Mr. HUTCHINSON. Yes, sir.

Mr. MONTOYA. Now, your statement seems to run counter to what Secretary Rusk has said.

Mr. HUTCHINSON. In what way, sir?

Mr. MONTOYA. In that your statement, as I understand it, seems to indicate very plainly that a loan commitment made by an executive agency for funds not yet appropriated is an injunction upon this Congress to provide those funds.

Mr. HUTCHINSON. I certainly did not mean to so imply, sir.

Mr. MONTOYA. Then if you did not imply that, I take it that we are at liberty here in the Congress, as the appropriating agency of the Government, to not appropriate and therefore leave your commitment hang up in the air.

Mr. HUTCHINSON. That is true with respect to any commitment made under the authority of section 202(b) of the act, sir. The loans about which I have been speaking here this morning, the $27 million to the Volta River Development Corp. for the dam, and the $55 million which we will be picking up of the Eximbank loan are loan agreements which were made and obligated against funds already appropriated, sir, and therefore the question of appropriation with respect to those commitments does not arise.

Mr. MONTOYA. But with respect to commitments based on moneys that have not been appropriated, then you agree with this committee?

Mr. HUTCHINSON. I agree entirely.

Mr. MONTOYA. Now, let me ask you this question.

You indicated a few minutes ago, out of the $110 million that was committed by the Eximbank, that the AID agency turned around and took $55 million of that burden way from the Eximbank and you assumed that burden.

Mr. HUTCHINSON. Yes, sir.

Mr. MONTOYA. Now, when the justifications were presented to the Congress for the moneys out of which this $55 million was committed by AID, there was no mention in the testimony that part of those funds would be used for the Volta project; is that correct?

Mr. HUTCHINSON. I do not know, sir.

Mr. MONTOYA. I am sure that there was not.

Now, if you went ahead and used $55 million of funds that were justified for other projects, do you think that is within the spirit and intent of the Congress when it appropriated those funds for other projects?

Mr. HUTCHINSON. Sir, you say "when it appropriated those funds for other projects." This goes to the whole question of the type of appropriations made for loans. It has historically been the case that loan funds have not been justified, loan by loan. There has been a request for an amount of funds to remain continuously available.

Mr. MONTOYA. But you come into this committee and you detail project by project and the cost of that project to the committee, and it is on the basis of that justifying information on which we appropriate the overall appropriation.

Mr. HUTCHINSON. Not in connection with development loans, sir, have we done that.

Mr. MONTOYA. Not development loans, but the AID funds.

Mr. HUTCHINSON. The development loans are a part of the AID funds.

Mr. MONTOYA. That is correct, since last year.

Mr. HUTCHINSON. But they are a separate appropriation.

Mr. MONTOYA. Since last year.

Mr. HUTCHINSON. OK. I would have said that earlier they were a part of it, but that is beside the point.

Mr. PASSMAN. We approved the loan authority for the Eximbank. They had an agreement for $110 million. At a subsequent date you, in effect, canceled $55 million of that amount and obligated $55 million of the AID funds, and there had never been any testimony submitted in justification of the $55 million.

In addition to that, if we go back to the hearings of last year, or the justifications of last year, you were dealing with only $20 million.

It is certainly clear that between the two, the Eximbank getting in on this play with rather broad authority and then releasing half of theirs over to AID——

Mr. MONTOYA. May I say this: If my memory serves me right, did not the justification for the Development Loan Fund reflect a project-by-project spread by way of justifying the funds they needed last year?

Mr. PASSMAN. That was my understanding in certain categories. I think it is true in supporting assistance and in development grants, but it was vague in development credits.

CONSTRUCTION SCHEDULE FOR VOLTA RIVER PROJECT

When is it contemplated that they will start construction on this project?

Mr. HUTCHINSON. The construction on the dam, sir——

Mr. PASSMAN. I am speaking of the Volta River project, No. 187.

Mr. HUTCHINSON. The construction on the dam is already very well underway.

Mr. PASSMAN. When is it contemplated the dam will be completed?

Mr. HUTCHINSON. It is quite some while in the future.

Mr. PASSMAN. Give us the approximate date.

Mr. HUTCHINSON. I had at one time the construction schedule before me. I do not believe I see it now.

Mr. PASSMAN. Of the $110 million, when is it contemplated that the aluminum smelter will be started and on approximately what date will it be completed?

Mr. HUTCHINSON. My understanding is, and I am speaking from memory and I would want to check myself, that the smelter will be completed in about 7 years, sir.

Mr. PASSMAN. In 7 years?

Mr. HUTCHINSON. That is my recollection.

FORWARD OBLIGATION OF FUNDS

Mr. PASSMAN. Then, in effect, by the language of the legislation approved last year, you can block off and obligate funds as many years in advance as you like for projects?

Mr. HUTCHINSON. Sir, this——

Mr. PASSMAN. Would you answer my question?

Mr. HUTCHINSON. I cannot answer it straightforwardly with a yes or no answer and give you a true answer.

Mr. PASSMAN. We want to know how far in advance you can obligate funds of the DLF; that will be my question?

Mr. HUTCHINSON. I would have to check the law.

Mr. PASSMAN. Let us check it now.

Mr. HUTCHINSON. Last year, there was no limit.

Mr. PASSMAN. Let us find out how far in advance you can obligate funds on projects.

Mr. HUTCHINSON. So far as I am aware, sir, and I would want to check with counsel on this, you can obligate funds through to the completion of the project.

Mr. PASSMAN. Regardless of the completion date?

Mr. HUTCHINSON. I do not think there is——

Mr. PASSMAN. You have the counsel present?

Mr. HUTCHINSON. No, I do not have counsel present.

Mr. PASSMAN. Are you not an attorney, Mr. Miller?

Mr. MILLER. I have practiced as an attorney.

Mr. HUTCHINSON. He is not counsel.

Mr. PASSMAN. This is just as serious as it can be. We are going to find out now—we are not going to get sidetracked.

Mr. Miller, you are an attorney?

Mr. MILLER. Yes.

Mr. PASSMAN. Are you with the AID agency?

Mr. MILLER. Yes.

Mr. PASSMAN. In what capacity are you here today?

Mr. MILLER. I am the legislative programs coordinator, Mr. Chairman.

Mr. PASSMAN. You have nothing to do with the legal phase of this?

Mr. MILLER. I am not a member of the General Counsel's Office.

Mr. PASSMAN. Being an attorney, and being the coordinator, you would have to have some knowledge of this project, and what we are discussing.

Mr. MILLER. I would defer to Mr. Hutchinson's testimony.

Mr. PASSMAN. As far as you know, either one of you, there is no law that would limit the number of years that you could obligate funds in advance. It is to the completion of a project, is that your understanding?

Mr. HUTCHINSON. That is my understanding.

Mr. PASSMAN. If the project has a completion date 15 years in the future, then you could, under your interpretation, obligate funds for 15 years?

Mr. HUTCHINSON. That is my understanding.

Mr. PASSMAN. Thank you. That gives you a general idea of what we have got ourselves into by this bowl of fish we stewed up last year.

Mr. MILLER. I do not believe, Mr. Chairman, that last year's section 202(b) long-term commitment passage affects this particular provision of the law.

Mr. PASSMAN. Under that section you made these obligations available, with long-range planning. All you have to do is to tie that in with previous years' authorizations, and believe me you have it just as neat and perfectly wrapped up with a blue ribbon as a project could be.

Mr. MILLER. I think we are discussing two different things here. The first thing that we are discussing is the obligation from previously appropriated funds.

Mr. PASSMAN. I am not discussing two different things. I am speaking specifically of this Volta project that you have obligated to the presently estimated completion cost.

Mr. MILLER. Those funds were obligated from previously appropriated funds.

Mr. PASSMAN. If it takes 13 years to complete it, the $27 million, plus any additional obligations, will remain available until expended, and until the project has been completed.

Mr. HUTCHINSON. That is the provision of law.

Mr. PASSMAN. So far, the survey is not as complete as you would like for it to be, because there are a lot of other things that will enter into that which conceivably could lead to requests for additional funds?

Mr. HUTCHINSON. That is a misinterpretation of the description of the project I tried to give you, sir.

Mr. PASSMAN. You have obligated $27 million for the construction of the project. You have obligated $55 million to the American Smelter Co., and those funds remain available until expended.

Mr. HUTCHINSON. That is correct.

Mr. PASSMAN. And if it takes 15 years to complete the project, you have obligated the total cost for 15 years?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Thank you.

We shall recess until tomorrow morning at 10 o'clock.

WEDNESDAY, JULY 18, 1962.

Mr. PASSMAN. The committee will come to order.

INVESTMENT GUARANTEE FOR GHANA ALUMINUM REFINERY

Discussing the smelter plant for Ghana and the predictions as to the world demand for aluminum, so many predictions never come to pass.

There was President Hoover's prediction that prosperity was just around the corner, but he did not ascertain how many corners we had to turn.

It is like President Kennedy's balanced budget. It all sounds good, but sometimes these things do not materialize.

In the event the smelter operation turns out to be unprofitable, and the losses in its operation are so substantial that the American firm would abandon it, what would be our position so far as the investment guarantee is concerned? Does it apply only to the loss of it by expropriation, or confiscation by some foreign government, or does it also have to do with whether or not it is a profitable venture?

Mr. HUTCHINSON. It does not have to do with whether it is a profitable venture. It covers expropriation and inconvertibility.

Mr. PASSMAN. What do you mean by inconvertibility?

Mr. HUTCHINSON. The inability to convert the local earnings into hard currencies that are required for the operation of the plant, the service of the loan and that sort of thing.

Mr. PASSMAN. That is a way out.

Mr. HUTCHINSON. The Government of Ghana has entered into an undertaking to make the currencies required for these purposes convertible.

Mr. PASSMAN. We know of agreements where the idea was good but it did not work out. What would be the position if Ghana could not fulfill that part of its agreement?

Mr. HUTCHINSON. If Ghana does not?

Mr. PASSMAN. If it could not, on account of its economic condition, make available hard currency?

Mr. HUTCHINSON. Under those circumstances, the guarantee is operative to the extent they have not converted.

Mr. PASSMAN. And it would be no fault of Ghana, or Ghana's officials. You can foresee an economic condition where a country would not be able to make these things materialize?

Mr. HUTCHINSON. Yes, sir. The condition could occur which they would not be able to correct.

Mr. PASSMAN. This guarantee would be rather broad?

Mr. HUTCHINSON. It is quite broad in that respect.

Insofar as your first question is concerned, insofar as the company is unable to make a profit, the guarantee is not operative in those circumstances.

Mr. PASSMAN. I can certainly understand how even a friendly nation, much less an unfriendly nation, could get in a position where they could not realize any expendable currency.

There have been conditions in this world during your lifetime where possibly the currency would be exchanged by weight rather than denomination. You would have to take a wheelbarrow load to get a loaf of bread. There is always a possibility something like that could happen.

COMMITMENT OF FUNDS UNDER SECTION 202(b)

Under section 202(b), the agency has the legal authority to make commitments to supply funds to a country up to the amount of the authorization which will require several years to fulfill?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. You could make commitments up to the authorization passed last year under section 202(b)?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. And under the intent of the Executive against this authorization, if you should make a commitment to country X, we shall say, for $300 million for a plant or a project, and you should obligate $100 million of the $300 million, then it is the administration's understanding that, short of a depression in our economy, it is expected the Congress would make available funds in subsequent years to complete the commitment?

Mr. HUTCHINSON. That is my understanding, sir, with respect to support of plans and programs.

Mr. PASSMAN. And the authorization is limited to 5 years, and any part of the authorization under section 202(b), if it is not obligated within 5 years, lapses?

Mr. HUTCHINSON. The authority to enter into commitments under 202(b) from my understanding would lapse after 5 years.

Mr. PASSMAN. Any unobligated portion of it would not be effective after that date?

Mr. HUTCHINSON. I would say any unused portion.

I want to be a little careful here. It is my understanding that once you have entered into a formal obligation which must be charged against appropriated funds, which is something different from the authority in 202(b), then the funds do not lapse.

Mr. PASSMAN. I had to do only with the utilization of the authorization itself.

Mr. HUTCHINSON. Right.

Mr. PASSMAN. That is good for 5 years, but the appropriation that follows later, under the legislation, shall remain available until expended, or obligated? That could carry on into the indefinite future?

Mr. HUTCHINSON. Available until expended, that is my understanding; yes, sir.

PROGRAMS FUNDABLE UNDER 202(b)

Mr. PASSMAN. Under section 202(b), you may finance two specific types of programs: One, a commitment to a plan in a nation that may encompass many different projects; two, a plan to be formulated by the Government and it could encompass many different types of projects. Is that correct?

Mr. HUTCHINSON. That is my understanding.

Mr. PASSMAN. Then, in addition, you may obligate money out of the same funds for an individual project for a country?

Mr. HUTCHINSON. That, sir, I would want some advice on. It is my understanding that the intent of section 202(b) was to permit us to undertake a commitment for long-range support of plans or programs, either of which I think would encompass quite a number of projects.

Whether you could in fact use the authority of section 202(b) to make a commitment for the financing of a particular project——

Mr. PASSMAN. Did you finance the Volta River project out of 202(b)?

Mr. HUTCHINSON. No, sir.

Mr. PASSMAN. That was out of 202(a)?

Mr. HUTCHINSON. Yes, sir. It was out of the appropriation made pursuant to section 202(a).

Mr. PASSMAN. We had an appropriation for $1,112,500,000. All the funds must necessarily be obligated if for development credits out of 202(a). You would have no other place to get them?

Mr. HUTCHINSON. Correct.

Mr. PASSMAN. Under 202(a), which would be for the finances, you could obligate to a country plan?

Mr. HUTCHINSON. You could commit to a country plan.

Mr. PASSMAN. You fund out of the appropriation?

Mr. HUTCHINSON. You obligate out of the appropriation.

Mr. PASSMAN. Out of 202(a) you may obligate funds for a specific project?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. Or you may appropriate funds to a plan?

Mr. HUTCHINSON. You would not.

Mr. PASSMAN. Commit funds to a plan?

Mr. HUTCHINSON. You can commit funds to a plan under section 202(b). You could obligate funds in connection with a program of imports under that plan under section 202(a). I do not think you could make an obligation under section 202(a) just unspecified in support of a plan.

Mr. PASSMAN. It adds up to the same thing. I think the record is complete within itself——

Mr. HUTCHINSON. I do not think so.

Mr. PASSMAN. If you make a commitment from the authority in 202(b) and the Administration, whether I agree or not, in testifying, says when we make this commitment we consider that binding upon the Congress to provide the funds, short of an upset in our own economy when we could not——

Mr. HUTCHINSON. I think morally binding.

Mr. PASSMAN. Morally, yes. We understand that.

We know it is not legally binding.

Mr. HUTCHINSON. Right, sir.

COMMITMENT TO VOLTA RIVER PROJECT

Mr. PASSMAN. It looks like we are really hooked.

Now, on the Volta River project, you have made the commitment?

Mr. HUTCHINSON. We have made the obligation.

Mr. PASSMAN. Did you make the commitment in the contract under section 202(b)?

Mr. HUTCHINSON. No. We made an obligation under the appropriation.

Mr. PASSMAN. Under 202(a)?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. You could have made a partial allocation of that project out of fiscal year 1962 funds and made allocations in subsequent years under 202(b)?

Mr. HUTCHINSON. Of that I am not sure.

Mr. PASSMAN. Under the authority, you did not have to fund a project in its entirety the first year, did you?

Mr. HUTCHINSON. I would want some advice on that.

Mr. PASSMAN. Where can we get that information?

Mr. HUTCHINSON. I think we would have to have a legal opinion on the applicability of these sections in this way.

It has been the practice of the agency ever since I can remember, and I think a very responsible practice as a matter of fact, to charge the full cost of the project, to charge the full funding you intend to do, against funds which have already been appropriated.

Mr. PASSMAN. Why do you need what you call long-range planning if you are going to take a contract that will conceivably take 10 years to complete?

Before you start, you say it will be 7 years on the smelter. Why would you obligate all the funds? Why would you ever need any long-range authority if you are going to fund it in its entirety as soon as the money is available?

PURPOSE OF SECTION 202(b)

Mr. HUTCHINSON. As I understand the situation, it is this—the purpose of section 202(b) is to be able to give some firm assurances to countries that if they develop a plan, if they make the investment in projects which is necessary to bring them up to a point for consideration, they can be assured of financing.

This is different from a situation in which a country has brought a project to this stage and actually presents it to you and requests the specific obligation of funds for financing. Once it has reached that

stage, they require, in order to assure the project is going to be completed, that we enter into a firm obligation for the financing.

It also seems to us this is the responsible way to administer our funds. Once you have actually firmly and legally obligated yourself to finance the project, then you ought to charge the total amount of your legal obligation against funds already appropriated.

Mr. PASSMAN. Here we are entering into agreements, and none of them have the study that is given in this country, the United States of America. You obligate the funds to complete the project even though it may be 10 years in the future before it is brought to completion. It pins down clearly the double standard we have. For American projects we have to prove the benefits will exceed the cost, and we have to be satisfied with getting maybe one-twentieth of the total funds in a year.

Mr. HUTCHINSON. It seems the procedures we are following are tighter procedures than the procedures you describe for U.S. projects.

Mr. PASSMAN. You are going to leave it in the record that they are tighter?

Mr. HUTCHINSON. In this respect, they are——

Mr. PASSMAN. I would like to know.

Mr. HUTCHINSON. May I finish?

Mr. PASSMAN. We wish you would take all the time you need to explain this. This is the loosest thing I ever dealt with in my life. I would like to know how you could attempt to pinpoint this as being tighter than for procedures on projects in the United States.

Mr. HUTCHINSON. If we only obligated year by year, the estimated cost in that year, you could start an enormous project with a very small amount of obligations and then just keep increasing and increasing year by year rather than following what seems to us the responsible procedure of determining in advance the extent of our liability for the project and then entering that as a charge against the funds you have appropriated to us. Otherwise, we could start an enormous number of projects with the funds that have been appropriated to us.

Mr. PASSMAN. If you abandoned Congress, yes, you could do that.

Mr. HUTCHINSON. The procedure, sir, sharply limits the ability to undertake projects because you have to charge the total cost against your appropriation. Otherwise, the number of projects you could undertake would be expanded tremendously.

Mr. PASSMAN. Did you testify the other day that you were not familiar with the way we handled it in America, that you were not familiar with the procedures and the way we obligated and got the authority?

Mr. HUTCHINSON. I just based my present testimony——

Mr. PASSMAN. I would like to know.

Mr. HUTCHINSON. I am not familiar in detail with U.S. procedures in this field.

Mr. PASSMAN. If you knew how it operated, you would never make such a statement as you have made.

To start with, it requires maybe from 5 to 7 years to get an authorization, and when you have obtained that authorization you have pinned it down as to what it will cost. When you come before the committee to testify for funds, then you support your position by in-

dicating that this project has been fully justified and that the cost-benefit ratio has been established and this is the total cost of it. No branch of the Government can initiate even a $50 project without specific authority from the Congress. You cannot start any type of project until it has been legally justified and the law has been passed. That is the way this foreign aid program was intended to operate until the Congress, last year, abdicated and turned the thing loose.

Mr. HUTCHINSON. This was the procedure followed in development lending since its inception.

Mr. PASSMAN. Development lending always submitted us a list as to where they were going to make the loans.

Last year we appropriated $1,112,500,000 for development credits. We just gave you the appropriation. We did not know whether you were going to open up rum factories, or what.

Do you know what countries will get it? "No, sir."

Do you know what projects? "No, sir."

That is the type of hearings we had.

Mr. HUTCHINSON. Sir, we were speaking of the procedure for obligating funds, of the amounts to be charged against the appropriation.

Mr. PASSMAN. You have a wide-open authorization. We gave you the authorization certainly before knowing what country you would obligate the funds to, or what projects, or what programs. We followed up and appropriated the money on the same basis. You could not get $2.65 for any project in America on that basis, and I am thoroughly convinced that in due time the Congress will recognize the facts as they are and bring this thing back under control.

Did you state that section 202(b) could not be used for projects and has to be used only for long-term plans, or program development assistance?

Mr. HUTCHINSON. No, sir.

I said I would like some advice from counsel on that question. Certainly, the fundamental purpose of 202(b) is——

Mr. PASSMAN. Would you get that advice? We shall ask you to get the information on a specific question.

FINANCING OF VOLTA RIVER PROJECT

In Ghana, you made a commitment to the Volta River project, 187, in a specified amount of dollars. You projected it to get the completion cost. Both the smelter and the dam, $360 million, dealing specifically with our contribution.

If you had made a one-third allocation out of fiscal year 1962 funds against this project, would you have considered it binding upon the Congress, according to the interpretation of the Executive, that in subsequent years money would be forthcoming to complete the project?

Mr. HUTCHINSON. It is a hypothetical question I would have to get advice on. I can only testify that the fundamental purpose of section 202(b) is to give support of long-range plans and programs.

Mr. PASSMAN. Let us see if our understanding of hypothetical is the same.

Mr. HUTCHINSON. This is a situation you have given us as an example. It is not a citation of what was in fact done.

Mr. PASSMAN. What?

Mr. HUTCHINSON. It is not a citation of what in fact was done.

Mr. PASSMAN. I do not think I asked the question that way. You have entered into a commitment on this Volta River project, 187. You have obligated the entire cost of the project to completion.

Mr. HUTCHINSON. Our funding along with the other funding will fund it to completion.

Mr. PASSMAN. I made it completely clear I had only to do with commitments by the United States.

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. The question certainly is direct—if you had only provided, or allocated, or obligated, so we will be sure we cover your interpretation of it, one-third of the total cost, would the administration, or the Executive, feel we were then obligated, under the testimony as presented to the Congress last year, and according to your interpretation of section 202(b)——

Mr. HUTCHINSON. We will have to find out.

USE OF LONG-TERM COMMITMENT AUTHORITY (SEC. 202(b)) TO FINANCE INDIVIDUAL PROJECTS

(The information subsequently supplied follows:)

AUGUST 2, 1962.

To: Leslie A. Grant, Acting General Counsel,
Subject: Use of long-term commitment authority for projects.

This memorandum is in response to a question recently raised during the hearings before the House Appropriations Committee as to whether the authority of section 202(b) of the Foreign Assistance Act of 1961 might be used to commit development lending funds authorized to be appropriated in future years, subject only to the appropriation of such funds, to finance specific projects as opposed to broad development plans or programs. It should be noted that this question embraces two distinct situations: (1) The United States desires to commit itself under section 202(b) in one fiscal year to undertake a specific project in a future fiscal year to be financed from funds to be appropriated for that future fiscal year; and (2) the United States desires at the time construction of a specific project begins (whether or not the United States has committed assistance to the project in a prior year under section 202(b)) to obligate current year funds only for current year requirements of the project and to use section 202(b) to commit future year funds for future year requirements of the project.

Section 202(b) of the Foreign Assistance Act reads as follows:

"Whenever the President determines that it is important to the advancement of U.S. interests and necessary in order to further the purposes of this title, and in recognition of the need for reasonable advance assurances in the interest of orderly and effective execution of long-term plans and programs of development assistance, he is authorized to enter into agreements committing, under the terms and conditions of this title, funds authorized to be appropriated under this title, subject only to the annual appropriation of such funds."

The above language does not specify the type of commitment which may be made under section 202(b). Under a literal reading of its language, therefore, a commitment to finance a single specific project could be made under section 202(b), where the required determination is made and where there is a need for reasonable advance assurances in the interest of orderly and effective execution of long-term plans and programs of development assistance. While a commitment for a specific project in the first situation described above might meet the statutory test, the statute and legislative history indicate that the section was not intended to facilitate shifting AID's normal method of financing the construction phase of projects from one appropriation to one of splitting the funding of construction into annual segments. Of course, where a project is in any case to be financed in annual segments for reasons independent of the existence of section 202(b) there would be no objection to the use of section 202(b) to commit future segments if such use is otherwise appropriate.

It may be helpful in this connection to describe past practice in obligating and committing funds for nonmilitary foreign assistance programs. Generally speaking, technical assistance projects have been funded for the contemplated life of the project or 3 years whichever is the less from one fiscal year appropriation and capital development projects have been funded for the entire period of construction from one appropriation, although all or part of the engineering work might have been funded from a prior appropriation. Nonproject assistance, the undertaking of new technical assistance or capital projects, and the renewal of continuing technical assistance projects were matters for annual negotiation with the country, and usually no prior commitments were made with regard to any of these matters. On rare occasions, however, a prior commitment, subject to the appropriation of funds, was made with regard to any or all of these matters. When such a prior commitment was made with regard to a capital project, it was nevertheless customary, at the time construction of the project was to commence, to obligate all the funds required for construction from one appropriation.

In the presentation of the Foreign Assistance Act of 1961 the executive branch requested borrowing authority for development lending funds in order to be able to make long-term commitments with greater assurance in cases where the ability of a country to rely on a definite level of assistance in the future would help it to develop and execute plans and undertake self-help measures. The Congress did not grant borrowing authority but enacted section 202(b) instead, expressly allowing commitments conditioned on the appropriation of funds, and carrying with it the understanding that Congress will honor such commitments in the absence of obvious bad management or the failure of the country to meet its responsibilities.

The history of the presentation of the long-term commitment authority reveals an emphasis on long-term development plans. The main idea advanced was that a long-term U.S. commitment to support a country's development plan would provide the kind of assurance the country would need to undertake the difficult and politically risky self-help measures and sacrifices that are necessary if U.S. development assistance is to achieve its goals. While the history emphasizes overall planning, it clearly does not preclude commitments to finance single projects. Such a commitment under appropriate circumstances presumably might create the desired effect of encouraging sound planning and mobilization by the country of its resources, at least with respect to the project in question and possibly with respect to other activities as well.

It should again be emphasized, however, that the long-term commitment authority was not presented to Congress, as an alternative to the obligational procedures theretofore followed under the foreign assistance program. It was presented as filling the gap that exists in cases where the agency cannot as a practical matter obligate or reserve current fiscal year funds for a future requirement and yet needs to give a country some reasonable assurance with regard to the future so as to encourage it to take the necessary measures to make U.S. assistance effective. Such assurances might in some cases be made with respect to specific projects or even with respect to annual segments of specific projects if such projects can only be carried out in annual segments, but the enactment of section 202(b) was not designed to serve as the basis for a major change in the agency's decisions as to the circumstances in which it is necessary to segment the financing of specific projects or otherwise to further a general transferring to future appropriations of requirements normally charged against current appropriations.

J. HOLMER.

Mr. PASSMAN. I would certainly think that you people administering this program, testifying for money, should have known whether or not you had a legal right to expect it, or a moral right. If you will get that information, we shall discuss the matter further during the afternoon session.

Mr. HUTCHINSON. With respect to that last remark, I would say in administration of the program I would very much recommend, when you are ready to obligate your funds, you use the section 202(a) funds already appropriated rather than the authority to make a commitment.

Mr. PASSMAN. We appreciate your recommendations.

POLICY TOWARD COUNTRIES WITH ECONOMIC RELATIONSHIP WITH CUBA

Does the United States have an economic embargo as far as Cuba is concerned?

Mr. HUTCHINSON. I do not know about that.

Mr. PASSMAN. How about the State Department?

Mr. TROXEL. I will not be able to testify on Cuba, Mr. Chairman.

Mr. PASSMAN. What is our policy on aid to countries which continue economic relations with Cuba, or any other country where the United States has a policy of the type I mentioned? Could you testify to that?

Mr. TROXEL. I can speak generally. I can say we still maintain economic relations, and we still provide aid to some countries that maintain normal trade relations with Cuba.

AID TO GHANA

Mr. PASSMAN. I note that Ghana made a loan of $12 million last year to Mali. If this country can afford to make loans to other countries, why are we giving grant aid?

Mr. TROXEL. We give grant aid where we feel our assistance is able to produce some particular good result, either in terms of the development of the country itself, or in our national interest.

Mr. HUTCHINSON. We do feel, for reasons that have been mentioned earlier, that it is good that financial and economic relations be developed among the various countries existing in this part of Africa, particularly because of the fact so many of them have unrealistic political boundaries. If we can stimulate some economic relationships among them, this is in their long-run interest as well as ours.

Mr. PASSMAN. I think we had better deal with these things realistically. Here we are each year tremendously increasing the amount of aid to Ghana. It looks like the tougher they get, the more money we obligate.

In the category of development grants, for example, you jump from $1,557,000 in fiscal year 1961 to $2,200,000 in 1962, and for fiscal year 1963 to $———.

AGRICULTURAL EXTENSION PROJECT

What is the total cost to complete by 1966 the agricultural extension project, listed on page 337?

Mr. HUTCHINSON. We estimate $———.

Mr. PASSMAN. What items are involved in the estimate of $17,000 for other costs for the agricultural educational project?

Mr. MOSSLER. We do not have a detailed breakdown on the other costs.

Mr. HUTCHINSON. This would be the general cost to finance the local support of the people working on the project.

Mr. PASSMAN. You do not have a breakdown?

Mr. HUTCHINSON. No, sir.

REIMBURSEMENTS TO OTHER AGENCIES FOR ADMINISTRATIVE AND SUPPORT COSTS

Mr. PASSMAN. Let the committee at this time request that you give us an itemized detail list of all the funds you have in the AID bill for other governmental agencies because it is scattered in so many different places. Unless you put it together, there is no way we can determine what the State Department is getting and what some other agency is getting.

Can you get that data for us?

Mr. TENNANT. In the proposals for fiscal year 1963?

Mr. PASSMAN. Unless you want to go back into prior years. Do you want to limit it to 1 year?

Mr. TENNANT. I think my question in the back of my mind is whether on the project development for fiscal year 1963 we would know which ones would be performed by other agencies, which would give us difficulty.

Mr. MOSSLER. Probably the only thing you can do is to get those estimates of reimbursement to the State Department for services they render for us. I believe we have already had an insert prepared on this subject.

Mr. TENNANT. We gave those to Mr. Ford the other day.

Mr. PASSMAN. That was for Africa only. We want this on a worldwide basis.

Mr. TENNANT. The reimbursement to State on a worldwide basis?

Mr. PASSMAN. We want it for all agencies.

Mr. HUTCHINSON. It would probably be possible to list those contracts that have already been entered into.

Mr. PASSMAN. Let us be sure you know what we want. That is why I directed the question to the comptroller.

We want your estimate for fiscal year 1963 as to the amount of money in the mutual security program that will be reimbursed to other Federal agencies.

Mr. TENNANT. We can give you a figure on the reimbursements. It seems to me, though, there are one or two places where it would be a little difficult to estimate.

Mr. PASSMAN. Which ones?

Mr. TENNANT. Where we have projects which may require services by other agencies, and the project may not have been developed far enough to ascertain——

Mr. PASSMAN. Is that not the kind of mess we are getting this thing into—that you blanket in technical assistance, $17,000, $20,000? We have found cases here, one particularly yesterday, where 25 percent of the total request would be to reimburse the State Department.

Mr. HUTCHINSON. For administrative services.

Mr. PASSMAN. We want to know how much. It would appear that you are greatly enhancing the appropriation for the State Department by loading this bill down with such items.

Mr. HUTCHINSON. As far as reimbursement to the Department of State is concerned in this region, we will be reimbursing them a bit more heavily than has been the case in the past——

Mr. PASSMAN. So we have observed, so we have asked for the information.

Mr. HUTCHINSON. May I finish, sir?

Mr. PASSMAN. If you think it will help any.

Mr. HUTCHINSON. I think it might, sir, because of the fact we are establishing an administrative setup in quite a number of the African countries where joint administrative services are provided to us by the Department of State. This will increase the reimbursement we make to them over what would otherwise have been the case.

Mr. Tennant has also indicated the situation—it is going to be difficult on a worldwide total basis because of the fact we do have projects which require technicians. We are not sure in many of those cases as yet whether or not we will get those technicians from a university, or whether they might come from the Public Health Service or the Department of Agriculture.

Mr. PASSMAN. Or the State Department?

Mr. HUTCHINSON. We will not be picking up technicians from the State Department, sir.

Mr. PASSMAN. We asked what that is chargeable to, and you said to reimburse the State Department.

Mr. HUTCHINSON. This is back to the discussion the other day.

Mr. PASSMAN. It is part of the total.

Mr. HUTCHINSON. This is the category called technical support, and you remember we had a discussion earlier as to whether or not this was the most apt designation of this category of expenditure.

Mr. PASSMAN. You say "technical support." We ask the question, what does this cover? We use that to reimburse State Department for their services, you say.

What we want to know is, if you have people downtown who are smart enough to be able to keep filling in $17,000, $40,000, $39,000 along the way, you should have people smart enough to go back and pick the items up and tell us what the total is.

(The information supplied follows:)

ESTIMATED REIMBURSEMENTS TO OTHER U.S. AGENCIES FROM AID, FISCAL YEAR 1963 FUNDS

Based upon fiscal year 1962 experience, it is estimated that AID funds will be used in fiscal year 1963 to reimburse other Government agencies for services and materials as follows:

Agency	*Amount*
Department of Agriculture	$5,000,000
Department of Commerce	4,300,000
Department of Defense	16,750,000
Department of Interior	3,500,000
Department of Labor	2,600,000
Department of Health, Education, and Welfare	5,900,000
Department of State	9,625,000
State support	(9,503,000)
Other	(122,000)
Department of the Treasury	25,000
Federal Aviation Agency	8,900,000
Federal Communications Commission	125,000
Farm Credit Administration	50,000
U.S. Information Agency	425,000
Housing and Home Finance Agency	200,000
National Science Foundation	25,000
Total	[1] 57,425,000

[1] Excludes supplies and materials to be procured from General Services Administration estimated at $21,325,000.

DEVELOPMENT LOAN PROJECTS WITH OTHER AGENCY OR INTERNATIONAL AGENCY SUPPORT

Mr. RHODES. This question goes back to the Volta project. Do you have any similar projects which you entered into in the 1962 fiscal year? By that I mean where Development Loan is furnishing part of the money in conjunction with other agencies of this Government, or world agencies?

Mr. HUTCHINSON. Yes, sir; the Cameroon road we mentioned earlier is a very good example where assistance is being provided from the French and the EEC and a development loan.

Mr. RHODES. What was the amount of that?

Mr. HUTCHINSON. A $9.2 million loan we are making, sir. My memory of the project is that this is about a fourth of the total, the remainder being contributed by the other agencies.

Mr. RHODES. Have you obligated all the $9.2 million?

Mr. HUTCHINSON. No, sir. We approved the loan on June 29, 1962, and the loan agreement, which will obligate the funds, is now being negotiated.

Mr. RHODES. Out of funds appropriated in 1962?

Mr. HUTCHINSON. Yes.

We always, sir, whenever we enter into a loan agreement with the country, obligate the full amount of the funds which are part of a financial plan estimated to carry the project through to completion.

Mr. RHODES. You always do that?

Mr. HUTCHINSON. We always do that.

Mr. RHODES. The arrangements in the instance of the Volta project are no different?

Mr. HUTCHINSON. There is nothing different.

Mr. RHODES. That is all.

INITIAL OBLIGATION OF DEVELOPMENT LOAN FUNDS TO COVER NUMBER OF YEARS

Mr. PASSMAN. It is going to be interesting to get the ruling, or the experts' interpretation, on the question I asked earlier about the Volta project.

Heretofore, we have ended the fiscal year in the neighborhood of $5 to $5½ billion, and this year it may be higher, $6 or $7 billion, of obligated but unexpended funds.

This thing could pyramid. You could be obligating 8, 10, 12, or 15 years in advance, and you could conceivably wind up, if you get the authority and this program continues to expand, with maybe $12 billion or $18 billion worth of obligations.

We do hope we can pin this down. You could conceivably be funding 12 or 15 years in advance, and this thing could go to the sky, depending, of course, upon the amount of authorization that you are able to obtain from the Congress, so we shall wait with great interest——

Mr. HUTCHINSON. I think I should testify in this connection that we do put in all of the loan agreements that we enter into two cutoff dates; one is the date by which the conditions precedent to making disbursements must be complied with and the other is a cutoff date on an opening of a letter of credit.

We do not leave them completely open ended. We have an anticipated date of completion of the project and we write in a cutoff date on making disbursements against the loan.

Mr. PASSMAN. That does not make it any less confusing. You testified this morning that it remained available indefinitely, and I think you indicated it could be 12 or 15 years.

You may write this into the contract and you could have a 50-year limitation.

When you make these funds available they remain available until expended, and if you go out and enter into an obligation for a completed project that is going to cost as much as the Volta River project, conceivably it could be 125 years before that project is completed. You are not going to start the smelter plant until all of the plans and specifications have been drawn and approved, are you?

You said that was a 7-year project and you have already funded it to completion.

Mr. HUTCHINSON. It is estimated to be completed in 1968, sir.

Mr. PASSMAN. I repeat what I said. You plan 7 years to complete the project?

Mr. HUTCHINSON. From the time——

Mr. PASSMAN. To me, that is funding a long time in advance.

Mr. HUTCHINSON. It is, sir.

LAND USE AND WATER DEVELOPMENT PROGRAM IN GHANA

Mr. PASSMAN. How much money has been obligated to date on the land-use project shown on page 339?

Mr. HUTCHINSON. We can give you the obligations until the end of fiscal 1961, sir. This is land use and water development, $534,000. I cannot give you the obligation beyond that point because——

Mr. PASSMAN. You cannot give us any information as to what you have obligated for fiscal 1962?

Mr. HUTCHINSON. That is right.

Mr. PASSMAN. What is the projected estimate?

Mr. TENNANT. Only by project.

Mr. HUTCHINSON. Only by project.

Mr. PASSMAN. If you will, tell us what the estimated completion cost is.

Mr. HUTCHINSON. $———, sir.

Mr. PASSMAN. Let us turn to page 340.

FARM MECHANIZATION TRAINING CENTER

You show there a farm mechanization training center. How many farm mechanization training centers have been established during the current fiscal year with the $556,000?

Mr. HUTCHINSON. I do not know, sir.

Mr. PASSMAN. Thank you.

Mr. MOSSLER. I do not, either.

Let me elaborate on that a little bit.

We plan on getting three centers established, but we do not know for a fact that we have them currently established.

Mr. PASSMAN. Thank you.

CONCENTRATION OF PROGRAM ON FEWER NUMBER OF PROJECTS

Some of you could gain a special badge, ribbon, or medal if you would ever suggest that, instead of starting 1,000 projects, to start only 950, and you may get an even bigger medal if you reduce it to about 50, and do some projects real well and have them reflect credit, rather than to try to cover the entire field.

Mr. HUTCHINSON. We are in agreement with your point that our efforts should be concentrated.

Mr. PASSMAN. Why do we not do it that way?

Mr. HUTCHINSON. We are concentrating very considerably our effort, as I indicated in my opening statement and as was indicated in connection with this, and also a considerable amount of testimony we have had with respect to projects on which we had stopped work and we are expecting to concentrate our efforts very significantly. This is a process which we are just starting and we expect to continue it in our review over the coming year.

Mr. PASSMAN. Your predecessors said they had the only solution, and the way they were doing it was the ideal and perfect way. Let us pin it down.

No. 1——

Mr. HUTCHINSON. I just agreed with you, sir. It is desirable to concentrate our efforts on a fewer number of projects.

Mr. PASSMAN. I am glad you agree that you should have fewer projects.

PROJECTS TERMINATED AND ABANDONED

Is it not true that some of the projects you are abandoning, you are reopening under a different name?

Mr. HUTCHINSON. None that we are abandoning, discontinuing. There are a number of projects which had been set up as a separate sort of operation from another project which was closely related to it which we have combined. So what appeared before as two projects would now appear as one project.

Mr. PASSMAN. You would be doing the same thing?

Mr. HUTCHINSON. We would be doing much the same thing, but this would give us a more centralized direction and control of the project. This is not the kind of concentration I am talking about, sir. This, we do think, makes for more effective management but I am not setting those up as projects that have been discontinued or abandoned.

Mr. PASSMAN. What is the total of projects that you have discontinued in fiscal 1961, 1962, and 1963 in Africa and worldwide?

Mr. HUTCHINSON. Worldwide, we would not be able to testify to, sir.

Mr. PASSMAN. Let us get down to Africa, then.

Mr. MOSSLER. On Africa, we presented an insert for the testimony of the 12th of June on projects terminated in fiscal year 1962. I have them listed here.

Mr. PASSMAN. Give us the number, please.

Mr. MOSSLER. I will have to go through them and count them. They are not numbered.

Mr. PASSMAN. Take your time.

Mr. ANDREWS. Mr. Chairman?

Mr. PASSMAN. Yes.

Mr. ANDREWS. By abandoning do you mean starting a new project and stopping it before it is completed?

Mr. PASSMAN. Yes.

Mr. MOSSLER. About 49 projects have been terminated either because they were completed or because we felt we needed to concentrate on higher——

Mr. PASSMAN. Is that unusual, to complete a project?

Mr. MOSSLER. No, sir.

Mr. PASSMAN. What we are talking about is abandoning a project.

Mr. MOSSLER. We also presented another insert at that same time, Mr. Chairman, which made a distinction between completed projects and projects that were discontinued for other reasons.

Mr. PASSMAN. We remember the distinction that you set out, but what we want to know is how many you give us for 1961, 1962, and 1963.

Mr. MOSSLER. I know we have presented the inserts so I am hopeful that I have it here. We have eight projects that fell into this category.

Mr. PASSMAN. That is for what year?

Mr. MOSSLER. 1962.

Mr. PASSMAN. How many in 1961?

Mr. MOSSLER. I do not have the 1961 figure.

Mr. PASSMAN. How many for fiscal year 1963?

Mr. MOSSLER. I think we explained the last time, for 1963 we do not have a forecast at this time.

Mr. PASSMAN. You obligate them before you can abandon them?

Mr. MOSSLER. Of the projects we now have obligated, Mr. Chairman, we do not know for a fact that, even though we will continue to make a review——

Mr. PASSMAN. You are obligating 1963 funds before you get them?

How could you anticipate you would have projects that you would abandon?

Mr. MOSSLER. We may have obligated money for projects in prior years that may be discontinued sometime in 1963.

NEW PROJECTS STARTED IN 1962

Mr. PASSMAN. How many new projects did you create in 1962?

Mr. MOSSLER. Again, I am going to have to do a little adding. We also presented an insert on this.

Mr. PASSMAN. We thank you for the inserts but how many, can you tell us at this time, new projects did you start?

Mr. MOSSLER. If you allow me, I will continue with these, too.

Mr. PASSMAN. Take all the time you need.

Mr. MOSSLER. I count 87.

Mr. PASSMAN. If you subtract 8 from 87, how many does that leave?

Mr. MOSSLER. That leaves 79, but I believe that——

Mr. PASSMAN. We are working on that in reverse, are we not? Anyway, let the record speak for itself as to the job you are doing in abandoning projects.

Mr. HUTCHINSON. My testimony was to the effect that we are reviewing the projects to see if we can concentrate our efforts better than has been the case in the past.

This does not mean that when you get new countries and when you get expanded programs, you will necessarily have a fewer number of projects. We certainly do expect they will be better concentrated in fewer fields in each country. We are continuing our review of these.

Mr. PASSMAN. Thank you.

We were well on the way to cutting a number of projects down, and I think you testified to that, and now you testify that cutting the number of projects down was not the aim. It was consolidating and improving those projects.

You say you abandoned 8 and are starting 87; that is, you are reducing the number of projects.

In a lot of agencies they have an incentive plan; when you come up with a new idea and if it is outstanding, the employee gets a bonus. Is that true in the AID agency?

Mr. HUTCHINSON. I do not know whether we have an employee incentive plan or not.

Mr. TENNANT. I believe we have such a plan.

Mr. PASSMAN. If it is not confidential, what is the top price to the man who does the best job in confusing this program, to the point that the committee and the Congress cannot understand it?

Mr. TENNANT. I do not know that that is included in the incentive plan.

NATIONAL MEDICAL SCHOOL PROJECT IN GHANA

Mr. PASSMAN. What is the cost to complete the national medical school project, shown on page 341?

Mr. HUTCHINSON. We do not have an estimate on the cost of completion.

Mr. PASSMAN. What is the estimated cost of constructing the basic science building?

Mr. HUTCHINSON. $———, sir.

Mr. PASSMAN. With whom are you negotiating for the ——— contract?

Mr. HUTCHINSON. Do you have information as to the contractor?

Mr. MOSSLER. Yes, I have. There are two types of contracts involved; university and construction.

We are negotiating with the Philadelphia College of Physicians on a university contract in which they would work in developing and establishing a medical school. We have not actually got to the point yet where we have let a contract for construction although we do have A. & E. work being done by Litchfield, Whiting & Bowne.

Mr. PASSMAN. Is that an American firm?

Mr. MOSSLER. Yes, sir.

Mr. PASSMAN. Would you know of any State in the Union that is not getting into this foreign aid in some way or other, either, through a university, college, trade school or something?

Mr. MOSSLER. This is pretty well diversified.

Mr. PASSMAN. I mean AID projects? This thing is being distributed all over, is it not?

Mr. HUTCHINSON. I am sure that practically every State in the Union is either supplying materials or has contracts or technicians or something of that sort financed under the AID program; yes, sir.

Mr. PASSMAN. You would not actually expect these people who are the recipients of these contracts to be opposed to foreign aid, especially outwardly, would you?

Mr. HUTCHINSON. I have seen one or two who were, sir.

Mr. PASSMAN. One or two out of possibly 10,000.

For how many years is this contract to run?

Mr. HUTCHINSON. The construction contract has not been negotiated as yet, but my understanding is that this is——

Mr. PASSMAN. Is this a 2-year contract?

Mr. HUTCHINSON. Two-year contract.

Mr. PASSMAN. So far it has not been entered into but is just in the talking stage?

Mr. HUTCHINSON. It has been under negotiation for some months, sir. But a construction contract will not be negotiated or drawn up until the A. & E. work is completed.

Mr. PASSMAN. Negotiations to talk, is that right? It is not entirely by correspondence, is it?

Mr. HUTCHINSON. I am sure there is some discussion; yes, sir.

Mr. PASSMAN. This has not been entered into?

Mr. MOSSLER. Not for the actual construction; no, sir.

FUNDS SPENT ON MEDICAL SCHOOL PROJECT

Mr. PASSMAN. How much money have you spent for this project prior to 1963?

Mr. HUTCHINSON. Through June 30, 1961, we spent $600,000, sir. I am sorry; did you say expend?

Mr. PASSMAN. Yes; how much did you expend on this?

Mr. HUTCHINSON. We have the amount of the unliquidated balance by country as of an earlier date, but by project we do not yet have the figures. We had not liquidated any of the obligation in 1961, sir.

Mr. PASSMAN. How did you arrive at the cost being $——— if you did not have some prior surveys or investigations?

Mr. HUTCHINSON. Sir, as I say, there has been A. & E. work going on, that is architectural and engineering work.

Mr. PASSMAN. Out of what funds were they paid?

Mr. HUTCHINSON. Out of the $600,000.

Mr. PASSMAN. What part of that would be chargeable to the medical school project?

Mr. MOSSLER. Of the $600,000, $150,000 was for A. & E. work.

Mr. PASSMAN. In connection with the national medical school?

Mr. MOSSLER. That is correct.

Mr. PASSMAN. Did you justify that before the Congress last year as such?

Mr. MOSSLER. This was a 1961 item.

Mr. PASSMAN. Did you justify it in 1961?

Mr. MOSSLER. I do not happen to know without going back to the 1961 books, sir.

Mr. PASSMAN. What is the estimated completion cost?

Mr. HUTCHINSON. I do not have the estimated completion cost, sir.

Mr. PASSMAN. Would you want the committee to recommend funds on this basis? This is just one example, and maybe we could pin down a thousand cases, and would you want——

Mr. HUTCHINSON. I would not want——

Mr. PASSMAN. With your permission, let me finish.

Would you want the committee to recommend to the Congress $——— for a project when you cannot give us any estimate as to what the completion cost would be? I am just asking this question on this one project and we could ask the same question on a lot of other projects.

Mr. HUTCHINSON. Sir, I can testify that we now are considering whether or not we should go any further in this medical school than the financing of the university contract. For many reasons that have been previously indicated in connection with this committee's hearings, we do feel that the extent of assistance to Ghana——

(Off the record.)

Mr. PASSMAN. If it appears that Ghana is an unfriendly, communistically inclined nation—and that is my terminology—why would you want to proceed at all on such a project?

You say you may discontinue this? Why start it?

STATUS OF GHANA MEDICAL SCHOOL PROJECT

Mr. HUTCHINSON. It has already been started insofar as the National Science——

Mr. PASSMAN. You told us there had been no construction, and that you were dealing with some paperwork. Is it presently limited to the paperwork?

Mr. HUTCHINSON. It presently has been limited to the A. & E. work and preliminary university contract work.

Mr. PASSMAN. You are not doing business with any bricks or concrete yet, are you?

Mr. HUTCHINSON. No, sir.

Mr. TROXEL. We have pretty well committed ourselves to proceed with this project on the basis of the funding that has been arranged in the past. On the other hand, we have been very careful to see that we are dealing with finite units so that we can get out——

Mr. PASSMAN. In what way have you committed yourselves?

Mr. TROXEL. In discussions with the Ghanaian Government.

Mr. PASSMAN. Is this not under the category of grant aid?

Mr. TROXEL. Yes, sir.

Mr. PASSMAN. We will let the record speak for itself, but I thought that earlier in the hearings it was stated we kept this a secret from these people, and went out there and worked it all out and then came back and let them in on what we were doing. Is this what you let them in on in advance?

Mr. HUTCHINSON. Let me say two things in that respect: When you start work on a project of this sort, you have to have some discussions with the country. We do make it a point not to discuss annual aid levels and this sort of thing with them. I think, however, that this project illustrates one of the difficulties of getting involved

in these kinds of discussions with the countries, which is one of the reasons we try to avoid it to the maximum extent we can. Very frankly——

Mr. PASSMAN. You mean discussing with them what we propose to do for them?

Mr. HUTCHINSON. The amounts of money we intend to provide and the extent to which we might assist a particular project such as this one. We are trying our best at this point in time to see if we cannot limit our assistance to this project to the university contract, rather than getting involved further in support of this installation.

Mr. PASSMAN. Why is that such a difficult decision? You are giving them everything that you planned, and you are going to limit it to what you promised them. How far have we gone on this with the Ghanaians?

Mr. TROXEL. I would say that we are pretty well committed.

Mr. PASSMAN. We are trying to find out. Have you entered into a contract? Have you made a definite commitment?

Mr. TROXEL. I think we have to make a distinction between a firm legal commitment and the kind of commitment——

Mr. PASSMAN. Is it the policy of the Department now to go out and make commitments on grant aid prior to the time you get the authorization, much less the money?

Mr. TROXEL. Sir, this happened a good deal before the New Frontier came into existence.

Mr. PASSMAN. That you entered into this contract?

Mr. TROXEL. That we entered into discussions with the Ghanaian Government and that we, in effect, committed ourselves morally, if you like——

Mr. PASSMAN. This is the first time it has been so completely pinned down. We ought to shellac the head of the nail so you cannot pull it out.

Actually, prior to an authorization on 1-year funds, and certainly prior to the appropriation, not knowing what would be forthcoming, you have gone out and made a commitment you cannot back out of reasonably, even to what I regard as a communistic country?

Mr. TROXEL. First of all, we say it is not a Communist country, Mr. Passman, and I am not arguing that there is any form of legal commitment. I would merely say that we feel that this——

Mr. PASSMAN. This will come out of 1-year funds; is that correct?

Mr. TROXEL. What is the "this" you are referring to?

Mr. PASSMAN. Development grants, appropriated on an annual basis.

Mr. TROXEL. We have requested some development grant funds.

Mr. PASSMAN. Out of this particular fund, you expect to enter into a contract, and if you enter into it, if you get an authorization, and I assume you will, you will do so out of an appropriation for fiscal 1963, 1-year funds; is that correct?

Mr. TROXEL. That is correct.

Mr. PASSMAN. You can go all through this book and it is supposed to total the amount of your fiscal 1963 request—is that right—in development grants?

Mr. MOSSLER. Yes, sir.

Mr. PASSMAN. If you did not get all of it, what would happen?

Mr. MOSSLER. As we mentioned earlier, we would have to go back and review our priorities, country by country and project by project.

Mr. PASSMAN. You have reviewed them in the past on account of a reduction by the Congress, have you not?

Mr. HUTCHINSON. Yes, sir; we have.

Mr. PASSMAN. So far as I am concerned, I would say you have made a pretty poor case out in Ghana, and for the first time have actually pinned it down, that you go out here and get this country involved for a project of this type prior to authorization. I am talking about the development grant, something you are going to give them, you get yourself obligated even before the Congress has had an opportunity to consider the authorization, much less the appropriation.

Mr. TROXEL. Mr. Passman, we have submitted to the Congress in the past several years our judgments as to the advisability of proceeding with some assistance to the Ghanaian Government for a medical school. By the nature of the project, it is very difficult for us to enter into the type of discussions that will assure us we are going to have a first-class project unless we talk with them at great length to see what kind of facilities they have at the present time and go through the entire series of analyses that are essential in a case of this kind. We have attempted in the past, in all of our discussions, to limit our real obligation, beyond our moral obligation—I am not using "obligation" in the technical sense—to the Ghanaian Government. We think we have done it successfully but we would argue very strongly——

Mr. PASSMAN. You mean you have committed yourselves very successfully?

Mr. TROXEL. We feel that we have a moral obligation, Mr. Passman, to proceed with this Ghanaian medical school program.

Mr. PASSMAN. We have been discussing this country for 2 or 3 days now, and this is just one of many projects.

DISTINCTION BETWEEN LEGAL AND MORAL OBLIGATION

Mr. RHODES. Would you yield at that point?

Mr. PASSMAN. Yes.

Mr. RHODES. It has been testified time after time here that negotiations with other countries are made on the basis that the project, if approved, will be undertaken after appropriations have been made.

Mr. TROXEL. That is correct; if the Congress does not appropriate any money for foreign aid, the U.S. Government has no legal obligation whatsoever to proceed. I was attempting to give a judgment——

Mr. RHODES. You made a differentiation between legal and moral obligation?

Mr. TROXEL. Yes, sir.

Mr. RHODES. It was also my understanding that there was not any moral obligation because it was made abundantly clear to the countries that the whole project would be subject to congressional review and would be undertaken only after congressional appropriation; am I wrong on that?

Mr. TROXEL. No, sir; I would not argue that you had a moral obligation of the type that you have under section 202(b). But I would say that all of us interested in maintaining a position in Ghana—the position of the U.S. Government—would contend that it would make a lot of sense to proceed with that portion of the development of the Ghana medical school that we have been discussing with the Ghanaian Government right along.

Mr. RHODES. Then you are changing your testimony. You are not talking about a moral obligation but a political desirability?

Mr. TROXEL. I would be willing to change my testimony since we have also used the term "moral obligation" to refer to something else. I will be glad to change on that, Mr. Rhodes.

I find the "moral" language a little bit confusing.

Mr. HUTCHINSON. I would also indicate that this is the type of project which is normally financed under development loan procedures. It is a capital-type project and involves you in the necessity for making A. & E. studies and cost estimates and that sort of thing which involves you in work with the country to a degree you normally do not get involved in, in connection with your usual development grant type project. This is one reason there has been this kind of, shall we say, political commitment, that you do not normally run into in connection with this project, or with these projects under development grants.

Mr. PASSMAN. What would be your position if we should go back to these people on a multitude of these projects, and there are pages of them, and say, "You do understand, gentlemen, we are having to borrow the money to construct these projects, and it is being borrowed at the expense of generations yet to be born in America. It is no longer easy to borrow money as it used to be, and since you have sufficient funds to make a loan to your neighbor of $12 million, we wonder if you could not build this project out of your own funds?"

We could go through this book from cover to cover and there would not be a project we could discuss for any country where there would not be some justification. There is always going to be a lot of harm done if the project is not undertaken, you say, but this bill has been reduced by $5 billion in 7 years, and witness after witness testified that a better program has resulted because of the reductions.

We are going to try to help you this year, too. We think you are entitled to our help.

LEVEL OF ASSISTANCE TO GHANA

Mr. HUTCHINSON. Fundamentally, Mr. Passman, I think that describes, in a way, what our policy toward assistance to Ghana is, as a matter of fact.

Mr. PASSMAN. That you are going to tell them we have to borrow this money?

Mr. HUTCHINSON. That we intend to concentrate around the Volta River project. We expect to have a few technical assistance programs, as has been indicated here, which would provide some contact with the broad population in Ghana. These funds will be in quite small amounts. Except for this one project, the amount of assistance to Ghana will decline.

Mr. PASSMAN. Let me read for the record one more time the direction it is "declining" in the way of development grants.

In fiscal 1961, you had $1,577,000, and that "declined" to $2.2 million in fiscal 1962. It is going to continue to "decline" to $——— for fiscal year 1963.

I do not understand this type of "declining."

Mr. HUTCHINSON. Sir, I indicated that except for this project—and I should have added——

Mr. PASSMAN. I am not speaking of a project now, Mr. Hutchinson. I am talking about projects.

Mr. HUTCHINSON. Yes, sir. I was talking about our fundamental approach toward assistance to Ghana.

Mr. PASSMAN. How could you testify it is declining when it is doubling in 1962 over 1961 and ———. That is in this one field, not taking into account all of the other fields we are getting into? I do not see where it is declining. I am going to rest on those figures.

Mr. CONTE. Mr. Chairman?

Mr. PASSMAN. Yes.

MEDICAL SCHOOL IN GHANA

Mr. CONTE. How many students do they have in the medical school?

Mr. HUTCHINSON. I do not believe we have the number of students.

Mr. ANDREWS. Do they have a school now?

Mr. HUTCHINSON. Yes, sir. I believe they do have a school there now.

Mr. CONTE. If we are going to appropriate money for a medical school we should know how many students they have. Ghana is not too far away from Nigeria and they have an excellent medical school there. What is the need for a medical school in Ghana? I thought we were going in for these regional projects rather than a school in every country that wanted one.

Mr. HUTCHINSON. I think, sir, the previous testimony as to the reason for going into this particular one still stands. Fundamentally, this arises out of discussions begun with the Ghanaians back, at least, some 3 years ago and which have been carried on over that period of time.

I think this is the only real answer we can give you as to why.

Mr. PASSMAN. Will you try to get that information for us?

Mr. HUTCHINSON. We will be glad to do that.

(The information follows:)

JUSTIFICATION FOR MEDICAL SCHOOL IN GHANA

As early as 1961 the medical school was recommended for the then colony of the Gold Coast. Following independence (1957), the establishment of a medical school as an overall country goal was given a top priority by the Government of Ghana second only to the Volta River project.

The United States was approached for assistance in 1960 and later that same year an ICA medical team was sent to Ghana to explore the feasibility of and need for a medical school. To quote from their report: "With over 6 million people and 314 physicians (1 for every 23,000 people) the need for a medical school is well established. The population of the country is growing at the rate of 200,000 per year." The increasing pressure for medical attention is caused not only by the expanding population but by the continuing process of educating the populace to the need for medical care. This situation is further exacerbated by the loss to Ghana of professional medical personnel who have been repatriated back to the United Kingdom since independence.

Ghana's immediate needs would absorb the first several graduating classes and therefore the contribution of the school to regional needs could only be realized in future years. Nigeria's needs are such that its medical training facilities cannot keep up with the demand within Nigeria for medical personnel much less the needs of other West African countries.

REGIONAL MEDICAL SCHOOLS

Mr. TROXEL. I would like to add that in the earlier discussions that took place, it was made clear that students from, say Sierra Leone and Liberia, where they do not have medical schools, would be able to go to the school in Ghana. One can make a pretty good case, I think, that you can have two medical schools for English-speaking students, generally speaking, in that part of Africa. The size of Nigeria is such that this was contended throughout the earlier period of the discussions.

Mr. CONTE. If we go back to the testimony on that subject, I think you will find we are starting to participate in a university in Liberia. I think they are talking also about having a medical school in Liberia. You can go back to the record and check on that.

Mr. HUTCHINSON. I know the Liberians are talking about a medical school and one of the reasons we are taking a very hard look at this project is to see to what extent it might not be consistent with our philosophy of consolidating educational institutions in such a fashion that they can be used throughout a very considerable region.

Mr. CONTE. I hope that the State Department and AID people stick to that philosophy because you are going to lose a supporter if you don't.

You cannot be spreading this money all over Africa.

Mr. TROXEL. We are very anxious to do so. This is something on which all of us are concentrating to some extent. However, we are in the position of completing certain projects that had been discussed in the past.

LEVEL OF AID PROGRAM

Mr. PASSMAN. It would be well to let the record show that by consistent work and constant prodding, this committee and the Congress worked this program down under President Eisenhower to $2.8 billion.

It was rather generally agreed that we were going to try to arrive at a figure of $2.5 million, and maybe work it on down to $2 billion.

The thing is now getting out from under control, and it is on the way back up this year. The authorization just for mutual security is back up to $4.6 billion.

It does not appear there is any indication the program is being reduced. It looks like it is on the rise almost everywhere we go.

TOTAL ASSISTANCE TO GHANA

According to the figures pulled together here, we gave to Ghana through 1961, approximately $28.6 million?

Mr. MOSSLER. Does this include Public Law 480?

Mr. PASSMAN. This is on page 113.

Mr. MOSSLER. Our figures show Public Law 480 and AID at the end of 1961 would come to $26.4 million from U.S. sources.

Mr. PASSMAN. I think you are wrong, but now let us move into 1962. Including all aid for Ghana for fiscal 1962, we show here a total figure of $130 million.

Mr. HUTCHINSON. Fiscal 1962?

Mr. PASSMAN. That is the total obligation for projects of all types in Ghana?

Mr. HUTCHINSON. Yes, sir; that is correct for the total program, including Public Law 480.

Mr. PASSMAN. It is not pleasant to have to quarrel with our distinguished witnesses but you state it, and it is in the record, that this program is declining for Ghana.

Yet, a factual recitation of the figures shows that under "Development grants" the amount was $1,577,000 and it "declined" to $2.2 million; and then "declined" to $—— proposed for fiscal year 1963.

Then, when we put the totals together, to see how this peculiar mathematical formula worked, you had $26.4 million for Ghana and that "declined" to $130 million in fiscal year 1962. Let the record——

Mr. MOSSLER. Mr. Chairman, Mr. Hutchinson is talking about the 1963 program, including Public Law 480. We are only talking about a program for that year.

Mr. PASSMAN. You have, from all sources, obligated for Ghana for the Volta River project how much money? Obligated, unexpended, to be expended on projects?

Mr. HUTCHINSON. It will certainly be very substantial, sir, because the $27 million loan and the $55 million which we picked up will be very substantially unexpended.

Mr. PASSMAN. That is true, so if you are obligating funds on a project 6 or 7 years in advance, even though there is no indication it is declining from the figures I have recited for the record under the grant program, and if you fund programs years in advance, obviously you could say that the obligations are declining because you obligate to the completion date.

Mr. HUTCHINSON. Sir, if I wanted to play this kind of game, I could certainly say that the assistance provided to Ghana falls from $130 million in 1962 to $—— in 1963——

Mr. PASSMAN. You play the game any way you wish. We are going to let the record speak for itself.

Mr. HUTCHINSON. Sir, will you let me finish my sentence?

Mr. PASSMAN. But you are making a statement not in keeping with the record, and this is either correct or not. You have obligated $55 million for the smelter and it is a 7-year project, is it not?

Mr. HUTCHINSON. Sir, may I finish the statement I started?

Mr. PASSMAN. Yes.

Mr. HUTCHINSON. All right. I said that we could say that the obligations fall from $130 million in 1962 to $—— in 1963. This was not the intent of my testimony, however. We were talking about development grant programs which we show here as being $2.2 million in 1962. We show this is going to $—— in 1963, and my testimony was that this increase is the result of the $——. That is, the questions about which I have already testified to. I testified that the additional amount was $500,000 for the survey which is

related to the development of the territories associated with the Volta River project and that it was our intention to hold the remainder of our program down, and that that part of our program is declining.

It is our intention that it shall decline.

Mr. PASSMAN. Is it a statement of fact that under the development grant program in fiscal 1961 you had $1,577,000?

Mr. HUTCHINSON. Yes; that is a fact.

Mr. PASSMAN. You increased that to $2.2 million in 1962?

Mr. HUTCHINSON. Yes, sir; this is a fact.

Mr. PASSMAN. You projected an increase to $—— for fiscal year 1963?

Mr. HUTCHINSON. That is a fact.

Mr. PASSMAN. Is it true that you obligated the Volta Dam project to the completion date?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. The record will speak for itself.

BUSINESS MANAGEMENT PROJECT

What is the cost to complete the business management project on page 342?

Mr. HUTCHINSON. We estimate $——, sir.

Mr. PASSMAN. Did you justify this project?

Mr. HUTCHINSON. This is a new one.

Mr. PASSMAN. You have not expended any funds on this project in the past?

Mr. HUTCHINSON. No, sir.

Mr. PASSMAN. Have you made any preliminary expenditures on the project?

Mr. HUTCHINSON. No; this is not a construction project.

Mr. PASSMAN. How can you arrive at an estimate without some prior detail or survey?

Mr. HUTCHINSON. Sir, this is an estimate for the provision of technicians on a contract basis to work with the College of Administration there. We anticipate that there will be five technicians employed on the project and this is 2-year funding in accordance with our usual procedure; $10,000 is for incidental other costs in support.

Mr. PASSMAN. There has been no specific amount charged to this project?

Mr. HUTCHINSON. No; this is a fiscal year 1963 project.

Mr. PASSMAN. But since there has been no specific expenditure charged to the project, you have some unidentifiable expenditures that could be chargeable, as you had surveys in order to arrive at the estimated cost; do you not?

Mr. HUTCHINSON. It depends on what you mean by "surveys."

Mr. PASSMAN. How did you arrive at the cost of this project through completion?

Mr. HUTCHINSON. By assuming, sir, that we were going to continue the project from fiscal year 1963 through fiscal year 1967. It would be at an annual rate of something like $——— a year to continue the project over that period of time to train the people.

Mr. PASSMAN. Here, again, is a project for which you are asking $——— to completion.

Mr. HUTCHINSON. $———.

Mr. PASSMAN. You mean $——— with a completion cost of $——— and it is anticipated it will be completed in fiscal year 1967?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. You do not just reach up in the air and say that this project is going to cost a certain amount of money. It is bound to be connected with some detailed study by technicians with experience in this field to determine the cost of a project, but if it is not identifiable as a part of the cost, then we shall let it go at that.

Why do you need $10,000 for incidental local costs?

Mr. HUTCHINSON. Sir, all technicians working in the field have local travel costs and various incidental costs of that sort in carrying out their work. It is our estimate these would run about $10,000.

Mr. PASSMAN. How many of the employees are contract personnel participating in the $10,000?

Mr. HUTCHINSON. These are all contract employees, sir.

Mr. PASSMAN. The other costs are estimated at $163,000, approximately equal to the cost of U.S. technicians; is that correct?

Mr. HUTCHINSON. I do not see the figure you are using.

Mr. PASSMAN. That is on page 344.

Mr. HUTCHINSON. This is technical support?

Mr. PASSMAN. That is right.

The project number is 641–Z–99–ZA.

MISSION SUPPORT COST

Why are other costs estimated at $163,000 almost equal to the cost of U.S. technicians?

Mr. MOSSLER. I think the reason for that is that these are supporting costs for the total program for the mission. This does involve some local employees and other local costs of a supporting nature.

Mr. PASSMAN. Give us some detail on this item.

Mr. MOSSLER. As we have mentioned earlier in the hearings, we do not have an item-by-item breakdown here with us on fiscal year 1963 projections of the other costs.

Mr. HUTCHINSON. You will notice, sir, the total here is $375,000 for fiscal year 1962, which is the support costs for the entire mission operation. That is well within the range and in relation to the total program being carried on, for most of the programs.

You will also note that this has actually been falling off over the years. It was $725,000 in 1961; $375,000 in 1962, and we anticipate a somewhat further reduction to $327,000 in 1963.

This is in keeping with the reduction in the size of the mission and that sort of thing we are contemplating working on.

Mr. PASSMAN. The fact remains it goes up and down, but you still do not have any detail as to the purposes for which it will be spent?

Mr. HUTCHINSON. I do not notice it going up, sir.

Mr. PASSMAN. Let us see if it is going up.

Last year you estimated, did you not, $350,000?

Mr. HUTCHINSON. No, sir. My book shows for the fiscal year 1962, $375,000.

Mr. PASSMAN. My book shows $350,000 for last year, fiscal year 1962.

Mr. HUTCHINSON. My book I have before me shows $375,000, sir. You are talking about the book submitted to the Congress last year that shows $350,000.

Mr. PASSMAN. That is the only thing we have to go by. We have only the books you give us to build our case, and in the book for last year, and I am making a statement of fact, the figure was $350,000.

Mr. HUTCHINSON. In the book that was submitted last year——

Mr. PASSMAN. That is the book by which we examine witnesses.

Mr. HUTCHINSON. Last year——

Mr. PASSMAN. All right. We are talking about last year and the actual obligation was $375,000; is that correct?

Mr. HUTCHINSON. The estimate at this point for this year. I do not know——

Mr. PASSMAN. Would that be an increase?

Mr. HUTCHINSON. That would be an increase over the amount that was shown in the book. It would be a decrease over the obligations in fiscal year 1961, which were $725,000. It is $375,000.

Mr. PASSMAN. You may want to take that out of the record. That is cumulative?

Mr. HUTCHINSON. All right; then look at the book you are looking at and it shows——

Mr. PASSMAN. $214,000?

Mr. HUTCHINSON. It does show $214,000. You are correct.

Mr. PASSMAN. Mr. Gary?

Mr. GARY. I have no questions at the present time, Mr. Chairman.

Mr. PASSMAN. Mr. Andrews?

Mr. ANDREWS. Just one or two questions, Mr. Chairman.

CONSTRUCTION CONTRACT FOR VOLTA RIVER DAM

Who was the contractor for the construction of the dam on the Volta?

Mr. HUTCHINSON. It is an Italian company for the construction, sir. I may have the name here but I will check and see.

Mr. ANDREWS. Supply it for the record.

Mr. HUTCHINSON. Yes, sir.

Mr. ANDREWS. What type contract is it, cost-plus, negotiated, or a low-bid contract?

Mr. HUTCHINSON. I see the equipment for the various parts of it is being supplied under individual supply contracts. I suppose that those are fixed-price but I would have to check and see.

Mr. ANDREWS. That is for the equipment?

Mr. HUTCHINSON. That is for the equipment, the actual construction of the dam; as to whether it is a cost-plus, fixed-price, I would have to check the record and be sure; I do not know, sir. This was let before I came to the job.

Mr. ANDREWS. What was the amount of the contract?

Mr. HUTCHINSON. I can give you the total cost estimate, sir, but I do not have the amount of the particular contract. The estimate for the dam and the power facilities and the transmission grid is $196 million. I do know that part of that is $28 million for the transmission grid which would leave $168 million for the dam, powerhouse, and so on.

Mr. ANDREWS. That is a mighty big contract and it looks like somebody would have information about who it was awarded to.

Mr. HUTCHINSON. We have this information in detail and it is very easy to get.

Mr. ANDREWS. I wish you would supply it for the record.

Mr. HUTCHINSON. I will be delighted to do so.

Mr. ANDREWS. Give us information that will answer the questions I asked you about the amount of the contract, the contractor, and how the contractor was selected.

Mr. HUTCHINSON. Yes, sir.

(The information supplied follows:)

DETAILS OF THE VOLTA RIVER DAM CONSTRUCTION CONTRACT

The construction contract for the Volta River Dam was awarded to Impresit-Girola-Lodigiani, S.p.A., incorporated in Italy, and Impresa Costr. Ing. E. Recchi of Turin, Italy. This group's bid was $45,013,982 (£16,076,422 converted at $2.80 per Ghanaian pound). The type of contract is an estimated lump sum based on fixed unit prices.

The contractor was selected on the basis of competitive bidding. Initially the Government of Ghana invited firms from several Western countries to submit details on their qualifications. On this basis a number of firms were prequalified and submitted bids on the project. All of the bids were reviewed by the consulting engineer and the award was made to the lowest bidder conforming to the bid specifications.

Mr. ANDREWS. Are there any representatives of AID or the U.S. engineers on the job supervising the work?

Mr. HUTCHINSON. There is a requirement in the contract for consulting and supervising engineers on the job. Kaiser Engineers has this contract, sir.

CONTRACT FOR REFINERY

Mr. ANDREWS. Who has the contract for the refinery?

Mr. HUTCHINSON. The smelter will be built by Kaiser again. They are the major stockholder to the extent of 90 percent and they will do the construction.

Mr. ANDREWS. What percentage of the power produced will be taken by these companies, or this particular aluminum company?

Mr. HUTCHINSON. We have the data if I can just put my finger on it.

They are doing 40,000 kilowatts and that, apparently, is what will be taken by the smelter, sir. I would have to see what the total capacity will be. No, that figure is the present usage. All I can say, sir, is that from the information I have here, production in the first stage will be 512,000 kilowatts and the vast bulk of this will be taken by the smelter. I would have to check and see how much will be taken.

DISCONTINUED AFRICAN PROJECTS

Mr. ANDREWS. Now, I believe you stated in 1962 you abandoned eight projects in the African area.

Mr. MOSSLER. Yes, sir; we did.

Mr. ANDREWS. Do you mean projects that were started and stopped before completion?

Mr. MOSSLER. These eight projects were projects started in previous years and we discontinued them before we would normally have dis-

continued them because either we were not getting the mileage out of the project we thought we should, or we were not getting the cooperation out of the host country we thought we should.

Mr. ANDREWS. I wish you would list them in the record.

Mr. MOSSLER. We have already.

ELECTRICAL POWER REQUIREMENT OF REFINERY

Mr. HUTCHINSON. In response to your other questions about consumption by the smelter, this says it will reach a peak of 75 percent in 1969.

Mr. RHODES. It will take 75 percent of the total power capacity of the Volta project by 1969?

Mr. HUTCHINSON. That is right.

Mr. RHODES. That is a lot of power.

Mr. HUTCHINSON. This project is tied together very carefully in that respect. Kaiser and Reynolds agree to take enough aluminum from the smelter to pay its cost of operation and loan servicing of the smelter, and Valco agreed to take enough power to cover the loan servicing on the dam.

Mr. RHODES. That is capacity they will use to produce firm energy, 400,000 kilowatts.

Mr. HUTCHINSON. Right.

Mr. RHODES. I wish you would check that. That seems like a lot of power to operate one smelter.

(The information follows:)

USE OF POWER FROM VOLTA RIVER PROJECT

It is estimated that in 1969, when full capacity is achieved, total sales power will be 2,257,300,000 kilowatt-hours of which the VALCO smelter will purchase 1,679,700,000 kilowatt-hours representing 74.3 percent of total sales.

HEALTH SCHOOL IN GHANA

Mr. PASSMAN. Before we recess, on this health school in Ghana, for $—— that is under a grant program, is it not?

Mr. MOSSLER. Yes.

Mr. RHODES. I believe Mr. Hutchinson said it could have been under the development credit part.

Mr. HUTCHINSON. The construction.

Mr. PASSMAN. So this was one of those projects that could have either been grant or development credit?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. Under testimony of a top echelon witness, Secretary Dillon, I asked him specifically if these credits are what you call development loans. He said "Yes."

I asked him if they could be canceled. He said any loan could be canceled. That is in the record. Not that you people would ever think of such a thing. This thing keeps getting a little tougher.

To keep from confusing each other, you could finally put all of this under development credits and at some subsequent date cancel it. You would still get the building by that process.

Mr. HUTCHINSON. I beg your pardon.

Mr. PASSMAN. I said since you could have built it from either one, if you had put it under the other and felt at a later date it should have been grant aid, you could always negotiate a cancellation.

Mr. HUTCHINSON. I suppose it is possible to negotiate a cancellation.

Mr. PASSMAN. You said this could have been financed out of development credits.

Mr. HUTCHINSON. It could have been out of either one.

Mr. PASSMAN. Thank you.

Mr. HUTCHINSON. I am still missing your point.

Mr. PASSMAN. I regret that fact. We shall recess until 2 o'clock.

AFTERNOON SESSION

GUINEA

Mr. PASSMAN. The subcommittee will come to order.

When did Guinea gain independence?

Mr. TROXEL. October 2, 1958.

Mr. PASSMAN. What is the cumulative program for Guinea through fiscal year 1961?

Mr. MOSSLER. $2.3 million.

Mr. PASSMAN. That is from 1958 through fiscal 1961?

Mr. MOSSLER. That is cumulative through 1961.

Mr. PASSMAN. And you had a program of $3.5 million?

Mr. HUTCHINSON. We had a supporting assistance program of $3.5 million, sir, in fiscal year 1962 and since this book was presented we have given approval for a development grant program of $2,475,000.

Mr. PASSMAN. That would bring the total to——

Mr. HUTCHINSON. $5,975,000.

Mr. PASSMAN. Then let the record again show that had we started these hearings earlier in the year, using these books, we would have been far off base by this time; would we not?

Mr. HUTCHINSON. There would have been program approvals not recorded in this book; yes, sir.

Mr. PASSMAN. It is not just that simple. Could we not say that in many instances there are substantial increases over the amount indicated in the book that you will obligate?

Mr. HUTCHINSON. Yes, sir.

OBLIGATIONS FROM CONTINGENCY FUND

Mr. PASSMAN. Could it possibly be that the $3.5 million for fiscal year 1962 was obligated out of the contingency fund?

Mr. MOSSLER. Yes, sir.

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. On what date did you make the allocation to Guinea of $3.5 million out of the contingency fund?

Mr. MOSSLER. In October.

Mr. HUTCHINSON. It was included in the initial——

Mr. PASSMAN. Just answer the question. On what date did you obligate the $3.5 million to Guinea out of the contingency fund, sir?

Mr. HUTCHINSON. Sir, I do not know the date of the obligation.

Mr. PASSMAN. Do you know the date?

Mr. MOSSLER. I do not know the date of the obligation.

Mr. PASSMAN. Do you know the date, Mr. Comptroller, of the obligation?

Mr. TENNENT. Not the obligation. The amount programed we do know. The date of the programing I think is what we have on this sheet. It was in the initial programing of October 10.

Mr. PASSMAN. Out of the contingency fund?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. When did you program the regular funds for fiscal 1962?

Mr. TENNANT. Our initial programing of the total program was October 10.

Mr. PASSMAN. Which means at the same time you started programming out of your regular appropriation you programed for Guinea out of the contingency fund; is that correct?

Mr. TENNANT. That is correct.

Mr. HUTCHINSON. That is correct, sir.

Mr. PASSMAN. When did you add the $2,475,000 to this item?

Mr. HUTCHINSON. It was in May.

Mr. PASSMAN. May of this year?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. Did that come out of the contingency fund also?

Mr. HUTCHINSON. We got an allocation.

Mr. MOSSLER. It was from development grant funds.

Mr. PASSMAN. At a date subsequent to programing or obligating the $3.5 million from the contingency fund, you allocated an additional $2,475,000 to Guinea; is that correct, sir?

Mr. MOSSLER. For a development grant program; yes, sir.

Mr. PASSMAN. Is this correct?

Mr. MOSSLER. Yes, sir.

Mr. PASSMAN. Out of what appropriation did you get the $2,475,000?

Mr. MOSSLER. From the development grant appropriation.

Mr. PASSMAN. Why did you not use the development grant in the first place, to Guinea?

Mr. MOSSLER. Because the program that we had in the first place did not meet development grant criteria. The program that we have here——

Mr. PASSMAN. The development grant and the contingency fund are both grants, are they not?

Mr. MOSSLER. Well, the purpose of the initial $3.5 million was for a commodity import program. This particular program did not meet the development grant criteria. We used the contingency funds for supporting assistance purposes.

Mr. PASSMAN. It looks to me, even though you have a legal way out, that you got caught in the chickenhouse again, this time with a hen under each arm. You merely get this contingency fund, and you start shipping off to these countries without waiting for an emergency or a contingency to arise, and because it did not meet some special criteria, you went ahead and obligated—the day you programed out of your regular funds, you programed out of the contingency fund for a program in this country.

Of the $3.5 million, how much have you expended to date?

Mr. HUTCHINSON. We do not know that, sir.

Mr. PASSMAN. You do not know. It could be zero expenditures?

Mr. MOSSLER. It could be.

Mr. HUTCHINSON. It could be.

Mr. PASSMAN. Then how could it be an emergency and a contingency that goes back that far? Could you tell us how far you have gone on the planning for whatever you are spending the money?

Mr. MOSSLER. Yes. We have a commodity list. This was for general commodity imports, sir, and we have authorized this early in the year and I would suspect some part of it is spent, but I do not know that.

Mr. PASSMAN. The money could be still on hand unexpended?

Mr. MOSSLER. Some part of it. A large part of it could be unexpended; yes, sir.

Mr. PASSMAN. Is it true that $3.5 million out of the contingency fund was for the project assistance?

Mr. MOSSLER. No, that is not true.

Mr. PASSMAN. Then what are we supposed to do with this confidential information on page 349, and what are we also supposed to do with the information you gave us from downtown which says:

Funds are programed for project assistance including in education, agriculture, and Government management and for a commodity import program.

Mr. HUTCHINSON. May we speak to page 349, sir? You will notice the column for fiscal 1962 has three columns in it.

Mr. PASSMAN. Let us get in the record what it is if you do not mind—$1 million. All right, sir?

Mr. HUTCHINSON. Where is $1 million, sir?

Mr. PASSMAN. On page 349, that you are looking at.

Mr. HUTCHINSON. On 349 for fiscal year 1962 you have a program there of $3.5 million.

Mr. PASSMAN. Out of the contingency fund?

Mr. HUTCHINSON. This came from the contingency fund.

PROGRAMING OF FUNDS FOR GUINEA

You will notice there are three columns there—Total, Development Grant, and Supporting Assistance. You will notice that the Development Grant column is blank and that the Supporting Assistance column lists several figures.

Mr. PASSMAN. Let us find out about this confidential item. I shall read now the closing sentence in paragraph 1, and that is relative to the $3.5 million:

Funds are programed for project assistance including projects in education, agriculture, and Government management and for a commodity import program.

Now break it apart. How much have you obligated for project assistance, including education, agriculture, and Government management?

Mr. HUTCHINSON. Sir, we cannot give you the obligations but we can give you the program approval.

Mr. PASSMAN. Give us the program.

Mr. HUTCHINSON. Let me indicate that we have $3.5 million for commodity assistance under the program approval as it now stands.

We have $2.475 million in project assistance as it now stands and as I look at the sheet that you referred to on page 349: these figures shown as Project Assistance are incorrect. They should have been shown as——

Mr. PASSMAN. How about this sheet that we asked for and you sent to us? You do not have this in the book. How are you going to discount this?

Mr. MOSSLER. It was probably based on these figures here.

Mr. PASSMAN. So the book is correct or incorrect?

Mr. HUTCHINSON. It is incorrect.

Mr. PASSMAN. Is the sheet correct or incorrect?

Mr. MOSSLER. It is incorrect.

DEVELOPMENT GRANT PROGRAM

Mr. PASSMAN. How about the $2.475 million in development grants? Could you have spent that money for the project assistance, including education, agriculture, and Government management?

Mr. HUTCHINSON. We could not have spent the money in this time, sir.

Mr. PASSMAN. Could you have obligated it? Could you have programed it?

Mr. HUTCHINSON. Yes, sir, it has been programed. We can give you the breakdown of the things for which it is programed.

Mr. PASSMAN. I hope Congress will express its indignation and disappointment when we finally take this bill to the floor and show just how much this President's contingency fund is abused. At the same time you are allocating, you just reached in and pulled a card out and said, "Put this in too."

How about the $2.475 million?

Mr. MOSSLER. Before going to that, it is true we did program at the same time we programed other programs. You will also see on this sheet nothing was presented to the Congress last year for "Supporting assistance" for this country. We felt the requirement needed to be programed at the time and the full amount of "Supporting assistance" was fully programed at that time.

Mr. PASSMAN. But nevertheless, I cannot have you present to the committee a set of so-called fact sheets, by which we are going to conduct an examination, and then when we get into the examination on something like this you say, "Oh, those figures are incorrect." Then we go a bit further. We get another set of papers that you submitted to the committee, marked "Confidential," by which we may conduct an examination. Then you say that is incorrect also.

Perhaps what you are telling us today is incorrect; we do not know. Whoever made this stuff up must have thought it was correct.

Mr. HUTCHINSON. Sir, one of the purposes of the testimony as I understand it is to be sure that the facts are straight, and so this is one of the reasons we are pointing out errors that occur——

Mr. PASSMAN. How do we know what you are saying today is correct? Whoever made up sheet 1 said it was correct, and they put in these books and stamped it "Confidential" and got it down to the committee.

We have some question about it. We ask you to supplement it, and you supplement it with some of these white papers, and when we start questioning on that you say that is also incorrect.

Now how do we know what you are giving us today—with all good intentions on your part—will not be incorrect?

Mr. HUTCHINSON. Because time has passed and we know what program approvals we have given.

Mr. PASSMAN. You would not want this committee to appropriate 90 cents on this type of testimony if you were sitting on this side of the table.

COMMODITY IMPORTS

How much of the $2.475 million is for commodities?

Mr. HUTCHINSON. It was not a commodity import program, sir, in the sense of the $3.5 million. There may be commodities included in the project——

Mr. PASSMAN. Let us take your pink and red and white statement. This is so fresh the ink smells on it. It says here—

One assistance agreement covers $1 million grant for things to be purchased entirely in the United States. It included road equipment, data processing machines, automotive equipment.

Is that also incorrect? That is a part of this thing.

Mr. HUTCHINSON. This program is a part of the——

Mr. PASSMAN. You just told us there were no commodities in this program.

Mr. HUTCHINSON. I said, sir, it was not a general commodity program. Now I would have to——

Mr. PASSMAN. What is it, if it is not that?

Mr. HUTCHINSON. We would have to check our figures and see if the $1 million referred to here is included in the $3.5 million commodity import program or whether or not it is a part of the project program.

Mr. PASSMAN. Let us check now.

Mr. HUTCHINSON. All right; we will do so.

Mr. PASSMAN. The record said a while ago it would not qualify, and we find it will qualify.

Mr. MOSSLER. Would you like a list?

BREAKDOWN OF PROJECT ASSISTANCE FUNDS

Mr. PASSMAN. I just want you to answer my question. Is the $1 million included in the $2.475 million? Is it a part of it?

Mr. HUTCHINSON. Well, sir, what this seems to be is a breakout of commodities which are being provided from various programs. As far as I am able to tell from the examination of the data here it is not specifically—we do not have a specific $1 million grant programed for the purchase of these commodities.

Mr. MOSSLER. Let me give you a project break of the $2.475 million, sir.

We have industrial and vocational training project, $1,125,000.

We have a project for the National School of Administration of $325,000.

A project for the expansion of agricultural production $25,000.

Technical support, $300,000.
Telecommunications project, $350,000.
Industrial growth program, $350,000.
Total, $2,475,000.

Mr. PASSMAN. Out of the $3.5 million, you made your allocation in October of last year?

Mr. HUTCHINSON. We made the $3.5 million allocation in October.

Mr. PASSMAN. Now, out of your $2.475 million you made your allocation in May; is that right?

Mr. HUTCHINSON. That is my memory. I am sure it was May.

Mr. PASSMAN. When did you print the book?

Mr. HUTCHINSON. We printed the books in March.

Mr. PASSMAN. How could you ever get this stuff on the books when you had not made your allocation?

Mr. HUTCHINSON. This is what I am trying to tell you, sir, the $2.475 million was not included in the book. That is what started this discussion.

Mr. PASSMAN. Of course the $3.5 million was supposed to be a commodity import program.

Mr. HUTCHINSON. That is a commodity import program.

Mr. PASSMAN. Then where did you get the money for these projects?

Mr. MOSSLER. These came from development grant fund, sir.

Mr. PASSMAN. It is obvious that you did not have any here at the time the books were printed.

Mr. HUTCHINSON. That is correct.

Mr. PASSMAN. Was it speculation, or guessing, or did you just figure the committee would not go into it?

DEVELOPMENT OF GUINEA PROGRAM

Mr. HUTCHINSON. Can we tell you how this program developed, sir?

Mr. PASSMAN. Yes; that is what we are trying to find out. If you know, we would certainly like to have that information.

Mr. HUTCHINSON. This program developed out of a situation in which there were what we considered to be significant changes in the political climate in Guinea, and out of which it appeared there was considerable disenchantment with the relations that they had previously had with the Soviets. There was a real turning toward the West for the first time in some considerable period of time.

You will recall that in the first instance when Guinea got its freedom there was some considerable feeling that the United States was a bit slow in recognizing it, and the country felt that it had no place to turn except to go to the Soviets.

For the first time beginning in this year there seemed to be a very clear indication of a turning back toward the West. Guinean missions were sent out to explore trade, economic, financial, and other relations with the West. They went to Germany, they went to a number of other countries, and they came to the United States.

Mr. PASSMAN. After those countries had turned them down?

Mr. MOSSLER. No, sir; they got assistance pledges from other countries as well as the United States.

Mr. PASSMAN. This is just a small nation that came into being in 1958?

Mr. HUTCHINSON. 1958; yes, sir.

Mr. PASSMAN. And we were in with a substantial aid program all the way?

Mr. HUTCHINSON. We have been in with some aid; yes, sir.

USE OF CONTINGENCY FUND IN GUINEA

Mr. PASSMAN. After the Congress made your regular appropriation available and your contingency fund, you made your allocation of $3.5 million out of the contingency fund and at the same time you made your allocations to other things out of the regular fund; is that correct?

Mr. HUTCHINSON. Yes, sir. This contingency in Guinea did arise after the request for appropriations was made and the program justified before the Congress, which seems to us a perfectly appropriate use of the contingency fund.

Mr. PASSMAN. I thought we had testimony that with a great part of these funds, we did not know where they would allocate the money, to what programs.

That is the basis upon which you received the money, and that is in the record, I suppose a hundred times.

Mr. HUTCHINSON. Whether that is true——

Mr. PASSMAN. Whether what is true?

Mr. HUTCHINSON. Whether the $1,125,000 that you referred to was justified on that basis. It seems to us beside the point——

Mr. PASSMAN. It is not beside the point. Let us find out if you had any projects or programs, give us a list of the countries for which you had indicated you would spend the $1 million.

Mr. HUTCHINSON. The program you referred to was for development lending. The appropriations used for financing of programs in this country are from the contingency fund for supporting assistance purposes and from development grants.

Mr. PASSMAN. Did you have a list of projects that you would spend the contingency fund for at the time you made the appropriation?

Mr. HUTCHINSON. Of course not, sir.

Mr. PASSMAN. It was just a wide-open appropriation; is that correct?

Mr. HUTCHINSON. The contingency fund; yes, sir.

Mr. PASSMAN. The contingency fund is what we are talking about.

You had no list of projects—it was just something appropriated to the President, and at the same time you allocated funds for your regular projects you allocated out of the contingency fund.

ATTITUDE OF GUINEA TOWARD THE WEST

Mr. TROXEL. I would like to give reasons for the program that I think would help clarify it.

It was last fall that we first started getting some indication that Guinea, which had been taking generally an anti-Western stand, was prepared to improve its working relations with the West substantially. At that time we attempted to work out a program in order to keep the old lines of communication open with the West and to help develop a new kind of relationship with the Guinea Government.

Mr. PASSMAN. A new kind that we had not had before?

Mr. TROXEL. In the sense of a closer and better working relationship—better than our country had had with Guinea since it became independent in 1958. We feel subsequent history has borne out the wisdom of the approach we adopted at that time. In December 1961 the head of that country made some very harsh statements about the Marxist-Leninists who were trying to subvert his Government, and so far this year there has been a series of events which seem to us to represent quite a change in the Guinean situation. So what we are really trying to explain, Mr. Passman, is that we took advantage of an opportunity that we felt was extremely important politically to work out an advantageous program with the Guinean Government. It is for this reason that you will find the use of the contingency fund, when the opportunity arose, and that a good many changes were made in the program from that time forward.

Mr. PASSMAN. This is an AP item dated January 17, 1962, from Guinea:

> Guinea and Cuba have signed an agreement for $500,000 worth of trade in 1962. Products to be exchanged were not announced. The Guinea Government called the agreement a prelude to increased cooperation to be built on the spirit of friendship and progress as we each continue to build our revolution. The communique called Prime Minister Fidel Castro a great revolutionary fighter.

It looks as if they are doing an about-face.

Mr. TROXEL. We would not argue that they have become stanchly pro-Western but there is a great deal of evidence that they are at least back in a reasonably neutral posture.

Let me give you another example if I may: The Guineans had been voting pretty regularly with the Soviet bloc but, since you mentioned Cuba, in the spring of this year they did not join with the Soviet bloc in denouncing the United States when the Cuban issue came up at that time.

Here, again, I want to repeat we are not pretending that the Government has made a complete about-face. [Off the record.]

Mr. PASSMAN. And so has our aid program come a long way, too.

Mr. ANDREWS. Mr. Chairman, what is the date of the statement you just read?

Mr. PASSMAN. That is January 1962.

Mr. TROXEL. We would not pretend they have come all the way, Mr. Passman——

Mr. PASSMAN. It is a foregone conclusion that we are trying to make dollars accomplish everything, and we are bankrupting America doing it.

Mr. TROXEL. We feel we have gotten good returns, dollar for dollar, with a very moderate program.

Mr. HUTCHINSON. One indication of the change in attitude is the change toward getting private investment. This is one thing they emphasized the whole time they were here. They spent an awful lot of time in New York feeling out possibilities and also they are very much interested in the development of small industries in Guinea on a private basis, which is quite a change in their approach.

INVESTMENT GUARANTEE PROGRAM

Mr. PASSMAN. Do we have an investment guarantee being offered by Guinea to people in this country who make investments?

Mr. HUTCHINSON. They signed an investment guarantee agreement with us which will permit the operation of the AID investment guarantee program.

Mr. PASSMAN. I am not talking about something we have already given them. I am talking about free enterprise. If I wanted to open up a potato-chip factory there, have we any assurance they will not seize it? We give them one, but do they give us any assurance they will not seize our properties?

Mr. HUTCHINSON. There is an assurance in the guarantee undertaking on their part not to expropriate, sir.

Mr. PASSMAN. It looks like the more the insults are addressed to us, the more money we offer. We run in with the moneybag. If we have any foreign policy other than the checkbook I hope somewhere along the way we can find out about it.

Mr. TROXEL. Mr. Passman, the Soviet bloc offered to Guinea over $100 million worth of credits of one kind or another after independence. The Guinean Government felt it had to turn to the bloc.

Mr. PASSMAN. Did we not determine earlier that the Soviet bloc was long on promises and short on deliveries?

Mr. TROXEL. Yes.

Mr. PASSMAN. But we are long on deliveries.

Mr. TROXEL. That is also correct, sir. We feel we are doing a real job for them and the Soviet bloc has not done a good job. But certainly it makes a lot of sense in a situation like this, where a country has become disenchanted with the Soviet Union, to provide some kind——

Mr. PASSMAN. That word "disenchanted" kind of intrigues me. But, you see these overtures to Castro down there. Did you allocate any of these funds in January of this year?

Mr. HUTCHINSON. Sir, as we indicated, the program approval was first obtained in October and the program approvals for the grant program were in May.

Mr. PASSMAN. The communique from Guinea did not prompt any additional allocation?

Mr. HUTCHINSON. It didn't as far as I am concerned, sir. I had not seen the statement.

Mr. PASSMAN. It missed the eye of the allocators, because this sort of thing usually gets a lot of quick aid.

Mr. TROXEL. Mr. Passman, in the case of Guinea I think that has got them no aid.

Mr. PASSMAN. There are some intelligent people out there, I am sure.

Mr. TROXEL. We have an unusually good Ambassador.

Mr. PASSMAN. I am speaking of the people in Guinea.

Mr. TROXEL. Some of the Guinean leaders are extremely intelligent people.

Mr. PASSMAN. I should think they are. They have observed Sukarno and Nehru. Has that anything to do with being neutrals? Sometimes that brings aid a lot faster.

Mr. TROXEL. I am only speaking for the African program.

In the African program, it is very clear that the bulk of our assistance is going to countries generally friendly to the West, or where we have an improvement in our relationship as a whole.

Mr. PASSMAN. We merely give them the other cheek when they slap us, is the way I read the record.

Anyway, we were discussing the contingency fund, and now let us move along to another item.

LOAN FUNDS TO GUINEA

Do you have any loan applications from this country?

Mr. HUTCHINSON. We do not have an application, sir.

It is a country from which applications might possibly be received.

Mr. PASSMAN. I think that is true of every country in the world. They are eligible like all of the others, if they want to file an application?

Mr. HUTCHINSON. We anticipate the possibility of a loan for rural electrification. We have not yet received any such application.

Mr. PASSMAN. Mr. Andrews?

HYDROELECTRIC FACILITIES IN GUINEA

Mr. ANDREWS. Do you have any hydrodams over there?

Mr. HUTCHINSON. They do not have any dams of any size that I am aware of. There is a project to which Guinea has given much thought over the years. This is the Konkouré project for which would be a dam and an aluminum plant.

Mr. ANDREWS. Another aluminum refinery?

Mr. HUTCHINSON. Of considerable size. This is not a project we are considering and I do not know whether anyone is considering this at this moment.

Mr. ANDREWS. I believe you said you do not have any applications?

Mr. HUTCHINSON. We do not have any.

RURAL ELECTRIFICATION

Mr. ANDREWS. But you are giving consideration to a loan for a rural electrification project?

Mr. HUTCHINSON. We are not giving consideration to it. It is one of the projects we anticipate we might get an application for.

Mr. ANDREWS. Are any of our people trying to stimulate any interest in filing an application for that loan?

Mr. HUTCHINSON. For this particular loan?

Mr. MOSSLER. We have had a technician out in the field checking into the possibilities of rural electrification.

Mr. ANDREWS. Who originated the idea of such a loan?

Mr. HUTCHINSON. It came initially from their people, sir.

Mr. ANDREWS. How would they supply the power for the rural electrification system?

Mr. HUTCHINSON. I think what they are talking about at this time is a project which calls for a number of small generators rather than a large hydroelectric-type project.

Mr. ANDREWS. In other words, the contemplated loan would be for an entire system, not only the lines but the generating facilities for the electricity?

Mr. HUTCHINSON. Sir, the figure that we have in mind here is only $——— so we are not thinking in terms of a large project

with complete grids to serve a complete area. It would be a series of individual generators at a number of locations, which would provide power to specific locations. It would not involve long-range transmission lines and that sort of thing.

Mr. ANDREWS. How would that power be generated?

Mr. HUTCHINSON. Probably by diesel oil power.

Mr. ANDREWS. Is it very expensive?

Mr. HUTCHINSON. This is one of the things we would have to investigate before we made the loan. However, power costs are so very high in these countries that I would suspect that diesel power might well be economic in these situations.

Mr. ANDREWS. Diesel power would be economical? Is that what you said?

Mr. HUTCHINSON. I would suspect it would be. I would not want to make a judgment, of course, until we have seen the project analysis.

Mr. ANDREWS. Do they have a very low electric power per capita figure?

Mr. HUTCHINSON. Extremely low; 8 kilowatts as compared to 80 average, in the area; that is, the underdeveloped areas.

Mr. ANDREWS. That is all.

Mr. PASSMAN. Out of what funds did you pay this technician who went out and solicited this business?

Mr. MOSSLER. If memory serves me right, this is a Washington employee who went out or planned to go out on this particular project.

Mr. PASSMAN. Tell us what funds you used to finance this.

Mr. MOSSLER. We have not financed the project yet. If it does——

Mr. PASSMAN. I am speaking about this technician.

Mr. MOSSLER. Well, we have administrative expenses for our Washington people which——

Mr. PASSMAN. You have technicians you hold in readiness to send out on these projects from Washington?

Mr. MOSSLER. We do have technical specialists in each of the regional bureaus in Washington.

Mr. PASSMAN. It was by request of the field mission that this man man went out?

Mr. MOSSLER. Yes, sir.

COST OF POSSIBLE RURAL ELECTRIFICATION PROJECT

Mr. PASSMAN. It is impossible to determine what a system like that might eventually cost at this stage?

Mr. MOSSLER. At this stage, no, sir.

Mr. HUTCHINSON. We do not know, sir.

Mr. PASSMAN. The fact that it has been initiated with their little seed could lead to an application, or applications, for substantial funds in the future out of some other appropriations; is that correct?

Mr. HUTCHINSON. Our anticipation is that this might be in the order of $————, sir.

Mr. PASSMAN. That is only a guess, because if you are getting into a rural electrification program, it could cost far in excess of that; could it not?

Mr. HUTCHINSON. If you are getting involved in a program for the electrification of the complete great broad rural areas, that is true, but this is not that sort of a program.

Mr. PASSMAN. Not with $———— but that could lead to additional requests in the future?

Mr. MOSSLER. It is possible, but it is the kind of project you can stop in any particular village.

Mr. PASSMAN. I can see this leading to more than $————, and to me $———— is a lot of money.

Mr. RHODES. I do not have any questions on Guinea, Mr. Chairman.

IVORY COAST

Mr. PASSMAN. Then let us get to the Ivory Coast. At least that sounds prosperous—the name alone.

Mr. HUTCHINSON. It has some real prospects.

Mr. PASSMAN. For what?

Mr. HUTCHINSON. For development and growth.

The prospects in the Ivory Coast are much better than in a number of the countries.

Mr. PASSMAN. When did they gain their independence?

Mr. TENNANT. 1960.

Mr. TROXEL. Sometime in August.

Mr. PASSMAN. Did you have an aid program before they gained their independence?

DEVELOPMENT GRANT PROGRAM

Mr. HUTCHINSON. In fiscal 1961 we had an aid program of development grants of $2.1 million.

Mr. PASSMAN. Did you have an aid program prior to the time they gained their independence?

Mr. MOSSLER. The first year for our program in the Ivory Coast was fiscal year 1961.

Mr. PASSMAN. When did they gain their independence?

Mr. TROXEL. August 7, 1960.

Mr. PASSMAN. The first part of fiscal year 1961?

Mr. TROXEL. Yes, sir.

Mr. PASSMAN. When did you make your first allocation to them?

Mr. MOSSLER. I do not have the date.

Mr. PASSMAN. We had an aid program in the first year of their independence?

Mr. HUTCHINSON. We did.

Mr. PASSMAN. In what amount?

Mr. MOSSLER. The total program was $2,088,000.

Mr. PASSMAN. What type of assistance?

Mr. MOSSLER. Special assistance.

Mr. PASSMAN. You had $1.5 million in development grants for fiscal year 1962; is that correct?

Mr. HUTCHINSON. We did when the book was printed, sir. There has been a revision in this country, also.

Mr. PASSMAN. You "reduced" it to what amount?

Mr. HUTCHINSON. We increased it, sir, to $2,178,000.

Mr. RHODES. For fiscal year 1963?

Mr. PASSMAN. 1962.

Mr. ANDREWS. Mr. Chairman, may I ask a question?

Mr. PASSMAN. If you take what you attempt to justify in these books and what you do, that is just as far apart as Moscow and New York.

Yes; I yield to the gentleman.

Mr. ANDREWS. There was an appropriation for $1.5 million for 1962?

Mr. HUTCHINSON. Sir, we had contemplated when these books were printed obligations of $1.5 million. The appropriation was made in a total worldwide amount for development grant assistance rather than being made by individual projects.

Mr. ANDREWS. The $1.5 million went up to what?

The HUTCHINSON. To $2,178,000.

Mr. ANDREWS. Did you finance that increase, out of the overall appropriation?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Let the record show that this is not the exception. It appears to be generally the rule along the way, increasing the amount.

Specifically, for what purposes did you obligate the additional $678,000?

Mr. HUTCHINSON. We can give you the adjustments in the program approvals, sir.

Mr. PASSMAN. It is not obligated then?

Mr. HUTCHINSON. We cannot give you the obligations by projects.

Mr. MOSSLER. I can give you the projects listed.

Mr. PASSMAN. You can always tell us how much you blocked off, but when we became inquisitive about what you obligated it for, the information is not available.

Proceed with what you are going to give us.

Mr. MOSSLER. I was going to give you the program approval figures by project.

Mr. HUTCHINSON. We can give, as we have done, the total obligations——

Mr. PASSMAN. Yes, but you are trying to keep it on a regional basis, and we are trying to find out for individual countries.

Let us get back to the Ivory Coast.

OBLIGATION OF EXPANDED PROGRAM BY PROJECT

Mr. TENNANT. We can give you an obligation figure by country.

Mr. PASSMAN. Had we considered this on the basis of your printed books, back in March, we would have been talking about $1.5 million?

Mr. HUTCHINSON. That is correct.

Mr. PASSMAN. Somewhere along the way, you found out you had more money than you knew what to do with, so you started to spatter it everywhere to get rid of it. You raised this to $2,178,000. Give us all the information you can about what you propose to spend the additional $678,000 for, if at all.

Mr. HUTCHINSON. This is what we are prepared to do——

Mr. MOSSLER. I will give you a breakdown of the entire program.

Mr. PASSMAN. I asked you about the additional money, over and above what was put in the book here. You have accounted for $1.5 million but you jumped it up on us.

Mr. HUTCHINSON. Sir, it will make much more intelligible testimony to give it to you project by project as to what the program approval——

Mr. PASSMAN. Where did you utilize the additional $678,000?

On technicians, you had $260,000 and have you increased that?

Mr. HUTCHINSON. As we testified before in connection with the same kind of situation, we have that breakdown by projects. We have not reconciled these changes back——

Mr. PASSMAN. You reconciled this book up to the tune of $1.5 million, did you not, on page 357? You have listed projects where you propose to spend the money, have you not?

Mr. MOSSLER. Yes, sir.

Mr. HUTCHINSON. We did, sir.

Mr. PASSMAN. On the first item of technicians, $260,000; did you raise any of that out of the $678,000?

Mr. HUTCHINSON. We have not prepared the information on that basis, sir.

Mr. PASSMAN. You are going to give it to us on your terms or we are not going to get it, so let us hear you talk.

Mr. HUTCHINSON. We do not have it on the basis you have asked for it.

Mr. PASSMAN. You cannot tell us for what purposes you obligated, programed, planned, or set aside of the additional $678,000?

Mr. HUTCHINSON. We have not gone through the projects and added it up on this functional basis.

Mr. PASSMAN. I started to ask about projects, and you indicated you do not have the answers.

How can we find out?

You use your way, then, and tell us how you obligated, programed, set aside, the additional $678,000.

Mr. MOSSLER. You asked us about the component for technicians, participants, et cetera.

Mr. PASSMAN You may not want me to ask the question that way.

Mr. MOSSLER. I could not answer that way.

Mr. HUTCHINSON. If we had the information I would be delighted to have him——

Mr. PASSMAN. Go ahead.

Mr. MOSSLER. Assistance in nursing education, $50,000.

Mr. PASSMAN. Where do we find that in the justification book?

I am not talking about the supplements, but the book on which we have to recommend this money or consider this request.

Mr. MOSSLER. I do not see this particular item.

Mr. PASSMAN. Next item. Is it a new project?

Mr. MOSSLER. It is new in 1962.

Mr. PASSMAN. Nursing, in addition to what was in the book—how much?

Mr. MOSSLER. $50,000.

Mr. PASSMAN. Item No. 2, please.

Mr. MOSSLER. "Disease control," $125,000.

Mr. PASSMAN. Where do we find that in the justification book?

Mr. MOSSLER. That is also a new project.
Mr. PASSMAN. Since you printed up the books.
Item No. 3, please? Is that $125,000?
Mr. MOSSLER. Yes, sir. "Assistance to rural dispensaries."
Mr. PASSMAN. How much?
Mr. MOSSLER. $95,000.
Mr. PASSMAN. Where do we find that in the book?
Mr. MOSSLER. That is also a new project.
Mr. PASSMAN. Item No. 4, please?
Mr. MOSSLER. "Improvement of agricultural training," $212,000.
Mr. PASSMAN. Where do we find that in the book?
Mr. MOSSLER. That is also a new project.
Mr. PASSMAN. How much is that one?
Mr. MOSSLER. $212,000. "Improvement of animal husbandry school," $187,000.
Mr. PASSMAN. Where do we find that in the book?
Mr. MOSSLER. That is also a new project.
Mr. PASSMAN. We were told this morning, and were greatly encouraged, that you were cutting down in the number of projects, but we find that there is substantial money available whereby you can greatly increase the allocation to new projects. That is the way the stream is running.
Mr. HUTCHINSON. Sir, the program was quite late in getting underway this year. As you know, the agency went through quite a number of organizational changes, procedural changes, personnel changes, all of which very greatly delayed our program planning and project implementation for this particular fiscal year.
The result is that at the time these books were made up in February we could very well expect there would be substantial changes thereafter.
Mr. PASSMAN. Had you been limited to the amount of money that you indicated in your February books, you would still have had a workable program in these countries; would you not?
Mr. HUTCHINSON. We would have had a workable program but it would not have been as effective a program as the one we now have come up with.
Mr. PASSMAN. It would have been a workable program, and you would not have expected them to turn back to the Soviet bloc because we did not come up with these additional funds, would you?
Mr. HUTCHINSON. In this particular case we felt there was a very real necessity for moving quickly because the prospects for development are good. The Ivory Coast is certainly a country which is not in any way disposed toward turning toward the East.
Mr. PASSMAN. The world would not have come to an end if you had not increased your program by 25 percent in development grants out of fiscal 1962 funds?
Mr. HUTCHINSON. No one testified that the world would come to an end.
Mr. PASSMAN. I am expecting it any day. I know that so far there has been no such testimony, but some of the testimony would lead to that assumption.

NEW PROJECTS FOR IVORY COAST

Do you have any other new projects for the Ivory Coast?

Mr. MOSSLER. Yes, we do.

Another one here is "Assistance to the Ministry of Information," $50,000.

Mr. PASSMAN. Any more?

Mr. MOSSLER. "Reconnaissance survey of ground water resources, feasibilty study," $100,000.

Mr. PASSMAN. That is a new one, too?

Mr. MOSSLER. Yes, sir.

Mr. PASSMAN. Are there any others?

Mr. MOSSLER. We have four small ones here. We have a participant training program of $9,000 but I believe we had a participant training program here in the original book.

Mr. PASSMAN. For all practical purposes, these are the new ones?

Mr. MOSSLER. These are the——

Mr. HUTCHINSON. Sir——

Mr. PASSMAN. Let me finish.

These are accurate figures you have given us, as far as you know?

Mr. MOSSLER. As far as we know, these are; these are program approval figures.

Mr. PASSMAN. They all add up to $819,000. I think you are entitled to committee commendation, rather than condemnation, because any time you can obligate $819,000 out of $678,000 you are making progress.

Mr. MOSSLER. I was giving you the total projects, sir.

Mr. PASSMAN. New projects; is that right?

Mr. MOSSLER. There are other projects, too, some of which have been adjusted downward.

NEW PROJECT COMPLETION COST

Mr. PASSMAN. Could you tell us the projected completion cost of all of the new projects you have just enumerated?

Mr. MOSSLER. No, sir.

Mr. PASSMAN. It could be substantial?

Mr. MOSSLER. If we were to consider these costs——

Mr. PASSMAN. You intended to continue them, if they kept their heads toward the West, and if it looked like they are in the interests of our security?

Mr. HUTCHINSON. Yes, sir; some of them.

Mr. PASSMAN. You do not know what it may cost to complete them?

Mr. HUTCHINSON. No, sir.

May I speak to this program for just a moment?

Mr. PASSMAN. Surely.

Mr. HUTCHINSON. The Ivory Coast is a country in which we were not able to establish the sort of contact concerning the development program that made it possible early in this fiscal year to work out a program in much detail. It was only late in the fiscal year when a special group came over, including the Minister of Finance and other officials, that we were able to sit down with them and discuss in detail the nature of the program to be carried out.

The result was, as you can see from the revisions we have indicated here, a very substantial revision of the program contemplated earlier.

As a result, we have a much firmer program now than was at all contemplated when this book was printed. This is a situation which is different in the Ivory Coast from what it was in the other countries.

Mr. PASSMAN. Do you mean to tell me that all of these first programs were hastily put together without any supporting information that justified the allocation of funds? Upon what justification did you make these allocations of projects without this man coming over here to get us straight on these?

Mr. HUTCHINSON. There was justification, sir.

Mr. PASSMAN. What kind of justification?

Mr. HUTCHINSON. The justifications as given in the books before you, sir.

Mr. PASSMAN. I know; but did one of these experts from the Ivory Coast come over and help us work on the previous one?

Mr. HUTCHINSON. No, sir.

Mr. PASSMAN. Only on the subsequent projects?

Mr. HUTCHINSON. Only on the subsequent projects were we able to carry this out.

PREPARATION OF PRESENTATION BOOKS

Mr. RABIN. May I speak on the subject of the books since they have come under discussion?

Mr. PASSMAN. Yes.

Mr. RABIN. We would have been pleased to prepare the books later in the fiscal year, especially in the light of the late start we had in our programs in many of these African countries. As you recall, these hearings were originally scheduled, I believe, for early March. We received a notification from the committee that we might be appearing before the committee then.

The books were not, by any means, prepared at that time, and we put it on a priority basis and requested that the books be made up as quickly and as accurately as possible on the basis of the best estimates available at that time.

We were fairly certain that some of these programs would have to undergo some substantial change.

From that time on, there were additional dates given tentatively for the hearings.

We had no real space of time where we knew we could reedit these books on later estimates and have them prepared for the committee.

Mr. PASSMAN. You do understand it requires an authorization before this committee can determine how much money will be available; do you not?

Mr. RABIN. Yes, sir.

Mr. PASSMAN. We still do not have an authorization to work on and we are trying to proceed.

Now, you are telling us with reference to these books that had we conducted the hearings earlier in the year, you were just getting up something for the committee. It is either take it the way it is or not. It is either that way or it is not that way.

Mr. HUTCHINSON. No, sir.

Mr. PASSMAN. Then how could we have conducted intelligent hearings on your request for 1963 on the basis of these books?

Do you have any applications pending for development credits?

Mr. MOSSLER. No applications pending; no, sir. There is a possibility we may have something coming in in the way of a development bank for this particular country, however.

Mr. PASSMAN. Just one?

Mr. MOSSLER. Yes, sir.

Mr. PASSMAN. Would that maybe lead to other banks or is this for just one bank?

Mr. HUTCHINSON. This would be a bank for the country.

Mr. PASSMAN. For the country?

Mr. HUTCHINSON. Yes, sir; for loans to small business.

Mr. PASSMAN. What is the land area of the country?

Mr. TROXEL. 125,000 square miles.

Mr. PASSMAN. What is the population?

Mr. TROXEL. 3.4 million.

Mr. PASSMAN. In all probability if you created one development bank in one city, conceivably you would have application for funds for other development banks for the country, would you not?

Mr. HUTCHINSON. It is conceivable but I would doubt that we would have more than one bank. This would only be true in the event you really got the small industrial sector booming there. If you were ever successful in one of these countries in getting that phenomenon to occur, we would think we were making a very great success in our program and might very well propose another bank.

Mr. PASSMAN. Would you request funds just for the technician to establish the bank or, after that phase, would there be a request for money to fund the bank?

Mr. HUTCHINSON. There would be a request for money to fund the bank. That is what we testified the loan might be for.

Mr. PASSMAN. Last year, and many times in the past, we have sent technicians out to show these people how to develop banks and the techniques of banking. Certainly there are two phases in this. Unless they are already bankers, we will train them and that requires technicians.

You might refer to the island of Cyprus in this connection. We had out there a program going on first to train them in the techniques of banking; and it is a perfectly legitimate question as to whether or not, when they are trained to the point that they could become bankers, they had the capital, or do you have to teach them the technique of banking and then furnish the capital?

Mr. HUTCHINSON. In all probability we would have to provide for assistance in connection with the technicians.

Mr. PASSMAN. There would be two phases; one, to train them banking, and second, to furnish the capital?

Mr. HUTCHINSON. They might go along simultaneously. We might provide technicians working directly within the bank itself as loans are being made.

Mr. PASSMAN. I think the record indicates what we are trying to clear up, that we teach them banking and then give them money with which to operate the bank.

Mr. Andrews?

Mr. ANDREWS. I was just reading page 120 of the big book where it says it is expected in fiscal year 1963 that loans might cover improvement and construction of highways, telecommunication facilities, equipment for land clearing, and possibly electric power lines or small power generating stations.

How far have you gone on this with reference to those contemplated projects?

Mr. HUTCHINSON. We have not gone very far, and that is why we did not include it among the list of applications we anticipated we might well receive in fiscal 1963.

These are possibilities.

These are areas that are susceptible of development and which are greatly needed but we have not progressed far enough along the line to have included them in the list of contemplated applications.

Mr. ANDREWS. They would be loans, would they not?

Mr. HUTCHINSON. Yes, sir.

Mr. ANDREWS. That is all, Mr. Chairman.

Mr. PASSMAN. On page 361, it would indicate there could be an application for development loans pending, or anticipated, or at least I draw that interpretation from this.

Mr. HUTCHINSON. On page 361?

Mr. PASSMAN. Yes. It reads:

Basic plan and purpose. The purpose of this project is to establish an industrial development center to work in conjunction with the proposed Ivory Coast Development Bank. The Government has announced its intention to establish such a bank with both Government and private participation.

Mr. HUTCHINSON. I think we just testified there was a possibility of getting an application for a loan to the Development Bank; that is just what we referred to.

Mr. PASSMAN. If the Government was going to finance it with its own funds, and with private participation from the country, why do we want to get in on the deal? That is the point I am trying to make.

Mr. HUTCHINSON. We frequently find that in order to make these small financing institutions go, you have to get funding from a number of sources. We consider it really quite a feather in our cap when we are able to get private financing to come in on some of these things. We do in fact have an indication in this particular case that there may be an interest on the part of the New York bank on coming in. We think this is very good in two respects: One, it does provide some private banking know-how to go into the institution; secondly, it reduces the amount of financing and the demands that are put upon us to provide this.

We think it is excellent if we can get multiple sources of financing rather than having to pick up the entire amount of capital requirements ourselves.

Mr. PASSMAN. I concur with your thinking on that last point.

Mr. HUTCHINSON. We do have a letter from an American bank indicating a real possibility of going in.

Mr. PASSMAN. Is this expected application downtown already?

Mr. HUTCHINSON. No, sir. The application is not downtown.

Mr. PASSMAN. It is rather far advanced, according to your testimony?

Mr. HUTCHINSON. Yes, sir. The idea of making a loan is quite far advanced.

Mr. PASSMAN. Even though you have not applied for it yet, it is far advanced?

Mr. HUTCHINSON. Sir, when you——

Mr. PASSMAN. That keeps it in line with your prior testimony.

Mr. HUTCHINSON. On development projects of this sort, you very frequently work out the details of the project and then the approach to it is to try to arrange multiple sources of financing before you receive an application. This is frequently the practice.

Mr. PASSMAN. Even before the Government applies for the loan?

Mr. HUTCHINSON. Before a formal application is submitted; certainly.

Certainly there has been an indication of their desire and of the need. It seems to us that to work with them and work out the details of the financing is a very responsible way to approach this kind of thing instead of letting it develop of its own without any influence and direction.

If we just let things go, there would be no prospect at all of getting financing from an American bank.

Mr. PASSMAN. We really ought to let it go and see what happens—one of these times on one of these things.

Mr. Rhodes?

RESOURCES AND INHABITANTS—IVORY COAST

Mr. RHODES. What is the climate of the Ivory Coast? Is it equatorial or jungle?

Mr. HUTCHINSON. It is quite hot; yes, sir.

Mr. RHODES. Are its products mainly agricultural?

Mr. HUTCHINSON. They have been; yes. There are indications down in the southwest area there may be a continuation of iron ore deposits which exist in Liberia. The Ivory Coast has some real hopes of being able to exploit this as a real resource. Timber is also an important resource.

Mr. RHODES. Is this country similar to Guinea in its physical aspects and people?

Mr. HUTCHINSON. Would you want to speak to this, Mr. Troxel? You are more familiar with this than I am.

Mr. TROXEL. They are not too different. As a matter of fact, some of the same tribes run across the border. During the period of French dependency, there was a single political party that covered both Guinea and the Ivory Coast.

Mr. RHODES. Ghana was British, was it not?

Mr. HUTCHINSON. That is correct.

Mr. RHODES. Why the name, Ivory Coast?

Mr. HUTCHINSON. I think it goes back to the trading days in the 1500's and 1600's when they were actually able to market—was it all ivory or black ivory?

Mr. TROXEL. Both, I guess, but I believe that was actual ivory. Trading ships got in the habit of speaking of portions of the coast as the Gold Coast, the Ivory Coast, et cetera.

Mr. RHODES. Do the citizens of this country call the country Ivory Coast?

Mr. TROXEL. Yes.

Mr. RHODES. Off the record.

(Discussion off the record.)

Mr. RHODES. Is the personnel of the Government of this country made up mainly of Africans or do the French still have a rather large part in it?

Mr. HUTCHINSON. The French still have quite a number of technicians working in the Ivory Coast.

PARTICIPANT TRAINING PROGRAMS

Mr. RHODES. Are we training any administrators or helping to train any administrators here?

Mr. HUTCHINSON. Yes; there will be training.

Mr. RHODES. Under which project would that be?

Mr. HUTCHINSON. There would certainly be some in the participant training program, which is quite small.

Mr. RHODES. Page 364.

Mr. HUTCHINSON. We do have people in the Ministry of Information. I thought we had a project here specifically related to administration, but I do not see it. They seem to be spread through the various Government ministries in connection with such things as working with their health people or their agriculture people rather than public administration directly as such.

Mr. RHODES. Is this nation part of any of the African groups of nations?

Mr. HUTCHINSON. Yes, sir.

Mr. RHODES. Which ones?

Mr. TROXEL. This is part of the UAM we discussed before.

Mr. HUTCHINSON. The President is very much a leader in this group.

Mr. RHODES. Is this a more prosperous nation than, say, Upper Volta?

ECONOMIC AND POLITICAL STATUS

Mr. HUTCHINSON. It certainly has the prospects of being considerably more prosperous than Upper Volta, sir.

Mr. RHODES. Do we have a situation here similar to the one we discussed the other day where the best part of the area broke off and left the rest as a poorhouse nation?

Mr. TROXEL. In one sense, yes, Mr. Rhodes, and in another it did not really break off. In addition to all the other organizations the Ivory Coast belongs to, four of these countries have retained an organization that carries over from earlier years, called the Conseil de L'Entente, and they attempt to coordinate to some extent their economic planning. They have even set up a solidarity fund in an effort to raise their standard of living jointly. There is free trade within the area, so that anyone investing in any one of the four countries can get the benefit of industrial specialization.

Mr. RHODES. I have never yet been able to establish to my own satisfaction how the world went about dividing Africa into these small

nations. It is sort of like setting up a bargaining unit in a plant for organized labor.

Mr. TROXEL. It was really accidental. They started out—I mean the European powers—with trading posts along the coasts. No one worried whether they were sovereign over an area. That did not come about, for the most part, until much later. They would set out small subsidiary posts to pick up ivory or develop gold. Then slowly over a period of time those companies that were representing the European powers transferred certain basic administrative and police functions to their governments. The areas controlled were sort of pushed together until they were overlapping to some extent.

The final resolution of the borders, insofar as they have been resolved—some of them have still not been resolved—did not take place until the end of the 19th century.

Mr. HUTCHINSON. There was a conference, as a matter of fact, in the 1890's in which there was agreement reached on most of these borders.

Mr. RHODES. Then they became nations, and how did they decide the configuration of these various nations?

Mr. TROXEL. They were the administrative units that the French, in this case, had used to administer their dependencies.

Mr. RHODES. Each administrative unit became independent?

Mr. TROXEL. Pretty much.

Mr. RHODES. Off the record.

(Discussion off the record.)

DEMANDS ON AID PROGRAM

Mr. PASSMAN. We all believe in Christianity and charity. However, an individual does not have to be very intelligent to recognize that when you start programs of this type in these primitive countries, there is no stopping place. The demands will continue to increase. I think some 28 or 29 new nations have come into being in the past 2 or 3 years, and there are more to come. Collectively, they could break America.

It is just inconceivable to me that we go out there and get in these entanglements that call for every imaginable type of program. You get started, and each one calls for another. The first thing you know, you are past the turning back point and you are in trouble.

How many nations are in this area all together? Is it about 30? That is, in Africa.

Mr. MOSSLER. I think we came up with 31 the other day.

Mr. PASSMAN. How many of them have come into being in the past 5 years?

Mr. TROXEL. Five years would make it 22.

Mr. PASSMAN. Twenty-two new nations, and we are in practically every nation with an AID program?

Mr. TROXEL. Yes, sir.

Mr. PASSMAN. Will you still be here when we have the examination on the Middle East?

Mr. TROXEL. No, sir; I find Africa quite enough.

Mr. PASSMAN. You are good, but your counterpart for that region is good, too. Of course, when he gets through testifying, the Middle East is the important place.

When we move out to the Far East, will you be here to back up on that?

Mr. TROXEL. No, sir; but I have served in both the Far East and Near East, and I would say they are of great importance.

Mr. PASSMAN. When you go around the world with this program and finally consider concluding or starting programs for a hundred nations, you have had it when you get through. This thing is wild and woolly.

Mr. HUTCHINSON. They will be asking for a good bit more money than we are asking for in this program.

Mr. PASSMAN. If we do not help you people keep your ambition and your imagination down, not to a reasonable level, but from going into orbit, this would be a program that will break us a lot quicker than it would otherwise.

Mr. HUTCHINSON. Sir, let me say that I personally consider a searching examination by an Appropriation Committee a very healthy thing for any appropriation to have to go through.

KENYA

Mr. PASSMAN. We will next take up Kenya. That is a British colony, is it not?

Mr. TROXEL. It is largely a colony. A small part of Kenya is a protectorate.

Mr. PASSMAN. Under the United States?

Mr. TROXEL. Under the United Kingdom.

Mr. PASSMAN. That is a question of whether you are going in the back door or front, is it not? For all practical purposes, it is a British colony?

Mr. TROXEL. Yes, sir.

Mr. PASSMAN. Did we have any trouble getting the United Kingdom's consent for us to start one of these aid programs in Kenya or did they come to it very agreeably?

Mr. TROXEL. We have a very good understanding with the United Kingdom.

Mr. PASSMAN. It is anticipated that Kenya, too, will want or seek its independence in the foreseeable future?

Mr. TROXEL. Yes, sir.

No date has been set. I hesitate to suggest one.

AID TO KENYA THROUGH FISCAL YEAR 1962

Mr. PASSMAN. When did you start your aid program in this British possession, or colony?

Mr. HUTCHINSON. It seems to have started in 1954, sir.

Mr. PASSMAN. Through fiscal 1961 you had allocated what amount?

Mr. HUTCHINSON. It looks like $5.1 million.

Mr. PASSMAN. Let us get it up to fiscal 1960.

Mr. HUTCHINSON. It looks like $4.7 million.

Mr. PASSMAN. $4.7 million from the time we went in with an aid program, up through 1960, for this British colony?

Mr. HUTCHINSON. That seems to be correct.

Mr. TENNANT. That is correct.

Mr. PASSMAN. In fiscal 1961 for this British colony you had $401,000?

Mr. MOSSLER. Yes, sir.

Mr. PASSMAN. And in fiscal 1962, with this loose program that we gave you last year, you increased that up to $3,016,000; is that right?

Mr. MOSSLER. No, sir. This was the figure we had in the book, but we went——

Mr. PASSMAN. To how much?

Mr. MOSSLER. We went down to $2,143,000 in 1962.

Mr. RHODES. Is this the "land of the Mau Mau?"

Mr. TROXEL. That is right.

Mr. MOSSLER. I am sorry. We went to $3,226,000.

AID PROGRAM FOR FISCAL YEAR 1963

Mr. PASSMAN. You went up with the program, rather than down. Again that is a clear indication of what happens when you give people more money than they need. Do you have any program at all in fiscal 1963 in this British possession?

Mr. HUTCHINSON. We anticipate $——— in 1963.

UNEXPENDED BALANCES

Mr. PASSMAN. In addition to the unexpended carryover from previous years for this British colony?

Mr. HUTCHINSON. We had not testified as to the unexpended balance there. We can get the figures.

Mr. PASSMAN. How much do you have unexpended to the credit of this British possession through fiscal 1962?

Mr. HUTCHINSON. We will not be able to give it to you through fiscal 1962, sir, as we have indicated for previous countries.

Mr. PASSMAN. Well, with the unexpended funds on hand, I believe you were about to come up with a figure; is that right?

Mr. MOSSLER. We have an estimate. Our original estimate for the unexpended balance——

Mr. PASSMAN. Give it to us before you change your mind.

Mr. MOSSLER. $2,087,000.

Mr. PASSMAN. So, two-thirds of the allocation, obligation, programing, is still on hand, unexpended, at the time of that estimate?

Mr. MOSSLER. Compared to fiscal year 1963, ——— of that year's program, yes.

Mr. PASSMAN. Plus any that may be on hand unexpended from prior years?

Mr. MOSSLER. This is the total from all years' appropriations.

Mr. HUTCHINSON. Down through 1962. This is the estimate.

TYPE OF AID TO KENYA

Mr. PASSMAN. Would this British colony be eligible for the other types of grants and loans and gifts and credits that these other new nations are able to receive?

Mr. HUTCHINSON. You mean from the AID program?

Mr. PASSMAN. Surely, or any other program.

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. They would?

Mr. HUTCHINSON. So I understand, sir.

Mr. PASSMAN. I want the record to show that we could spend 2 weeks on this British colony, but since they are eligible for all the other gifts and grants and credits and considerations that the nations are, we are just going to move along.

Mr. Andrews, do you have any questions on this British colony?

KENYA'S INDEPENDENCE

Mr. ANDREWS. They are not a member of the United Nations yet?

Mr. TROXEL. No, sir. They are not independent yet, sir.

Mr. PASSMAN. They cannot consider their application until they get the independence.

Mr. ANDREWS. But we can give them aid before they become independent?

Mr. PASSMAN. They are eligible for all types of aid.

Mr. ANDREWS. Including fringe benefits?

Mr. PASSMAN. I think that is correct.

Mr. ANDREWS. When will they become independent?

Mr. TROXEL. We do not want to make a prediction. It should not be too far distant.

Mr. ANDREWS. I notice your book said earlier late 1962 or early 1963.

Mr. TROXEL. I would not want to associate myself with it. It is a good guess, but it is only a guess.

Mr. ANDREWS. They are coming in so fast I cannot keep up with them. I thought they had already become independent and were a member of the United Nations.

Mr. PASSMAN. It would appear from the justifications that the closer these colonies and little plantations come to turning into nations the higher the aid. Would that be a pretty good indication that this British colony is getting close to it because it is being substantially increased?

Mr. HUTCHINSON. Two things. One, as we testified, we do expect independence is reasonably near.

Secondly, I think it is also true that, as countries gain their independence, it is certainly true the amount of aid goes up.

Mr. PASSMAN. You answered in the affirmative that they are eligible for all types of aid, grants, loans, gifts, credits that any other nation in that section would be entitled to under the legislation.

Mr. HUTCHINSON. That is right; we have to go through certain legal arrangements in order to provide the assistance in view of their legal status in relation to the British.

Mr. PASSMAN. You have to get United Kingdom's permission?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Since it is giving away money to their subjects, that should not be difficult.

Mr. Alexander?

AID TO ASSIST IN POLITICAL STABILITY

Mr. ALEXANDER. Mr. Hutchinson, is the money we are giving to this small country supposed to assist in their political stability? I note in your background material you state that they are very politically instable.

Mr. PASSMAN. You refer to it as a country. It is a British possession.

Mr. ALEXANDER. Possession. Thank you for the correction.

Mr. HUTCHINSON. I think the answer is "Yes." The projects are, as you will see by looking through the project book, projects which get out and try to reach the people in many of their walks of life, such things as agricultural education and training, expanding their field services in connection with agriculture, working in trying to establish local agricultural credit institutions and co-ops which will be working with the people themselves, trying to bring some of the public services out to the local areas rather than keeping them centralized. It is this sort of thing.

Also, sir, we are trying to train some of the public servants there so that they might be in a position to take over from the expatriates in the event that independence comes and the expatriates leave in increasing numbers. I would say "yes," sir.

Mr. ALEXANDER. Is any of our money either in grants or support going to support the Government now?

Mr. HUTCHINSON. To support the Government?

Mr. ALEXANDER. Or to keep them in power or to give them more stability. You say they are instable or unstable.

Mr. HUTCHINSON. Yes, sir. I think they are in this sense, sir. We are trying to improve the agricultural services that are provided by the Government so that it can reach the people. We are trying to do the same thing in connection with the training of governmental personnel.

Mr. ALEXANDER. Does any of this money go to any political action? For instance, does it go to the Government and in that way stabilize them or make them more potent as among their own people?

Mr. HUTCHINSON. It makes them more potent among their own people, sir, only in improving the services which they provide. We are not directing ourselves toward the direct political support of any particular government, if that is your question.

Mr. ALEXANDER. But in the process if you are giving it to the Government that is now in, you are strengthening them.

Mr. HUTCHINSON. The governmental institutions which exist, yes, sir, and to strengthen the governmental personnel who will be working.

Mr. ALEXANDER. You say they are instable. Just briefly tell me how they are politically instable.

Mr. TROXEL. May I speak to it just a little and perhaps take some of it off the record in due course.

(Off the record.)

Mr. TROXEL. No, sir. We are extremely careful on this score not to cast our weight on one side or the other.

Mr. ALEXANDER. That is all.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

UNITED KINGDOM AID TO KENYA

Mr. RHODES. How much aid is the United Kingdom giving Kenya? This British colony of Kenya, that is.

Mr. HUTCHINSON. We show $32 million in 1961, sir, and anticipate $36 million in 1962. We would think that it would continue at about this same level, sir.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. RHODES. It does say in the record here that the present average commitment level is about $32 million.

Mr. TROXEL. I think that is right, I am sorry to say. May I go off the record?

Mr. PASSMAN. Yes.

(Discussion off the record.)

Mr. RHODES. Will there be any aid from the European Common Market to this British colony?

Mr. TROXEL. May I speak to that as well?

Mr. RHODES. Yes.

Mr. TROXEL. Negotiations, as you know, are still in progress between the United Kingdom and the Common Market on the United Kingdom's entrance.

Mr. RHODES. Yes.

Mr. TROXEL. It would be a reasonable assumption that, if the United Kingdom should enter and if a number of the dependencies should come along with it, there would be some modification in the present Common Market aid arrangements to include the former Commonwealth countries as well as those now associated with the EEC. But this is pretty speculative with respect to Kenya. Until the negotiations progress a good deal further along, it will be very difficult to say whether we are going to have that kind of aid relationship.

Mr. RHODES. I think I saw a list in the paper not too long ago of the British dependencies which would probably be included in the Common Market if the British joined. That great sugar island of Mauritius was one, I know. I do not know whether Kenya was in that category or not.

Mr. TROXEL. No one knows. These are mostly what we call dope stories in the press, though I should think Mauritius would want to associate if the United Kingdom joined.

WEST GERMAN LOAN TO KENYA

Mr. RHODES. I notice also West Germany has loaned money to Kenya. Was this loaned to the Government of Kenya? It is a loan of $5.7 million, and it is called a loan in the agricultural sector.

Mr. HUTCHINSON. I do not have what it is for.

Mr. RHODES. Could you give us some detail on that because it seems unusual to make a loan to a government which does not yet exist. It must be to some group already in existence.

Mr. TROXEL. They have self-government in Kenya to a very considerable extent, even though they are still a British dependency.

(The information follows:)

WEST GERMAN LOAN TO KENYA

During 1961 the Federal Republic of Germany pledged a DM35 million ($8.8 million) long-term development credit to Kenya. The credit, which is to be untied, will be used to finance specific projects mutually to be agreed upon.

No loan agreement has yet been signed. Among the projects under consideration for loans are the construction of roads and water systems, and provision of agricultural machinery in support of the White Highlands resettlement program whereby Africans are resettled on small farms in the intensive farming areas of Kenya; and support of construction and staffing of an Industrial Development Institute.

POSSIBILITY OF LOANS TO KENYA

Mr. RHODES. I note our aid has all been in the form of grants and supporting assistance, and I just assumed from that it would be impossible to make a loan because there was not any legal entity. However, you say there is now——

Mr. TROXEL. A loan could be made.

Mr. HUTCHINSON. I know from experience with other British areas it is possible to do these things. Such was done in Tanganyika, for example.

Mr. RHODES. Do we have any loan program at all for Kenya?

Mr. HUTCHINSON. There is none in the book. We will have to check our listing of projects against——

Mr. MOSSLER. We do not have any applications, but there is a possibility in fiscal year 1963 that we might have something in water supply or industrial development, but no applications have been received.

Mr. RHODES. In other words, negotiations are now underway?

Mr. MOSSLER. In our own programing exercise, we have received from the field an indication that they are thinking of possibilities in this area.

Mr. HUTCHINSON. Nothing like the kind of discussions we had for the Ivory Coast, for example.

Mr. RHODES. Are you now conducting negotiations with Kenya which might lead to the perfection of a 202(b) plan?

Mr. MOSSLER. No, sir.

Mr. RHODES. That is all.

ECONOMIC TIES WITH FORMER COLONIES

Mr. PASSMAN. Thank you, Mr. Rhodes. I think I would like to say something else about Kenya. If history repeats itself, when this British colony gains its independence, there will still be rather close ties between the mother country and Kenya. Would that be expected?

Mr. TROXEL. We certainly hope there will be close ties.

Mr. PASSMAN. It would be expected, would it not, if history repeats itself?

Mr. TROXEL. Yes; it would be expected, Mr. Passman.

Mr. PASSMAN. And Great Britain is a rather old nation, is it not?

Mr. TROXEL. Yes, indeed.

Mr. PASSMAN. And they are pretty good financiers and good industrialists?

Mr. TROXEL. They are, indeed.

Mr. PASSMAN. Have they not, over a period of centuries, indicated they knew pretty well how to deal with finances and with business people?

Mr. TROXEL. Yes, sir.

Mr. PASSMAN. Britain and Kenya are still on a friendly basis?

Mr. TROXEL. They are, indeed. We fervently hope they will continue to be on a friendly basis and will provide the bulk of the assistance this present colony needs for development.

Mr. PASSMAN. Off the record.

Mr. TROXEL. Mr. Passman, may we go off the record?

Mr. PASSMAN. Answer my question first and take it off later.

Mr. TROXEL. Off the record.

Mr. PASSMAN. To me it does not add up.

Mr. TROXEL. You mean you doubt the British are going to reduce their aid?

Mr. PASSMAN. I think the record will show these people are great financiers, bankers, industrialists, and they know their way around. I expect they know what they are doing.

Those people have sufficient know-how and maybe assets, themselves, to build an economy without it being artificial, or else they must figure where they move out we will move in. It is one or the other.

Mr. TROXEL. Off the record.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. Thank you, gentlemen.

We shall meet again at 10 a.m. tomorrow.

THURSDAY, JULY 19, 1962.

Mr. PASSMAN. The committee will come to order.

Early in the week we were discussing the funds for Ghana. It brought back to mind something I read earlier in the year:

The wife of Ghana's Minister of Industry blythely clung to her $8,400 gold-plated bed today despite her socialist husband's command to send it back to the store.

I imagine that, somewhere along the way, this man must have got hold of a lot of money.

Mr. TROXEL. In this case, Mr. Chairman, it is interesting to know that Mr. Krobo Edusei, the husband of the woman who bought the bed, was released from his position as Minister in the Government.

Mr. PASSMAN. No doubt that will be a warning for future ministers to be a little more careful and not let it get out as to what they pay for these things.

IRAN MINISTER CALLS AID UNFAIR

Iran Premier resigns, calling United States unfair for not giving enough aid.

What amount have we given Iran?

Mr. ANDREWS. The paper said $80 million, last night.

Mr. PASSMAN. It is much more than that.

There is one figure here for the Agency for International Development. Through 1961 it was $515 million, and this, of course, excludes military aid. That was $528 million. It is over a billion dollars, and, without an adding machine, we shall not go into the various other programs. But at least, according to information from downtown during the 14 months under the leadership of the resigned premier, our aid amounted to $118 million.

It is rather ridiculous to think that we have given a small nation like this far in excess of a billion in aid, and $118 million since this man has been in; then, when he resigns he blames the United States. I hope this will not be the policy around the world, that when a government falls we are going to be blamed. It could very well be, however, that this will be the attitude of a lot of them.

LIBERIA

LIBERIAN DEVELOPMENT CORPORATION CONTRACT

I quote another item:

District of Columbia firm awarded aid contract for $462,079.

The name is the Checchi Co., Washington, D.C., economic consultants firm—

to assist Liberia in establishing and operating the Liberian Development Corporation.

It would appear that the Checchi Co. is located down at 1612 K Street and they are going to establish a technical advisory service to perform investment feasibility studies.

USE OF 1962 FUNDS

Would this be financed out of 1963 funds or is this a retroactive obligation?

Mr. HUTCHINSON. I think that was done out of 1962 funds, sir.

Mr. PASSMAN. This, again, certainly points up and pins down how loose a program can be, when this committee recommends funds and the Congress accepts our recommendation and gives you more money than you actually need, and you have to find places to spend it. According to the information on page 386, you have the Liberian Development Corporation, a project, and you stated you would only obligate $100,000 in 1962; is that correct, sir?

Mr. HUTCHINSON. That is correct, sir.

Mr. PASSMAN. How has this jumped up to $462,079 by the time you got ready to award a contract?

Mr. HUTCHINSON. Well, sir, you will notice that we estimated obligations in 1963 of $460,000 and in the case of this particular project, we were able to negotiate the contract much more quickly than we had expected and so we actually entered into the contract, funded with 1962 funds rather than having to fund it out of 1963 funds.

Mr. PASSMAN. It could just as well have waited for fiscal year 1963 funds, could it not?

Mr. HUTCHINSON. It could have waited but I would not say just as well, sir.

Mr. PASSMAN. I would not expect you to say that, but had things progressed normally, you would have obligated $100,000 out of 1962 funds, and you would have finished obligating the amount of the contract out of 1963 funds?

Mr. HUTCHINSON. If things had progressed as we anticipated back in February and March, that would have been the case, sir. We were able to speed up our processes in this case and so were able to enter into the contract this year rather than next.

Mr. PASSMAN. And by speeding up these processes it means speeding up the obligating of funds?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. This would have been a satisfactory project in all probability had you limited your obligation to $100,000 for fiscal year 1962 and waited for subsequent years to complete the obligating of funds?

Mr. HUTCHINSON. It is better, sir, to move as quickly as we can on these projects and get the people on the job and get the projects under way rather than waiting.

Mr. PASSMAN. I do not mean to be facetious, but could that be because the American people are getting ready to put a stop to a lot of this foolishness, and if you do not get this stuff pinned down you might not have the money for subsequent years?

Mr. HUTCHINSON. No, sir. This was solely because the project moved more quickly than our anticipation some 4 months ago led us to believe would be the case.

Mr. PASSMAN. Had we considered this money bill shortly after you published these justifications, we would have built our questioning around the $100,000 for fiscal year 1962, instead of the additional fund for the fiscal year, would we not?

Mr. HUTCHINSON. That would have been the case; this is also true in any dynamic process.

Mr. PASSMAN. What do you mean by "dynamic process?"

Mr. HUTCHINSON. One which is not static, one which is moving and changing.

Mr. MILLER. Mr. Chairman, there seems to be some misunderstanding about these books.

Mr. PASSMAN. I certainly agree that is correct.

Mr. MILLER. We prepared them when we were informed that the committee hearings were to begin early this spring. We are, of course, always willing to appear any time the committee wishes to proceed with the hearings. We try our best to proceed as quickly as possible and on whatever schedule the committee wishes to set. We, of course, agreed when the committee wished to hold hearings early in the spring this particular year and we prepared the books on that assumption. If the committee wishes to conduct hearings at any time, why, of course, we prepare the best information and statistics that we have at that time.

Mr. PASSMAN. When we indicated that we would start our hearings, the New Frontiersmen had indicated they would come to Congress early with a request for an authorization, and based upon that assurance we decided we would get going. But it was evidently decided that it would be easier to put on the rush act again this year. Therefore, even at this late date we are actually hunting without ammunition, because we have no authorization bill by which to proceed.

The next time we indicate in the spring that we want to start hearings, and you indicate that you are coming up for an early authorization, then we are going to decide whether or not July or August means early, and we shall not confuse you.

Mr. MILLER. Mr. Chairman, I believe the record will show that we received a letter indicating that the committee wished to begin its hearings early in the spring.

Mr. PASSMAN. That is correct. You certainly did. We so wrote that letter, and sent it down, but it was only after you indicated that you were coming down for an authorization early in the year, so that we would know how to proceed. But, as usual, we have to operate without an authorization. If we operated strictly according to Hoyle we would not even be holding hearings now on this item, because we do not have an authorization bill yet.

Anyway, gentlemen, this is just another inaccuracy, and another indication that we gave you more money than you needed in fiscal year 1962, and that in some instances you were able to increase your obligations 400 to 500 percent above what you indicated in the books.

I yield to the gentleman from Arizona.

Mr. RHODES. I just want to understand this. Is it true that the Liberian Development Corporation was the recipient of $460,000 in fiscal year 1962?

Mr. HUTCHINSON. This is substantially correct; yes, sir.

Mr. RHODES. Are we to understand the estimated obligations for fiscal year 1963 will now be zero?

Mr. HUTCHINSON. I think the obligation would be very substantially reduced; yes, sir.

I am not sure it would be zero. There may be a few other costs associated with it, but the larger part of the cost of the Checchi contract would not have to be obligated in fiscal year 1963.

Mr. RHODES. Are you going to give us an estimate on the obligations for fiscal year 1963? After all, we are going to mark this bill up for fiscal year 1963 and we should know what you think you need.

Mr. HUTCHINSON. I am sure that the amount would be very small in fiscal year 1963. For substantive purposes I think we could say for obligation for this project, over and above this $460,000 the requirement would be zero in fiscal year 1963.

Mr. PASSMAN. Which means, in effect, on this one item you would save some $420,000, or more?

Mr. RHODES. $460,000.

USE OF 1962 FUNDS FOR PROPOSED 1963 PROJECTS

Mr. PASSMAN. Along the way, I wonder if we would be able to ascertain the hundreds of millions of dollars throughout the bill in funds you had in excess of actual needs for fiscal year 1962, that you were able to use to obligate in 1962 projects that you had planned to obligate out of fiscal year 1963 funds. I believe at this time you are working on some information for us as to the unliquidated balances as of June 30, are you not?

Mr. TENNANT. Yes, sir.

Mr. HUTCHINSON. Sir, I would like to comment that the fact that you are able to move more quickly with a project and move a particular project forward from one fiscal year to another does not mean that you have an excess of funds. With the number of projects that exist in the Agency, there are bound to be shifts in the time phasing. Some of them may move forward and some of them may move backward and the fact you are able to move particular projects forward is in no way an indication of excess funding for the program as a whole.

Mr. PASSMAN. Gentlemen, we ran yesterday into a group of projects in just one territory, the Ivory Coast, where you had $819,000—almost a million dollars—in new projects. It is a foregone conclusion, if you had ample funds in 1962 to obligate projects that you had planned to obligate funds for in fiscal year 1963, it would reduce the amount of funds that you would need in fiscal year 1963, would it not?

Mr. HUTCHINSON. As we have just indicated with this project, the amount of funds that we need to obligate in fiscal year 1963, has been reduced.

Mr. PASSMAN. I am talking about projects, not just this project. That is why I only backed up on one other country, to indicate the new projects. My question is, whether it is one or a thousand, if you were able to obligate out of fiscal year 1962 funds for projects that your originally planned to obligate out of fiscal year 1963 funds, whatever the amount may be, or the number of projects, you would need that much less money in fiscal year 1963, would you not?

Mr. HUTCHINSON. That is true with respect to some projects, sir, and it is not true with respect to other projects.

Mr. PASSMAN. I am talking about some projects, only the ones that the formula would fit.

Mr. HUTCHINSON. The formula does fit this particular project, but there are projects which, by virtue of moving your program forward into one fiscal year, you do not necessarily reduce the funding you need for the following fiscal year simply because you have moved the whole program forward a year and it is a continuing program.

LIBERIAN PROJECT COMPLETION DATE AND ESTIMATED COST

Mr. PASSMAN. On that score, if it is a continuing program, if you will tell us the estimated completed cost.

Mr. HUTCHINSON. Of what, sir?

Mr. PASSMAN. The project we are talking about.

Mr. HUTCHINSON. I do not know what project you are referring to.

Mr. PASSMAN. I will refer you to page 386. We are talking about this Liberian project. That is the project. What is the completion date?

Mr. HUTCHINSON. I do not know.

Mr. PASSMAN. Do you have any idea what the completion cost will be?

Mr. HUTCHINSON. No, sir.

Mr. PASSMAN. The estimate?

Mr. HUTCHINSON. No, sir. I testified with respect to this project, sir, that the moving forward into fiscal year 1962 of the Checchi contract did reduce the requirement for fiscal year 1963 funding for this project. I testified that the fact that this was the case in this project did not mean that it was the case with respect to all projects for which you moved funding forward from your anticipated 1963 to 1962.

Mr. PASSMAN. Will you give us an estimate of what this project will cost at completion?

Mr. HUTCHINSON. I do not know what it will cost, sir. This is a project that we will have to review from time to time to see what progress they are making in being able to get the Liberians trained and carrying the project out.

Mr. PASSMAN. But this is a project with the Checchi Co. down at 1612 K Street NW., Washington. You have entered into a contract with them for 2 years for $462,079.

Mr. HUTCHINSON. Yes, sir; we have entered into a 2-year contract.

Mr. PASSMAN. This is a continuing project?

Mr. HUTCHINSON. This is a project that will continue over some time; Yes, sir.

Mr. PASSMAN. Have you discussed with them the cost of their services beyond the 2 years?

Mr. HUTCHINSON. No, sir.

Mr. PASSMAN. Are you positive that it is a continuing project?

Mr. HUTCHINSON. We are reasonably sure that it will probably take more than 2 years in order to accomplish the training that will be required, sir.

Mr. PASSMAN. On this one Liberian Development Corporation?

Mr. HUTCHINSON. Yes, sir.

FUNCTIONS OF LIBERIAN DEVELOPMENT CORPORATION

Mr. PASSMAN. What will be their function in the Government after they reach a reasonable degree of proficiency in their field?

Mr. HUTCHINSON. Their function will be fundamentally to make loans to small businesses in Liberia. They may also provide some services to those small businesses of an advisory nature in connection with technical operations or with accounting and that sort of thing. This is one of the things that Checchi will probably be working with, to see what they should do in these fields. Their fundamental function will be to make loans to small industries in Liberia.

Mr. PASSMAN. By nature of the type of development corporation, would they train these people how to apply for U.S. loans or grants?

Mr. HUTCHISON. This is not the purpose of the Corporation, sir. They could very well be training the small industry in Liberia as to how to make credit applications to financial institutions, including this one in Liberia, but as for the training of this particular institution, training for making loan applications to the United States, is not a particular function of the Checchi firm.

Mr. PASSMAN. It could be a part of it, could it not, if there is banking involved?

Mr. HUTCHINSON. I am sure in the event there was an intention or desire to make application during the period of this contract, Checchi would help in the preparation of it.

Mr. PASSMAN. I think that has been the testimony all along, and for years, that these things usually lead into an educational function whereby they learn how to file for loans.

BACKGROUND OF THE CHECCHI CORP.

Could you tell us the age of this local firm?

Mr. HUTCHINSON. Checchi or the Liberian Development Bank, sir?

Mr. PASSMAN. I am talking about the local firm, the Checchi Corp.

Mr. HUTCHINSON. Checchi has been in existence for quite a number of years, sir. I do not know the exact date of its incorporation and going into business, but it is a quite well-established, well-known, reputable, and competent firm.

Mr. PASSMAN. Before entering into contracts with these people for these huge sums of money, do you, by chance, check credit rating and obtain other pertinent reports?

Mr. HUTCHINSON. Yes, sir, we do check credit ratings on firms.

Mr. PASSMAN. Would you feel the committee would be asking for too much if you would permit us, at your convenience, to have a look at the financial statement and capital structure of this firm?

Mr. HUTCHINSON. I am sure that this would be possible. I think you will find that service firms of this sort do not have heavy capital structures.

Mr. PASSMAN. We find some of them going into business with nothing and coming out with many of the officials having five-figure checking accounts. If you would, then, on this particular firm, may we see the financial statement as to the capital structure and the status of the officers?

Mr. HUTCHINSON. We would be glad to submit a statement. I can assure you this is a very much firstline firm.

Mr. PASSMAN. We appreciate your recommendation. We would also like to see the statement.

(NOTE.—See p. 582. Additional information was supplied to the committee.)

Mr. HUTCHINSON. We will be delighted to present it.

DATE OF LIBERIAN INDEPENDENCE

Mr. PASSMAN. When did Liberia gain independence?

Mr. TROXEL. 1847.

Mr. PASSMAN. Progress has been made?

Mr. HUTCHINSON. Progress, sir, was really very slow, except for along the areas right at the coast. Up until recent years, there has been very little attempt to bring progress into the interior.

President Tubman has been, however, trying to carry some of the development which has occurred along the coast into the interior and they do have considerable natural resources.

Considerable progress is being made in developing them.

Mr. PASSMAN. When did they gain their independence?

Mr. TROXEL. 1847.

Mr. PASSMAN. So they have been in existence and operated without this aid for about 115 years?

Mr. TROXEL. Yes, sir.

We have had an aid program there for a number of years.

Mr. PASSMAN. For about a hundred years they got along without the aid program?

Mr. TROXEL. Yes, sir.

AID PROGRAM THROUGH FISCAL YEAR 1960

Mr. PASSMAN. What was the amount of the aid program from 1946 through fiscal year 1960?

Mr. MOSSLER. Mr. Chairman, through fiscal year 1960 the cumulative economic aid to Liberia was $23.1 million.

Mr. PASSMAN. What was your 1961 program?

Mr. MOSSLER. $6.3 million.

Mr. PASSMAN. You increased that to $10,650,000 in fiscal year 1962.

Mr. MOSSLER. Yes, sir.

Mr. PASSMAN. And you contemplate ——— in fiscal year 1963?

Mr. HUTCHINSON. We had so contemplated, sir.

Mr. PASSMAN. I am sure that the committee will want to give some thought to why these programs are not maybe leveling out, or, on account of our own serious situation, with the balance-of-payments deficit and declining gold reserves, why the programs could not be kept from increasing.

I should think that maybe before you get too far afield on obligating the funds, the Executive would have another look at the serious situation. Thus far we have succeeded in getting some of the friendlier nations, such as France, Italy, and the Netherlands, to pay back certain loans far in advance of maturity date, so as to give us a little relief on our balance-of-payments situation; but, once they have paid that back, there is no other nation to go to for such relief.

CONCEPT OF U.S. ASSISTANCE TO UNDERDEVELOPED NATIONS

Mr. HUTCHINSON. Sir, in that connection, in a complex society such as we live in today it is almost inevitable that a nation is going to have conflicting objectives and that your program has got to be a compromise among various objectives. One of those objectives that has been clearly the policy of every administration, which has been enunciated by the Congress, and has been particularly emphasized in the new foreign aid legislation, that it is U.S. policy to assist in the development of these underdeveloped nations. When we come into the African countries, they are countries that are very far down in the scale of development and where there have been drastic changes over the last several years and where growth is really essential, it is certainly true, sir, that the accomplishment of that objective which has been expressed is going to cost more money than it has been costing in the past in this area, sir. There is no doubt of it.

Mr. PASSMAN. It follows, nevertheless, that there is a limit as to how far we could go. Do you agree with that?

Mr. HUTCHINSON. Certainly, sir.

U.S. GOLD AND BALANCE-OF-PAYMENTS SITUATION

Mr. PASSMAN. Do you agree that we have a very serious situation with respect to our balance-of-payments deficits?

Mr. HUTCHINSON. I do, sir.

Mr. PASSMAN. We have an even more serious problem with respect to our gold being drained off.

Mr. HUTCHINSON. We have a serious situation there.

Mr. PASSMAN. That fact, alone, would certainly prompt a reevaluation of this program, would it not?

Mr. HUTCHINSON. It certainly would; but also I should testify we are faced with a serious situation throughout the world, insofar as the political and economic conditions which are faced there are concerned.

Mr. PASSMAN. Many of these nations not only have a balanced budget, but they have a surplus, yet we are having to borrow the money we will give them. That fact, too, would indicate that we should face up to our responsibilities and reevaluate this program.

Anyway, the program is continuing to grow.

Mr. FORD. Would the chairman yield?

Mr. PASSMAN. Yes.

Mr. FORD. I notice in the justification, Mr. Hutchinson, that in addition to the $——— contemplated for development loans you have——

Mr. HUTCHINSON. Grants.

Mr. FORD. Development grants; I am sorry, you have an estimate of $——— for development loans.

Mr. HUTCHINSON. Yes, sir.

Mr. FORD. Do you have any specifics in regard to those loans, and, if so ,what are they?

Mr. MOSSLER. There are two things—although I do not believe we have the applications—we feel we have some potential. One is we expect to put some of the educational facilities construction on a loan basis and we also think there is some possibility for hydroelectric power in Liberia.

Mr. HUTCHINSON. There is a particular dam as a matter of fact, for which we expect an application. The name slips me at the moment.

Mr. MOSSLER. Mount Coffee.

Mr. FORD. I was interestd in a word you used. You said you had no specific applications. Do you set this forth in the various justifications sheets as the dollar amounts without any more definitive program than you think there will be an application?

Mr. HUTCHINSON. We set it forth in this way, sir. We will be in a situation where we do have applications that we are processing. We will also have a situation in which we know that feasibility studies are being conducted, which may very well end up in applications or we may be having discussions with the country as to the possibility of proceeding in a particular area. Take this hydroelectric project, Mount Coffee, for example. That has been under discussion and study for I am sure well over a year, possibly even longer than that, and so we have a very real expectation that this will be likely to come to fruition in the coming fiscal year even though I believe we have not yet received the formal application. We think we need to indicate those things as prospects in the justifications.

Mr. MOSSLER. And where we can do it, in order to get to the money figure you mentioned, since we are asking for a certain amount of money on a worldwide basis for development lending, we feel in places where we have discussed it as much as we have in the case of Liberia that it is good to put in a range figure, which we did in this instance.

Mr. HUTCHINSON. That is right. We have indicated it is our expectation that for Africa as a whole, this development lending may reach $200 million, or perhaps even $250 million in fiscal year 1963. We have actual projects of this sort for which we anticipate the possibility of application, which run well in excess of the 200 to 250 range that we are talking about here because we know some of these will not eventuate. There may be others that we know nothing about at this sitting which may very well come to the front.

Mr. FORD. In this area of $200-million-plus for prospective development loans, are all of them a potential application basis or in some instances do you actually have applications?

Mr. HUTCHINSON. In some instances we actually have applications, sir.

Mr. FORD. Could you set forth in the record those where applications are pending, the amount, the name of the project, et cetera?

Mr. HUTCHINSON. Yes, sir.

Mr. FORD. And the total in dollars that would be involved?

Mr. HUTCHINSON. Yes, sir.

(The information follows:)

Pending applications for development loans—Africa (as of July 13, 1962)

Country	Project	Amount
East Africa Common Services Organization (East African Railways and Harbours Administration).	Diesel locomotives	$2,800,000
Ethiopia	3d highway program	5,000,000
Ivory Coast	Development Bank	5,000,000
Liberia	Mount Coffee hydroelectric	10,000,000
	Monrovia Medical Center	6,000,000
	Monrovia water supply and sewage disposal	15,000,000
	School construction	4,081,000
Niger	Development Bank	500,000
Nigeria	Electric Corporation of Nigeria, Afam and Ughelli power stations.	22,300,000
	Ibadan water supply	7,200,000
	Kaduna water supply	3,671,000
Sierra Leone	Development Bank (SLIL)	1,000,000
Sudan	Khartoum north sewage	2,800,000
Tanganyika	Hotel, Dar es Salaam	1,680,000
	Dar es Salaam water supply	1,800,000
	Teachers' training college	420,000
Tunisia	Industries Chemiques Maghrebines fertilizer plant.	13,000,000
Uganda	Development Corporation	2,000,000
Total		104,252,000

RESPONSIBILITY FOR LOAN APPROVALS

Mr. FORD. Let me ask you this, Mr. Hutchinson. What is your resonsibility in the approval or disapproval of development loan applications?

Mr. HUTCHINSON. My responsibility runs this way: I have a capital projects division, office, I believe you would call it, which has loan officers, engineers, this type of people, responsible for the analysis of the applications when they are submitted, developing recommendations for loans. These come through me. I have my own internal review committee. I review them with this committee, the engineers, loan officers, and desk officer and reach my conclusions as to the recommendations that I want to make. These are then submitted to the Administrator and the Development Loan Committee.

The Administrator has the authority to approve loans without recommendation by the Development Loan Committee up to $2½ million as of this moment. This could be changed. It is a policy decision.

Mr. FORD. That is Mr. Hamilton?

Mr. HUTCHINSON. That is Mr. Hamilton.

The loan then goes to the Development Loan Committee, which consists of Mr. Hamilton, the President of the Export-Import Bank, the Assistant Secretary of Treasury for International Monetary and Financial Affairs, and the Assistant Secretary of State for Economic Affairs.

I believe this is the total membership of the Committee.

This Committee then considers the loan and makes its recommendation to the Administrator for approval or disapproval.

Mr. FORD. What has been the history of the loans that have been approved? Have your recommendations been generally concurred in or have they been otherwise?

Mr. HUTCHINSON. So far as my own personal experience is concerned, we have made very few loans since I have been in this job. My memory is that all that I have recommended have been approved. I do not recall any changes.

Mr. FORD. Have there been any approved where you were not consulted?

Mr. HUTCHINSON. In my region, no sir. I started to say this is not possible. It is not possible if the procedure is followed. It is not in accordance with procedure. I am sure it would not happen.

PROGRESS OF SELF-HELP REFORM ACTIONS IN LIBERIA

Mr. PASSMAN. I note a proposed increase of $———— for Liberia, an increase of $— above 1961.

I have some difficulty reconciling that substantial increase with your statement in the book.

Mr. HUTCHINSON. Sir, I think we could indicate that we are using our aid in this way in connection with that statement.

We have felt that the Liberian Government's fundamental problem is to get itself organized and operating in such a way as to really be effectively able to govern all the people and to bring government out to the people.

We feel that by making this clear to the Liberians and by telling them, "Look, we are willing to put our aid into these particular fields if you are willing to cooperate in setting up organizations, procedure, and so on, for the accomplishment of these purposes and putting resources into it," and the same thing with respect to education, we will help get underway in an irreversible process, as a matter of fact, which will create an effective government organization which can, first, provide for educating the people and, secondly, provide the means for economic growth.

We are definitely concentrating our efforts in that direction, and we are getting cooperation from the Liberians in this respect. They have set up an agency for governmental reorganization. They have set up an agency for economic planning. They are working cooperatively with us in their reorganization of their Ministry of Finance, their tax-collection procedures, their budgeting and accounting procedures. They are working with us in the Department of Public Works in a complete reorganization of that department. They are similarly working with us in the Department of Education.

So, we feel we are directing our aid in such a way as to accomplish the purposes that are mentioned here.

Mr. PASSMAN. That was not in response to what I intended to be a question. This is a very old nation which has had its independence 115 years.

(Off the record.)

Mr. HUTCHINSON. Sir——

(Off the record.)

We will only provide assistance in those fields in which they are willing to cooperate by making available necessary funds and necessary supporting assistance in the form of personnel and necessary

changes in their organization. For example, when I was in Liberia just a few months ago, I was put under some considerable pressure by the Ministry of Agriculture to continue and expand some of the agriculture programs there which we do not feel have been very successful, and we are making it quite clear to them that we are not going to continue in these kinds of programs and are going to concentrate our efforts in those fields in which we are getting cooperation.

DISCONTINUANCE OF UNSUCCESSFUL PROJECTS

Mr. PASSMAN. Did you discontinue the agricultural project you referred to until you had some indication of better cooperation?

Mr. HUTCHINSON. We are phasing down our agricultural program.

Mr. PASSMAN. Did you discontinue it, as it was not up to your expectations? Is it progressing?

Mr. MOSSLER. We have no money in 1963.

Mr. PASSMAN. Did you abandon the project that was not being carried out according to what you thought was the proper way, or did you continue it?

The project, specifically? Let us get the number, and the cost, of the project that you discussed with them.

Mr. HUTCHINSON. Will you read that list of agricultural projects we are not carrying out in fiscal 1963?

Mr. MOSSLER. This is the one project for an agricultural experiment station, where we put in $139,000 in 1961, and in 1962 we had $189,000. We do not plan on putting any money in in fiscal year 1963.

Mr. PASSMAN. You went from what figure?

Mr. MOSSLER. I said we had $139,000 for 1961.

Mr. PASSMAN. And you increased that out of the funds you are using now to $189,000 in 1962?

Mr. MOSSLER. In the past year, in fiscal year 1962, we had $189,000. We do not propose anything for this project in fiscal year 1963.

Mr. PASSMAN. Is it because it is being brought to completion?

Mr. HUTCHINSON. We think some good has been accomplished by the project, sir, but we do not feel the Liberians are putting the resources that would be required into it, and we do not feel any further expenditure of money would really get us back full value for the investment.

Mr. PASSMAN. Did you bring the project to a completion?

Mr. HUTCHINSON. Sir, in these projects of agricultural extension and agricultural resarch, and that sort of thing, you do not really have a clean-cut termination date when you can say, "This project is completed and everything that could be accomplished has been accomplished. We have a clear completion." You can, however, come to a position where you say that it does not seem to us that a further expenditure of money in this particular activity is worth the candle, and we are going to stop it.

Mr. PASSMAN. When did you make your trip out there, Mr. Hutchinson?

Mr. HUTCHINSON. I guess it was the last week in February.

Mr. PASSMAN. When did you obligate the $189,000 out of 1962 funds?

Mr. HUTCHINSON. I do not know, sir.

Mr. PASSMAN. Was it prior to or after your trip out there?

Mr. MOSSLER. It could have been either.

Mr. HUTCHINSON. It could have been either. I do not know.

Mr. PASSMAN. It follows, nevertheless, even though you are dissatisfied, you could very easily have allocated funds to continue the project in excess of the amount that you allocated in the previous year.

Mr. HUTCHINSON. This is quite possible, sir, and it could have been done even after I was out there, because you do have to have time to bring things to a halt. The program was underway.

Mr. PASSMAN. Even though you were dissatisfied, you increased the allotment substantially for the new fiscal year, and you could have increased it substantially after you returned and expressed your dissatisfaction with it?

Mr. MOSSLER. I think we indicated last year for this project that we were going to put in $275,000. In fact, we put in less than we had originally intended, sir.

Mr. PASSMAN. But it was a substantial increase over the previous fiscal year; is that correct, sir?

Mr. MOSSLER. It was an increase.

Mr. PASSMAN. A substantial increase or just an increase?

Mr. MOSSLER. From $139,000 to $189,000.

Mr. PASSMAN. That $50,000 is rather substantial. It would be approximately a 50-percent increase.

RANGE OF DEVELOPMENT LOANS FOR LIBERIA

I note a range of from $——— to $——— for development credits for Liberia. When you create a range with as much as 50-percent variation, that is rather a broad range.

You indicated that in your region, the application, or utilization, of development credits could reach $250 million for fiscal 1963.

Mr. HUTCHINSON. We did, sir, but in arriving at a total we have used the estimate of $200 million. We did use the range in this book of $250 million.

Mr. MOSSLER. $200 to $270 million.

Mr. PASSMAN. $200 to $270 million. That is a considerable spread.

Mr. HUTCHINSON. Sir, I would indicate that our total listing is in excess of this, and our anticipation was the lower figure of the range.

TERMS OF DEVELOPMENT LOAN AGREEMENTS

Mr. PASSMAN. Under the development credit section of the bill, would it be expected that most of these credits be extended only for long terms, wtih 10 years' grace, and no interest?

Mr. HUTCHINSON. Probably, sir.

FISCAL YEAR 1963 EDUCATION PROGRAM

Mr. PASSMAN. I note that you have six projects in the education program for Liberia at a cost in fiscal 1963 of $4,773,000.

Mr. HUTCHINSON. This is the education component; yes, sir.

Mr. PASSMAN. The educational component——

Mr. HUTCHINSON. Of the total program we are carrying on in Liberia.

IMPROVEMENTS IN FISHING INDUSTRY

Mr. CONTE. When you were out there, you were accompanied by the Secretary of Agriculture of Liberia?

Mr. HUTCHINSON. I certainly was.

Mr. CONTE. I had the privilege of speaking to him. Did he suggest we send in some technicians in the fishing industry to show those people how they can improve their fishing industry so that they can provide the necessary proteins so badly needed by the Liberians.

Mr. HUTCHINSON. He did not suggest this particular project, as I recall, sir. He was very much interested in the continuation of the work at the experiment station when I talked to him. It is true that we have under our rural development program people working to increase the local production of fish.

Mr. CONTE. I do not think fishponds would increase it very much, although I like the program. Would you check for me to see whether we did send any technicians from the Alaskan fishing industry and what happened to them?

Mr. HUTCHINSON. I would be glad to, sir. Is this fishing off the coast?

(The information supplied follows:)

FISHING INDUSTRY TECHNICIANS FOR LIBERIA

AID has not sent any technicians from the Alaskan fishing industry to Liberia. However, the Bureau of Commercial Fisheries of the Fish and Wildlife Service, USDI, cooperated with us in the summer and fall of 1961 in making a fisheries survey of the west coast of Africa, including Liberia, to determine what steps could be taken by the governments of these countries, possibly with AID assistance, to develop their fishing industries.

FISCAL YEAR 1963 DEVELOPMENT GRANT PROGRAM

Mr. PASSMAN. You gave the figure of the envisioned development credit long-term, 10-year grace, non-interest-bearing type of arrangement. Could you give us the same total on the development grant part?

Mr. HUTCHINSON. Of the program for Liberia?

Mr. PASSMAN. No; for the entire region, since you mentioned the regional figure.

Mr. HUTCHINSON. For the entire region, it is $117,750,000.

Mr. PASSMAN. Do you have a range there, also?

Mr. HUTCHINSON. No, sir; we do not have a range.

Mr. PASSMAN. You have a specific figure on the grant part?

Mr. HUTCHINSON. The grant part; yes, sir.

Mr. PASSMAN. Back on the $4,773,000 for education, could you project the completion cost of this component of the overall $———?

Mr. HUTCHINSON. No, sir; I certainly could not project this in this manner.

NECESSITY FOR FORECAST OF PROJECT COMPLETION COSTS

Mr. PASSMAN. Gentlemen, how can the Congress, especially this committee, consider intelligently what would be expected of us in the future if you come in here with a request going into billions of

dollars, as we take the overall program, but pinning down this one little item for Liberia, with a variation in projects of $———— for 1 fiscal year, and you cannot project the completion cost of either one of the components? As we have already established, a great many of these projects are expanded, and the cost far exceeds the estimate in the original year. Do you not ever actually go into the future cost of these projects before getting into contracts?

Mr. HUTCHINSON. We do, sir, on those that we can establish some kind of specific measurable objective and completion date. I am afraid, sir, that it is in the nature of technical assistance, that it is almost impossible, with many types of activity, to predict a specific completion date. When are you going to be able to get an extension service organized and be able to get practices developed to a point within an agricultural economy that you can stop?

Mr. PASSMAN. Then give us the estimated cost of the completion, if you cannot give us the completion date.

Mr. HUTCHINSON. If I cannot give you a completion date, I cannot give you an estimated cost to complete. If I do not know how long I am going to carry the program on, I cannot possibly tell you how much it is going to cost.

Mr. PASSMAN. At one time, almost without exception, on project after project, when we asked, "When will you complete it?" we were told 1973, 1974, or 1976, and the costs were estimated right down the line. We have cut it loose, and we have people testifying this year that you do not know when you will complete it, and you do not know what the estimated cost will be. It could very easily be, and you would be well covered—let me finish, if I may.

Mr. HUTCHINSON. I thought you had finished, sir. I am sorry.

Mr. PASSMAN. For Liberia you are ———— it over 1961, and ———— for 1962. The component parts of this grant alone, not the other many phases that you can think of, are: "Education," $4,773,000; "Government management," $———— "Regional (interior) development," $2,140,000; "Health," $312,000; "Technical support," $40,000—for $————. Can you project and give us an estimate of the completion cost on any of these activities?

Mr. HUTCHINSON. Not on an activity basis, no, sir. There might be——

Mr. PASSMAN. You have already said you could not give it to us in total. Or would you like to have another try? Would you like now to give us an estimate? You said you could not give it to us by activity. Does that indicate you could on the total?

Mr. HUTCHINSON. I was thinking there might be a project or two that we could have a specific completion date on. For example, we expect to complete the work on Roberts Field in fiscal 1963. This is a discrete type of activity which does have a definite terminal occasion.

Mr. PASSMAN. Under what part of this 1963 program will we find this?

Mr. HUTCHINSON. You find it under "Transportation," on page 395, sir.

Mr. PASSMAN. That is $40,000 out of the $————.

Mr. HUTCHINSON. Yes, sir; but it was considerably more than that over the years, you see, sir. It has been almost $2 million.

Mr. PASSMAN. That is one of the projects that you are completing?

Mr. HUTCHINSON. Yes, sir; and this is what I am testifying, that on a project of this sort, you can establish a completion date.

Mr. PASSMAN. I am talking about these projected projects, totaling $————, which may take us away off yonder. You actually do not have an estimate of what it will cost to complete the projects in the respective fields.

Mr. HUTCHINSON. There are a project or two which are included in this $———— figure that I can give you——

Mr. PASSMAN. The $40,000 is one of them, and that is because you are completing it.

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. That is out of about a $2 million original project, is it not?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. I am speaking primarily, Mr. Hutchinson, of these large expenditures that you contemplate out of 1963 funds. We are not talking about a very small project which is being completed. Naturally, you could tell us if the job has been accomplished and we are marking it off. I am talking about these large things like this $4,773,000 for the educational program you are starting.

Mr. HUTCHINSON. Sir, I was citing this as a very good example of the sort of project where you could establish a terminal date.

Mr. PASSMAN. Thank you. I understand quite well that when a project has been in effect for 15 years or 10 years or 9 years, when it is completed certainly you can tell us the cost of the project. I am trying to establish what this program might cost if we look into the future.

Mr. HUTCHINSON. Sir, I am trying to make the point that on things like the construction of runways at an airport you can fix a termination—

Mr. PASSMAN. Tell us one other in particular.

Mr. HUTCHINSON. Sir, may I finish my statement?

Mr. PASSMAN. Go ahead.

Mr. HUTCHINSON. This is quite different from a situation in which you are working in agricultural extension. When have you completed your agricultural extension work? This is something that could go on indefinitely. You have to reach a judgment at some point in time that you have accomplished the basic purposes and it is time to stop. But to give you, in advance, a specific termination date and an amount of money for carrying that kind of a project through to completion is impossible Now——

PROJECTS WITH NO COMPLETION ESTIMATE

Mr. PASSMAN. For education you are asking $4,773,000 for fiscal 1963?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. You could not tell us the estimated cost to complete this project, or projects, in the field of education at this time?

Mr. HUTCHINSON. That is correct.

Mr. PASSMAN. You are asking, for Government management, $——— for fiscal 1963?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Could you tell us what the ultimate cost may be to bring this project to completion?

Mr. HUTCHINSON. The same answer, sir.

Mr. PASSMAN. The regional (interior) development, $2,140,000 for fiscal 1963. Could you give us an indication of what the total cost will be to complete that project?

Mr. HUTCHINSON. No, sir.

Mr. PASSMAN. Health, $312,000. Could you give us an estimate of what it might cost to complete that project?

Mr. HUTCHINSON. No, sir.

Mr. PASSMAN. Technical support, $40,000 in fiscal 1963. Could you indicate to the committee what the cost will be to complete that project?

Mr. HUTCHINSON. Sir, this is not a project. This is support associated with the entire program which is being carried on within the country, and it will continue as long as there is a program within the country. The amount of it will vary from year to year in accordance with the type and size of the program being carried on.

Mr. PASSMAN. So, the same answer as to the others. Is that right, sir?

Mr. HUTCHINSON. Yes, sir.

TERMINATING PROJECTS

Mr. PASSMAN. Terminating activities, $642,000. Could you give us an estimate of the completion of that?

Mr. HUTCHINSON. This should be $642,000, sir. These are activities that we are expecting to be terminated within the fiscal year.

Mr. PASSMAN. Would you give us a list of the activities being terminated with the $642,000, and state whether or not you are starting new activities in the same fields as the ones you are terminating?

Mr. HUTCHINSON. We will give you such a list, sir.

(The information requested follows:)

TERMINATING ACTIVITIES AND NEW ACTIVITIES IN SAME FIELDS—LIBERIA

The figures for terminating activities and technical support, shown on table II, page 378 of the congressional presentation, were inadvertently transposed. Terminating activities actually amount to $40,000, and technical support to $642,000. The $40,000 is for a single transportation project, Robertsfield modernization. No new project in airport construction is contemplated.

The $40,000 listed for the transportation sector should be deleted, since it is actually the same $40,000 shown for terminating activities. The remaining figures on the table are correct, and add up to the $12 million shown as the total proposed for fiscal year 1963 development grant assistance in Liberia.

GOALS OF EDUCATION PROGRAM

Mr. ANDREWS. May I ask a question, Mr. Chairman?

Mr. Hutchinson, I assume that the ultimate hope or goal is to bring up the literacy rate in Liberia from the present 5 percent, as shown on page 131, to 100 percent. Is that right?

Mr. HUTCHINSON. No, sir.

Mr. ANDREWS. How far would you hope to bring it up?

Mr. HUTCHINSON. I would say, sir, that our basic objective should not be directed toward the literacy rate as such, but should be directed

more toward developing skills and specialties and toward the development of a certain core of educated people who could be called upon.

Mr. ANDREWS. The chairman was asking you about how much the educational program would cost and when it would end, and you were unable to give him an answer to either one of those questions.

Mr. HUTCHINSON. Right.

Mr. ANDREWS. My point is this: If you are going in with an educational program and your ultimate goal is to educate the people there or stay there with that program until the job has been accomplished, and you have a present rate of literacy of 5 percent in the country, then we are in this program for a long, long time, and the cost will be terrific.

Mr. HUTCHINSON. Sir, I would certainly agree that we are going to be in this program a long time, and the cost is going to be high.

Mr. ANDREWS. You answered my question.

Mr. HUTCHINSON. I would like to say one thing with respect to your question, though. You have touched on a point here that troubles us all. We do feel definitely the need of standards of when have you accomplished an objective in the field of education. It is something we have been struggling with for a long time, and no one yet has come up with anything very definitive. I certainly agree with your basic point that we probably ought to try to establish more explicitly and definitively what the objective is.

Mr. ANDREWS. It looks to me you will be in this forever——

Mr. HUTCHINSON. Certainly not forever, sir.

Mr. ANDREWS. If your ultimate goal is to try to give them an educational program——

Mr. HUTCHINSON. I think, sir, what I would like to establish as our goal in Liberia really is to get a system established there which we think they are effectively able to operate and which they themselves can eventually bring to a situation where they can bring these people up.

Mr. ANDREWS. Have you any opinion as to how long it will take to do that?

Mr. HUTCHINSON. It will take many years.

Mr. ANDREWS. Many years. That answers my question.

Mr. PASSMAN. May I say to the gentleman from Alabama, I do not think you need to worry a great deal, because we are going to be run out of a lot of these nations. The nations we help the most, rather than the actual old-line civilized nations, are kicking us the hardest in the teeth. You see what happened in Iran; and, look at Peru; and in Laos. Around the world, the record is clear that those nations which have fallen by the wayside had a larger per capita assistance program than some of the others. There is no indication that all the money you have given has changed the internal situation one iota. When they get ready to take a Sherman tank and run through a wall, and a president or some prime minister is overthrown, we go back in with even a bigger aid program.

I think the economic situation in our own country and our situation in the balance-of-payments deficits and the shrinking gold reserves will reduce this program before this bill we are considering, appropriationwise, ever becomes law.

LOAN APPLICATIONS FOR SCHOOL CONSTRUCTION

Have you any development credit applications pending for school construction?

Mr. HUTCHINSON. I do not believe we have any applications pending for school construction, sir. We have ourselves taken the initiative in this respect, and have begun discussions with the Liberians as well as a number of other countries, to transfer the financing of the capital items in fields like education and health from the grant component to the loan component. There have been a number of reasons for this.

Mr. PASSMAN. Give us some answers, and when we get through we will give you all the time you need to summarize.

Have you any development loan applications pending for new school construction at this time?

Mr. HUTCHINSON. Not to my knowledge, sir, but I wanted you to know that we are considering loans for school construction.

Mr. PASSMAN. That was my next question, and you have answered it.

INDUSTRIAL AND MINERAL DEVELOPMENT PROJECT

Last year you requested $10,000 for the Industrial and Mineral Development project, and a footnote indicated that the obligations for the project in fiscal 1961 "incorporates Bureau of Natural Resources."

In justification of the project last year, you stated that "the Bureau of Natural Resources does not have sufficient well-trained personnel." This year we do not have an Industrial and Mineral Development project, but there is now a Bureau of Natural Resources project (page 387), and in justification of the project you state: "The Bureau now has a good nucleus of technical and professionally qualified staff," and you want $524,000 to finance the project for fiscal 1963.

Would you comment on this?

Mr. HUTCHINSON. I am not familiar with the testimony which was given last year.

Mr. PASSMAN. Page 387 is the one from which we are reading.

CONTRACT FOR SCHOOL FURNITURE

Mr. ALEXANDER. May I ask this question?

Mr. PASSMAN. Surely.

Mr. ALEXANDER. Mr. Hutchinson, with regard to the educational program, the point was brought up the other day with regard to Liberia that there was a contract with the brother of the President of Liberia, which it was intimated was exorbitant, for school furniture. You were going to check on this. What is the situation in regard to that?

Mr. HUTCHINSON. We sent a cable to the field asking them about the situation, and received a reply back saying that they had no knowledge of any such contract with the President's brother, but would investigate further. We sent a followup cable out to the field asking them to follow up further and specifically to find out to whom the contract had in fact been let. When we get that information, we will submit that.

Mr. PASSMAN. For Mr. Hutchinson's information—he is certainly entitled to it—let us run the reference with respect to what I just indicated they said last year and what is proposed this year. There is certainly a discrepancy there, and we are trying to pin it down. We want you to see what was said and give us some brief explanation as to why it is different from what was indicated last year.

Mr. HUTCHINSON. I will loook up this point.

(Brief recess.)

Mr. PASSMAN. Did you have an opportunity to read the record about the question, sir?

Mr. HUTCHINSON. I did, sir.

Mr. PASSMAN. Will you make a statement on it?

Mr. HUTCHINSON. Yes, sir; I shall be glad to.

PERSONNEL TRAINING IN BUREAU OF NATURAL RESOURCES

The material submitted last year says that the Bureau of Natural Resources does not have sufficient well-trained personnel.

The material this year says:

> The Bureau and the Government of Liberia have, over the years, trained a number of Liberians abroad so that the Bureau now has a good nucleus of technical and professional qualified staff in Monrovia or scheduled to return from training.

This seems to me to be perfectly straightforward testimony. The first statement said they did not have sufficient well-trained personnel. There is no testimony in the statement this year that they have sufficient well-trained personnel. It is testimony to the effect that over the years they have trained a number so that with those who are trained and those who will return they will have a good nucleus of qualified staff. I see nothing that is contradictory in the two statements at all.

Mr. PASSMAN. It is just a matter of opinion. I see a conflict in the two. But both are in the record.

What project are we actually financing in this field?

Mr. HUTCHINSON. The Bureau of Natural Resources.

CONSOLIDATION OF PROJECTS

Mr. PASSMAN. What is the industrial and mineral development? You have two projects under two different numbers. Last year, on page 85, you had industrial and mineral development, which abolished or incorporated the Bureau of Natural Resources. That was No. 669–29–070. This year you have a Bureau of Natural Resources, and the number is 669–Q–29–AB.

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Is this a new bureau?

Mr. HUTCHINSON. I do not know that this is a new bureau that has been established, sir. This has been a consolidation of projects into a single project to get more unified direction. I do not know that there has been a new bureau established in Liberia.

Mr. PASSMAN. We looked last year, and we found industrial and mineral development, and you give a number, and down at the bottom the footnote says "incorporates Bureau of Natural Resources." Then

we come into this year, and we find you are asking funds for a Bureau of Natural Resources and there is no project continued for industrial and mineral development.

Mr. HUTCHINSON. I do not know what the footnote refers to when it says "incorporates the Bureau of Natural Resources." Do you, Bob?

Mr. MOSSLER. I think what happened was that in 1961 the project was called the Bureau of Natural Resources. In 1962 we were concentrating on a small segment of it and it was titled "Industrial and Mineral Development." And this year the Bureau of Natural Resources project does pick up the project for industrial and mineral development.

Mr. PASSMAN. And it is consolidated with the Bureau of Natural Resources?

Mr. MOSSLER. The title line that is shown on page 387——

Mr. PASSMAN. Will you just answer a simple question? How can the committee keep track of these projects where you change the title without giving any explanation on your following year's justifications?

Mr. MOSSLER. I think we should have had a footnote on this project sheet.

Mr. PASSMAN. Thank you.

PROJECT OBLIGATIONS

What were your expenditures prior to consolidation?

Mr. MOSSLER. We had obligated $13,000.

Mr. PASSMAN. Is it going to be necessary to spend the $13,000, as it is either a consolidated or abolished project?

Mr. HUTCHINSON. On the consolidated project I am sure we would go forward with the obligations that had already been incurred. The fact they have been consolidated under a single project does not mean we have changed our objective.

Mr. PASSMAN. How could you get the nucleus of an organization when you did not liquidate any funds?

Mr. MOSSLER. Mr. Chairman, we had this unliquidated as of June 30, 1961. We do not yet have the expenditures that have taken place on this project in 1962.

Mr. PASSMAN. You had to create this nucleus. How did you do that when you did not liquidate any funds? You do not show where you spent any money to create that nucleus.

Mr. HUTCHINSON. You will note the justifications for 1963 say that the Bureau and the Government of Liberia have trained a number of Liberians abroad. It does not say we have trained a number of Liberians abroad.

Mr. PASSMAN. Would it not appear, then, if the Government of Liberia has trained them that they would not need our assistance, since they are capable of doing it?

Mr. HUTCHINSON. Sir, the fact they have done something does not mean they do not need assistance.

GOVERNMENT REORGANIZATION, MANAGEMENT DEVELOPMENT PROJECT

Mr. PASSMAN. What has been the total cost to date on the Government reorganization, management development project?

Mr. HUTCHINSON. What have been the obligations to date did you say, sir?

Mr. PASSMAN. Give us the obligations.

Mr. HUTCHINSON. The obligations to June 30, 1961, were $1,805,000. Again we do not have the obligations by project to date. We do have the estimated obligation for fiscal 1962 of $1,621,000, which would give a total of $3,426,000 anticipated obligations.

Mr. PASSMAN. What is the estimate for fiscal 1963 on this project?

Mr. HUTCHINSON. $2,545,000, sir.

Mr. PASSMAN. Is that the one you testified to earlier that you could not give an estimate of the completion cost?

Mr. HUTCHINSON. This is one of the ones; yes, sir.

COSTS OF CONTRACT AND DIRECT-HIRE TECHNICIANS

Mr. PASSMAN. What is the proposed cost of the 40 direct-hire technicians?

Mr. HUTCHINSON. It is $1,098,000, sir.

Mr. PASSMAN. Could you give us a brief statement as to why you need $946,000 for contract services? That would be 15 technicians in addition to the proposed 40 technicians, as we read the justifications.

Mr. HUTCHINSON. I do not see the 15 technicians that you refer to, sir.

Mr. PASSMAN. You have two categories. You have contract services which includes 15 technicians.

Mr. HUTCHINSON. Oh, yes; that is correct—15 technicians under the 2 contracts.

Mr. PASSMAN. And you have 40 direct-hire technicians.

Mr. HUTCHINSON. I see. The 10 and the 5; yes.

Mr. PASSMAN. What is the average cost per U.S. technician?

Mr. HUTCHINSON. Just over $30,000; about $31,500.

Mr. PASSMAN. How much?

Mr. HUTCHINSON. Fifteen technicians for 2 years. If I divide $946,000 by 30 I get about $31,500.

Mr. PASSMAN. That is on the contract, the 15 technicians; is that correct?

Mr. HUTCHINSON. There are two contracts; yes.

Mr. PASSMAN. I am looking at the $946,000.

Mr. HUTCHINSON. That is what I am looking at, sir.

Mr. PASSMAN. What is that figure per technician?

Mr. HUTCHINSON. It figures, as I get it, about $31,500.

Mr. PASSMAN. Per year?

Mr. HUTCHINSON. Per year.

Mr. PASSMAN. Now, the U.S. technicians. What is that cost?

Mr. HUTCHINSON. That is just over $25,000 per technician. This figure, I think I should point out, is a little higher than the average we normally have for U.S. technicians and I would say two things about it. First, Liberia is a very high cost country so far as living and other costs are concerned. The per diem in the country is one of the

highest. They get $29 a day per diem visiting in Liberia because the cost is so high. This is one reason the cost is as high as it is here.

Secondly, I should indicate I think we should look at the actual cost before we obligate it. It looks a little high to me.

DEVELOPMENT PLANNING AGENCY

Mr. PASSMAN. For what purpose did you obligate the $130,000 for the Development Planning Agency project in fiscal 1962?

Mr. HUTCHINSON. What page, sir?

Mr. PASSMAN. Page 390.

Mr. HUTCHINSON. For 1962 we are talking about now?

Mr. PASSMAN. Yes, sir.

Mr. HUTCHINSON. I am not sure what the fiscal 1962 obligation would have been incurred for, sir.

Mr. PASSMAN. You have unliquidated, of the $130,000, $100,000, do you not?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. What amount are you asking for this project for fiscal year 1963?

Mr. HUTCHINSON. $478,000, sir.

Mr. PASSMAN. That is approximately a 400-percent increase?

Mr. HUTCHINSON. Yes, sir.

REGIONAL AREA DEVELOPMENT PROJECT

Mr. PASSMAN. What is the proposed cost of the 25 U.S. technicians you contemplate for the regional area development project?

Mr. HUTCHINSON. This is shown as $782,000, sir. This, I would also point out, seems to me to be on the high side.

Mr. PASSMAN. What would be the average?

Mr. HUTCHINSON. The average would be a little over $31,000.

Mr. PASSMAN. These are estimates?

Mr. HUTCHINSON. These are estimates and I think that estimate is high, sir.

Mr. PASSMAN. You also have contract services, $870,000?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. How many technicians are under that heading?

Mr. HUTCHINSON. This is a contract for the construction of roads, the local fishponds, and some medical facilities and assistance to the rural elementary schools.

Mr. PASSMAN. Is this all on paper or are we getting some tangible assets we can see?

Mr. HUTCHINSON. This will be actual construction.

Mr. PASSMAN. All of the $870,000?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. Is that a contract let to one company or broken down into several contracts?

Mr. HUTCHINSON. There will be a number, sir.

Mr. PASSMAN. What is the anticipated cost to complete this project?

Mr. HUTCHINSON. Sir, this is a project for bringing the Government services out to the interior of Liberia. It could continue for quite a long time. I do not know what the estimated cost of completion would be.

COMMODITY PROCUREMENT COSTS

Mr. PASSMAN. What is the cost of the vehicles in connection with the project?

Mr. HUTCHINSON. The what, sir?

Mr. PASSMAN. Vehicles—automobiles, jeeps, bicycles, whatever you may use?

Mr. HUTCHINSON. I notice it is a part of the commodities component, sir, but I do not have the break on the vehicles.

Mr. PASSMAN. You do not have the breakdown on the commodities?

Mr. HUTCHINSON. No, sir.

PREERADICATION OF MALARIA

Mr. PASSMAN. In connection with the preeradication of Malaria project, how much has been spent by other agencies?

Mr. HUTCHINSON. By other agencies, sir, you mean the World Health Organization or such organization as that?

Mr. PASSMAN. Yes.

Mr. HUTCHINSON. I do not have the data as to what has been spent by other agencies on the project.

Mr. PASSMAN. Do you have the estimated completion cost on that project?

Mr. HUTCHINSON. No, sir.

PARTICIPANT TRAINING COSTS

Mr. PASSMAN. Why should the four participants cost $28,000?

Mr. HUTCHINSON. Sir, the participants are people, as you know, that we bring to the States or send to other countries. They are not people employed on the project.

Mr. PASSMAN. Do you know whether the four participants are being brought to the United States or sent to a third country?

Mr. HUTCHINSON. I would have to check. We frequently send participants on malaria eradication to Jamaica for training. I do not know if they are going there or coming here.

Mr. PASSMAN. The cost is $7,000 each?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. How does that compare with other participants?

Mr. HUTCHINSON. It is a little on the high side.

Mr. PASSMAN. Why?

Mr. HUTCHINSON. I am not sure myself. This is one of the things we have to examine. As we have seen, the participant and technician costs on this project average higher than in other places.

Mr. MOSSLER. I might also add that the participant cost varies depending on the length of time of the participant's stay.

Mr. HUTCHINSON. That is right, and we may find some cost to bring participants home in a particular year. But we do want to take a further look at those costs.

DELAYS IN ROBERTS FIELD PROJECT COMPLETION

Mr. PASSMAN. Why did you not complete the Roberts Field project in 1962, as you planned?

Mr. HUTCHINSON. I understand there were some difficulties in connection with the work that the contractor is doing there, but I am not familiar with those. I could check with the engineer and see what the difficulties are.

Mr. PASSMAN. You did have funds allotted in 1962 to bring it to completion, did you not?

Mr. HUTCHINSON. We had $40,000 that we are obligating in 1962. I had not understood that the $40,000 was expected to complete the project, but that might well be the case.

Mr. PASSMAN. Let us see.

You asked for $40,000 last year to complete the project. You obligated $40,000. But now you are asking for another $40,000 for fiscal 1963 to add to the $40,000 we gave you in 1962 to complete the project. Is that correct?

Mr. HUTCHINSON. That is correct, sir.

SAWMILL LOAN

Mr. PASSMAN. In connection with the sawmill loan from the Development Loan Fund, why was this loan approved when there was no qualified personnel available to operate the mill?

Mr. HUTCHINSON. You see, it was approved some time ago and it was expected they would be able to bring in qualified personnel from the outside to operate it. They have had a number of difficulties with this mill and we are not sure that we are going to continue any further disbursement on the loan.

Mr. PASSMAN. What amount have you disbursed on the loan so far?

Mr. HUTCHINSON. It has been a considerable amount; $164,000, sir.

Mr. PASSMAN. Is that not a clear indication that you rush into these projects without going far enough into them, and that if you had gone far enough into this project we would have saved this money?

Mr. HUTCHINSON. It could be true, sir, that this project is one that perhaps some more judgment might have been in order. I will say, however, that the number of loans out of the total that are in this type of difficulty is small, and I think we have to anticipate that there will be cases when the management does not pan out.

Mr. PASSMAN. In Formosa the sawmill project did not fit the occasion, either. I do not know if they tore it down and sold it for scrap or what they did with it.

Mr. HUTCHINSON. Sawmill projects have been very difficult to bring to successful conclusion.

Mr. PASSMAN. There would not be any reason why this could not have been well planned. The question is whether time will not prove other projects are as poorly planned.

Mr. HUTCHINSON. I think this is a case where they did not in fact obtain the management that it was expected would be obtained.

Mr. PASSMAN. The fact remains we made the loan to start the sawmill without being given assurances they would have the personnel to operate it.

Mr. HUTCHINSON. I am sure, sir, steps were taken to secure such assurances.

TELECOMMUNICATION LOAN

Mr. PASSMAN. You had a telecommunication loan firmed up as a sound loan, and at a subsequent date you had to come back for a supplemental appropriation. Can you tell us the amount of the originally approved loan and the amount of the supplemental request?

Mr. HUTCHINSON. The amount of the original loan, sir, was $3 million. I am missing your point about the supplemental request.

Mr. PASSMAN. We shall ask the Controller to give us a little history on the 1959 supplemental. Are you familiar with it, the DLF?

Mr. TENNANT. Supplemental?

Mr. PASSMAN. Yes.

Mr. TENNANT. There was a supplemental appropriation, but I do not know how it affects this particular loan.

Mr. PASSMAN. I believe you had a supplemental for this particular item, did you not?

Mr. TENNANT. In our prior books there was the same figure.

Mr. PASSMAN. Mr. Gary?

NUMBER AND NATURE OF PROJECTS IN LIBERIA

Mr. GARY. How many projects do you have in Liberia altogether, separate projects?

Mr. MOSSLER. For 1963 the book calls for 15 projects, sir.

Mr. GARY. Will you list those for us?

Mr. MOSSLER. Yes, sir.

PARAMEDICAL TRAINING

We have paramedical training.

Mr. GARY. That is one?

Mr. MOSSLER. Yes.

Mr. GARY. What is the purpose of that project?

Mr. HUTCHINSON. Sir, this is to train people below the medical doctor level in treatment techniques, some practical nursing techniques, laboratory technicians, and people of this sort.

Mr. GARY. Have you engaged a contractor for this project?

Mr. HUTCHINSON. I believe we do have a contractor for it. Yes, the University of Cincinnati has been engaged for the project. The agreement for the employment was in fiscal 1961.

Mr. GARY. And what is the estimated cost of that project for 1963?

Mr. HUTCHINSON. $726,000, sir.

VOCATIONAL EDUCATION

Mr. GARY. What is the next one?

Mr. MOSSLER. Vocational education.

Mr. GARY. What kind of vocational education are you specializing in on that project?

Mr. HUTCHINSON. This project, sir, is basically aimed at producing vocational education teachers of practical arts, shopwork, and that sort of thing.

Mr. GARY. Do you have a contractor on that?

Mr. HUTCHINSON. No, sir; we do not have a contractor on this project. We have direct-hire technicians working on it and we are bringing a few people on the staff to the United States for training. Five are anticipated.

Mr. GARY. What is your estimated cost on that?

Mr. HUTCHINSON. $400,000 in 1963, sir.

Mr. GARY. Let me ask this general question: You have other educational programs?

Mr. HUTCHINSON. Yes, sir.

Mr. GARY. Go ahead; what is the next project?

RURAL TEACHER TRAINING

Mr. MOSSLER. Rural teacher training, for which the estimate for 1963 is $1,300,000.

Mr. GARY. What is the purpose of that program?

Mr. HUTCHINSON. This is to train the teachers for the rural schools. The Government has not done much in the past in connection with educating the people in the rural areas. They are now moving in the field and we are assisting them with the establishment of a number—we anticipate three—rural teacher education institutes. One is already underway with a contract with Tuskegee Institute.

Mr. GARY. You have one contract wtih Tuskegee Institute on that?

Mr. HUTCHINSON. That is right.

Mr. GARY. What percentage of your educational programs are aimed at training teachers who can then teach the people, as opposed to direct pupil education?

Mr. HUTCHINSON. I have not made an exact analysis of that, sir.

Mr. GARY. That is a general question, not limited to Liberia but in general. Is most of your educational activity in training teachers or in training students?

Mr. HUTCHINSON. Insofar as the training aspects of our efforts are concerned in the straight educational field, they are directed more to training the teachers. We do have projects where we are training people in particular trades where the reverse would be the case.

Mr. GARY. But could you give an estimate of the percentage of your educational program generally that deals with the training of teachers?

Mr. HUTCHINSON. We may have figures on teacher training as such. I am hesitating a little to give a percentage because of our definitional problem. We do not know whether to call people engaged in agricultural services, for example, as educational services or not.

Mr. GARY. I understand that, but I am trying to get a general idea.

Mr. HUTCHINSON. Our emphasis so far as straight education is concerned is on the training of teachers.

Mr. GARY. Would you say over 50 percent of it is?

Mr. HUTCHINSON. If you take out construction cost, I would say 50 percent of it is; yes, sir.

Mr. PASSMAN. What is your next project?

MONROVIA CONSOLIDATED SCHOOLS

Mr. MOSSLER. "Monrovia consolidated schools," for which the estimate for 1963 is $1,576,000.

Mr. GARY. What is the purpose of that project?

Mr. HUTCHINSON. This is to establish a consolidated school system in the city of Monrovia. The system has never been too good and now the problem is compounded by the fact so many people have been coming in from the rural areas that their educational problem is getting quite severe. We anticipate to establish one consolidated school system and assist in the construction of elementary school buildings and then one junior high and one high school.

Mr. GARY. When you say "assist" is that construction cost?

Mr. HUTCHINSON. Part is construction cost.

Mr. GARY. What percentage of the construction cost are we going to bear as compared to what they will bear?

Mr. HUTCHINSON. I think we are bearing in this particular case about 80 percent of the construction cost, or 75 percent, in any event.

Mr. GARY. What contractors are engaged on that project, if any?

Mr. HUTCHINSON. We do have a contract insofar as the training and organization of the system and oversight is concerned with a university, the San Francisco State College.

Mr. GARY. What is the next project?

PROFESSIONAL AND HIGHER EDUCATION

Mr. MOSSLER. "Professional and higher education," the estimate for 1963 being $651,000.

Mr. GARY. What is the purpose of that project?

Mr. HUTCHINSON. This project, sir, is directed toward training teachers at the college level. I do not mean college teachers, but college level training for teachers, both through the University of Liberia and Cuttington College. There is a Cornell University contract anticipated.

Mr. GARY. What is the next project?

PUBLIC SAFETY TRAINING

Mr. MOSSLER. "Public safety training," for which $120,000 is estimated for 1963.

Mr. GARY. What is the purpose of that project?

Mr. HUTCHINSON. This is designed to train their local police forces in connection with their normal police functions—port security, riot control, and this sort of activity. We have provided them with equipment and we have four technicians working with them on police procedures.

Mr. GARY. Those are technicians directly employed by you?

Mr. HUTCHINSON. Yes.

Mr. GARY. What is the next project?

LIBERIAN DEVELOPMENT CORPORATION

Mr. MOSSLER. "Liberian Development Corporation," for which the estimate was $460,000.

Mr. HUTCHINSON. But we have moved the financing substantially in 1962 rather than 1963.

Mr. GARY. What is the purpose of that project?

Mr. HUTCHINSON. The purpose is to help the newly established Development Bank in Liberia which has been set up to make loans to small private industry in Liberia in management techniques, how to go about their business, and this sort of thing. A contract has been signed with the Checchi Co., on this.

Mr. GARY. What kind of company is this?

Mr. HUTCHINSON. It is a company which specializes in this kind of work. Its head offices are in Washington. It has been in this field a long time. We promised the chairman we would supply information on the company, but I know it is a first-line company.

Mr. GARY. I do not want to duplicate anything already in the record. I merely want to get the projects listed in an orderly fashion.

BUREAU OF NATURAL RESOURCES

Mr. MOSSLER. The next is the Bureau of Natural Resources, for which we estimate $524,000 for 1963.

Mr. GARY. What is the purpose of that project?

Mr. HUTCHINSON. This is to develop in the Government of Liberia the necessary administrative and technical abilities and competencies to obtain and evaluate the data relative to their natural resources, especially their mineral resources, which are very rich, and also to assist them in some of the work in connection with geological maps and surveys of the type that a Bureau of Natural Resources would be concerned with.

Mr. GARY. Is that being done under contract or with technicians you employ?

Mr. HUTCHINSON. We expect to have contract technicians on this job, sir, or we do have contract technicians on this job. I do not see the information as to whom the contract is with. For 1963 we expect to have contract technicians. We have not yet selected a contractor.

Mr. GARY. What is the next project?

GOVERNMENT REORGANIZATION, MANAGEMENT DEVELOPMENT

Mr. MOSSLER. Government Reorganization, Management Development, the estimate being $2,545,000 for 1963.

Mr. GARY. What is the purpose of that project?

Mr. HUTCHINSON. This represents a consolidation of quite a number of activities that have been going on in the field of public administration in Liberia in the past. It is one of the major programs we are emphasizing to try to get their whole Government structure better organized, directed, and their procedures better worked out. The first emphasis is in connection with their financial and budgetary procedures. We are working with the Ministry of Finance in connection with that.

The second emphasis is with the Ministry of Public Works because so much of the activities going on are of a public works nature, and we have an engineer to train them not only in the organization and procedures in the public works field but also in the actual techniques of road work, public buildings, and that sort of thing.

We are also concentrating in the Ministry of Education since we feel this is a high-priority activity in Liberia. We do have some contract technicians in services that are intended to be used there too. We have a contract already in existence with the Public Administration Services in Chicago.

Mr. GARY. Who is that contractor?

Mr. HUTCHINSON. This is probably the oldest firm in the field of public administration services. They have had many, many years of experience in working with State and local governments and the U.S. Government.

Mr. GARY. What is the name of the firm?

Mr. HUTCHINSON. Public Administration Services, PAS.

Mr. GARY. That is the setup that the Rockefeller Foundation started out there?

Mr. HUTCHINSON. I am not sure about that.

Mr. GARY. But they have in that organization the Association of City Managers and various Government organizations?

Mr. HUTCHINSON. Yes.

Mr. GARY. I worked with that organization myself, or had an indirect connection with them through the then American Legislators' Association, which finally developed into the Council of Governors, which was headed up by a very close personal friend and former neighbor of mine, Frank Bane. I am familiar with that organization.

Mr. HUTCHINSON. They have been there for many, many years. Then the firm working in the field of public works is J. G. White Engineering Co.

Mr. TROXEL. May I add a footnote on this which I think may be of interest?

EMPHASIS ON DEVELOPMENT OF GOVERNMENT SERVICES

One reason for the heavy concentration in governmental services is that the Liberian Government is going to get very substantial revenues in not too many years from mineral resources, from iron ore particularly. There is one project, LAMCO, that is well advanced, and there are several others for which substantial financing has already been found, primarily in Europe, but also to some extent in the United States.

Our hope is that by helping the Liberian Government develop good financial procedures, and an institutional structure that makes sense, we will help it to make effective use of these revenues. While I suspect, as has been testified earlier, that we will have some kind of program in Liberia for quite a while, all of us are hopeful that we will be able to pare that program down substantially in not very many years when more of their own revenues start coming forward.

Of course, if they are not well prepared in the field of finance and administration to do a good job, then their income may not be used effectively. In effect, a lot of it might go down the drain. That is why we have this particular pattern in our program.

Mr. HUTCHINSON. I would only add to that that we think this is the single most important thing I think we are doing there for the long run. As a matter of fact, from the short time I have been associated with the program, it would be my judgment that this inability to have

adequate governmental organization procedure and structure has been the primary thing that has inhibited the development of those very rich resources which exist out there.

INFORMATION ON PROJECTS FOR 1963

Mr. GARY. We have a roll call here and we will have to answer the bells. Will you please insert in the record the same information that I have requested with respect to the 10 projects for the 5 remaining projects?

Mr. MOSSLER. Yes, sir.

(The information follows:)

INFORMATION ON FISCAL YEAR 1963 LIBERIAN PROJECTS

LIBERIAN DEVELOPMENT PLANNING AGENCY

The estimated cost for this project in fiscal year 1963 is $478,000. The purpose is to assist the recently established National Planning Agency to develop a planning process resulting in a set of national development goals and priorities, and to train Liberian personnel to administer the agency. The contractor selected to provide the assistance is Klein & Saks of Washington, D. C.

REGIONAL AREA DEVELOPMENT

The estimated 1963 cost of this project is $2,140,000. Its purpose is to assist the Government of Liberia in its efforts to extend rapidly essential Government services to the indigenous tribal people who make up the vast majority of the population. This project seeks to help assure that more of these people receive the benefits of basic Government services in the fields of education, health, agriculture, communications, and public works. Contracts for rural school and access road construction are planned, along with technical advice, training and commodity support.

PREERADICATION OF MALARIA

The fiscal year 1963 cost of this project is estimated at $312,000. The aims of the project are to control malaria in key development areas, and to provide the necessary training, survey work, and planning for undertaking a country-wide eradication program aimed at substantially reducing the presently high malaria rates in major towns and villages.

TECHNICAL SUPPORT

This project, estimated to cost $642,000 in fiscal year 1963, consists of general support activities required for successful implementation of various AID projects in Liberia.

ROBERTSFIELD MODERNIZATION

An estimated $40,000 of fiscal year 1963 funds is required for this project. The purpose is to rehabilitate and expand Robertsfield, the major airport in Liberia, to enable it to service the rapidly growing international air traffic. Two contractors are engaged in the project. The Vianini Co., an Italian firm operating in Liberia, is performing construction, and Airways Engineering Corp., Washington, D.C., is directing it.

ECONOMIC RESEARCH AND STATISTICS

The purpose of this project, for which $86,000 is estimated in fiscal year 1963, is to provide the statistical and analytical data required for development planning. The major fiscal year 1963 activity will be the tabulation and evaluation of the data just obtained from Liberia's first national population census. The U.S. Bureau of Census is providing personnel for this project.

Mr. PASSMAN. I am sure the gentleman would like to have this as a footnote to his examination. All of the projects on which you gave

Mr. Gary information were encompassed in page 378 under the seven project assistance by sectors; is that correct?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. All of those projects are encompassed in the sector projects, as testified to on page 378?

Mr. HUTCHINSON. Yes, sir. This represents the sector breakout of the projects.

Mr. PASSMAN. Of the projects you examined and on the projects he examined, you would have the same answer that you had on my project with respect to estimating the cost at completion? Would that be correct?

Mr. HUTCHINSON. That would be correct.

Mr. PASSMAN. Thank you. We shall recess until 2 o'clock this afternoon.

Mr. PASSMAN. The subcommittee will come to order.

LIBYA

Mr. PASSMAN. The next estimate we shall consider will be that for Libya.

When did this country gain its independence?

Mr. TROXEL. December 24, 1951, Mr. Chairman.

Mr. PASSMAN. From the time it gained its independence through fiscal year 1960 what was the total amount of our aid program?

Mr. MOSSLER. $94.1 million, sir.

Mr. PASSMAN. In all fields?

Mr. MOSSLER. All economic assistance, yes, sir.

Mr. PASSMAN. You have military assistance in addition to that?

Mr. MOSSLER. Yes, we do.

Mr. PASSMAN. My question would encompass all aid. Do you have it there?

Mr. MOSSLER. $3.4 million in military assistance through 1960.

Mr. PASSMAN. What was your grant aid program for 1961?

Mr. HUTCHINSON. $16.6 million for 1961.

Mr. PASSMAN. That is grant aid?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. In fiscal year 1962 you had a program of $———?

Mr. HUTCHINSON. Yes, sir. That was the program we contemplated.

(Off the record.)

Mr. PASSMAN. You request $——— for fiscal year 1963?

Mr. HUTCHINSON. Yes, sir.

STATUS OF LONG-RANGE DEVELOPMENT PROGRAM

Mr. PASSMAN. What is the status of Libya's long-range development program?

Mr. HUTCHINSON. Its long-range development program, sir, is really just beginning to get underway. There have been difficulties within the Libyan Government in addressing themselves to the problem. One of the things that we hope to do with the program that we were proposing for 1962, I think, and in 1963, is to assist them with some development planning. They have established, as a matter of

fact, a development council. We hope we can direct their efforts toward some longer range development planning because this is a country which has considerable natural resources, primarily in the form of oil and we would very much hope that they can begin to take over considerably more than they have done to date on some of the cost of their development program.

Mr. PASSMAN. Even so, the program for fiscal year 1963 will be———.

Mr. HUTCHINSON. (Off the record.)

BASE AGREEMENT IN LIBYA

Mr. PASSMAN. Page 133 of the justification indicates the United States agreed in 1960 to give Libya an annual cash grant of $10 million through fiscal year 1964 as quid pro quo for the use of the Wheelus Air Force Base; is that correct?

Mr. HUTCHINSON. $10 million for Wheelus Air Force Base, yes, sir, and there was also a provision for considering requests for assistance in connection with their development program.

Mr. PASSMAN. How much was the cash grant in fiscal year 1962, and what amount did you request of Congress last year for this purpose?

Mr. HUTCHINSON. The cash grant for fiscal year 1962, sir, from AID funds was $9 million. I think one million was provided from the Department of Defense funds. This, I think, was the total of the cash grant program; is that correct?

Mr. MOSSLER. Yes.

Mr. FORD. May I ask a question, Mr. Chairman?

Mr. PASSMAN. Yes, as soon as I cover this next question so it will be in sequence. I believe your book indicates $———, on page 399.

Mr. HUTCHINSON. The book does indicate $———, sir, but as I indicated in connection with your opening question——

Mr. PASSMAN. With our military putting up $1 million?

Mr. HUTCHINSON. This is my understanding.

Mr. PASSMAN. Which would bring it to the $10 million annual cash grant agreement previously entered into?

Mr. HUTCHINSON. That is correct, sir.

Mr. PASSMAN. So they are not getting less. They are merely getting it out of another appropriation?

Mr. HUTCHINSON. They have, as I understand it, been getting it out of the Defense appropriation.

Mr. TROXEL. That is correct. The earlier understanding was Defense would provide one million and AID would provide nine.

Mr. PASSMAN. If we had an agreement for $10 million and you had a record that the military had been putting up $1 million of the $10 million, whereas AID's contribution was $9 million so as to discharge our commitment, why did you indicate that you intended to program $——— out of AID?

Mr. HUTCHINSON. Sir, the book also indicates that the agreement with the Libyans in connection with the bases provides for the specific cash payment of the $10 million plus an agreement to give sympathetic consideration to Libya's economic needs by providing additional economic assistance, the magnitude and content of which would be determined each year.

We had expected that at the time this book was printed the best we could do in the negotiation on this score would be for $———.

Mr. PASSMAN. As it would apply to our contract, we agreed to give an annual cash grant of $10 million per year, with the military putting up $1 million and the AID program putting up $9 million? Is that correct so far?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. But you did, nonetheless, indicate in your book that you would obligate $———.

Mr. HUTCHINSON. That is correct, sir.

Mr. PASSMAN. Thank you, Mr. Ford; I yield to you.

Mr. FORD. This $1 million payment from the military comes from what source, from the military assistance funds or from the regular military operating budget?

Mr. HUTCHINSON. I do not know the answer to that question, sir. Perhaps some of the other witnesses do.

Mr. FORD. Off the record.

(Discussion off the record.)

Mr. FORD. Mr. Hutchinson, will you obtain from the Department of Defense a record of the payments by any one of the services to Libya for any agreement for the utilization of Wheelus Air Force Base?

Mr. HUTCHINSON. Yes, sir.

Mr. FORD. I want the amount on an annual basis and I want the source of the funds. I will also have the Defense Department give me a statement justifying payment from this source.

Mr. HUTCHINSON. We will be glad to obtain the information and supply it to you, sir.

Mr. FORD. I want it in the record.

Mr. HUTCHINSON. Yes, sir.

Mr. FORD. But I want a copy for my own personal information.

Mr. HUTCHINSON. Right, sir.

(The information was supplied to the committee.)

Mr. FORD. That is all.

Mr. PASSMAN. Here is a case where you justified to the Congress last year $9 million for this cash grant to Libya, but at a subsequent date, when printing your justifications as to actually what you did, you indicated an $——— contribution.

Mr. MOSSLER Mr. Chairman, last year in supporting assistance we requested $———.

Mr. PASSMAN. We are talking about strictly the cash transaction, which will be found on page 99 of last year's justifications, cash transactions, $9 million, and cash transactions here you show you will obligate $———. It is the same item. Am I correct?

Mr. HUTCHINSON. This is quite possibly true, sir.

Mr. PASSMAN. I do not want to prolong it. I just want you to verify it. If it is correct, we will move along.

Mr. HUTCHINSON. If you have the books we are perfectly willing to accept your statement.

Mr. MOSSLER. The one thing I would like to add, sir, is that we did have $9 million for cash grant, but even in our program of $——— here this year we ony expected $9 million of it to be for cash grant. We did not expect the additional $——— to be for cash grants.

Mr. PASSMAN. As far as your books are concerned you said transaction. That is all we have to go by.

Mr. HUTCHINSON. No, sir, we said supporting assistance.

Mr. PASSMAN. It says cash transactions, does it not? Did you break it apart in two different headings or is it all under the one item?

Mr. HUTCHINSON. You are right, sir, $———, but sir, as you know, these payments are subject to negotiation.

Mr. PASSMAN. I understand the policy.

Mr. HUTCHINSON. If, contrary to the expectation, when this book was printed——

Mr. PASSMAN. Nevertheless, had you gone through with what you said you were going to do when these books were printed it would have been $———.

FISCAL YEAR 1962 JUSTIFICATIONS FOR NEW PROJECTS

Page 135 indicates that you initiated 12 new projects in 1962; is that correct, sir?

Mr. HUTCHINSON. It says 12 new projects were established, yes, sir.

Mr. PASSMAN. Could you tell us where you have justified the funds for those 12 new projects last year? Are they listed anywhere in the justifications of last year?

Mr. MOSSLER. Last year's presentation, sir, only provided project data on continuing projects.

Mr. PASSMAN. So these were initiated out of 1962 funds without justifications as we think of justifications?

Mr. HUTCHINSON. Well, sir, as you know, my understanding is that the appropriation last year was justified to the Congress on the basis of listing continuing projects by geographic area and requesting a worldwide total for new projects without any project listing in support of them.

Mr. PASSMAN. Without even any country as to where the project would be initiated?

Mr. HUTCHINSON. This is my understanding of the way the 1962 program was presented to the Congress.

Mr. PASSMAN. I am not arguing.

Mr. HUTCHINSON. I am not, either.

Mr. PASSMAN. You started 12 new projects without justifying them to the Congress or to the committee?

Mr. HUTCHINSON. That is correct, yes, sir.

ESTIMATED PROJECT COMPLETION COSTS

Mr. PASSMAN. Could you tell us what the 12 new projects will cost when you project them to completion?

Mr. MOSSLER. Yes, I can.

Mr. PASSMAN. Identify the 12 separately and if you can, give us an estimate of the cost at completion.

We might expedite the hearings if I should ask the question in this basis: These new projects that you started would be encompassed in the project assistance by sector, on page 400; would they not?

Mr. MOSSLER. Yes, sir.

Mr. PASSMAN. They would be a part of the project assistance by sector as itemized on page 400?

Mr. HUTCHINSON. Unless they were completed in fiscal year 1962, sir, because this is a breakdown for fiscal year 1963 on page 400.

Mr. PASSMAN. It reverts back, then, to the prior question.

Mr. HUTCHINSON. We do not seem to have them broken down by the new projects started in fiscal year 1962, sir.

Mr. PASSMAN. On the 12 projects, if you cannot project the completion cost, could you tell us how much you allocated for them out of 1962 funds?

Mr. HUTCHINSON. Sir, I have not been able to identify from the book the 12 projects.

IDENTIFICATION OF PROJECTS INITIATED IN FISCAL YEAR 1962

Mr. MOSSLER. Mr. Chairman, I think I now have it here. The projects that we have listed, and I might say that some of these projects, although they have been given new scope, combine certain activities that were previously carried out under different project titles. The titles of the 12 projects are services to agriculture, improvement to educational services, improvement of higher education, improvement of vocational education, basic public health, environmental, sanitation, credit and cooperative institutions, assistance to Ministry of Industry, industrial development organization, national agriculture services, operational personnel development council, and training in economic policy and planning.

Mr. PASSMAN. Those are the 12?

Mr. MOSSLER. I believe those are the ones that I have here. I think that adds up to 12.

ESTIMATED OBLIGATIONS BY PROJECT

Mr. PASSMAN. Can you tell us the amount you have allocated to the 12 projects out of 1962 and prior year funds?

Mr. HUTCHINSON. Read them off and perhaps I can check them.

Mr. MOSSLER. Services to agriculture.

Mr. HUTCHINSON. Sir, this shows obligations through fiscal year 1961 of $5,887,000, with an estimate of $380,000 estimated for fiscal year 1962 and $518,000 estimated for fiscal year 1963.

Mr. PASSMAN. Is that the total or just one of the projects?

Mr. HUTCHINSON. This is the total of those projects that have been combined into the services to agriculture projects, sir.

Mr. PASSMAN. Do you have others, to make up the 12?

Mr. MOSSLER. Yes, improvement to educational services.

Mr. HUTCHINSON. This, sir, $1,235,000 to June 30, 1961, $109,000 estimate for fiscal year 1962, and $265,000 estimate for fiscal year 1963.

Mr. MOSSLER. Improvement of higher education.

Mr. HUTCHINSON. This is $817,000 through June 30, 1961, an estimate of $30,000 in fiscal year 1962 and $388,000 in fiscal year 1963.

Mr. PASSMAN. In the interest of time, insert the 1962 cost of the projects in the record.

Mr. HUTCHINSON. Yes, sir.

(The information requested follows:)

PROJECTS INITIATED IN FISCAL YEAR 1962—LIBYA

Following is a list of projects programed to begin in fiscal year 1962 and a breakdown of cumulative obligations by project. Also shown are the new titles of projects which include activities previously carried out under different project titles.

	Fiscal year 1961 and prior year obligations	Fiscal year 1962 obligations (estimated)	Fiscal year 1963 obligations (estimated)
Agricultural extension services	$1,960,000	$156,000	[1] $518,000
National agricultural services	3,927,000	224,000	
Credit and cooperative institutions		18,000	60,000
Assistance to Ministry of Industry		15,000	309,000
Industrial Development Organization		10,000	60,000
Improvement of educational services	1,235,000	109,000	265,000
Improvement of higher education	817,000	30,000	388,000
Improvement of vocational education	945,000	109,000	110,000
Environmental sanitation	1,575,000	45,000	[2] 402,000
Basic public health	601,000	101,000	
Operational Personnel-Development Council		197,000	[3] 427,000
Training in economic policy and planning		90,000	

[1] New title of project is "Services to agriculture."
[2] New title of project is "Public health and sanitation services."
[3] New title of project is "Assistance to Development Council."

FISCAL YEAR 1963 OBLIGATIONS BY SECTOR

Mr. PASSMAN. Moving in fiscal year 1962 for Libya, we have dispensed with certain detailed questioning in the past to get the project assistance by sector, so if we go to page 400, the sector assistance projects encompass all of the detailed projects in the following pages?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Under "Economic policy and planning" it would be $——— estimated for fiscal year 1963?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. The food and agricultural projects total, as would follow in detail, would be $———?

Mr. HUTCHINSON. That is correct, sir.

Mr. PASSMAN. Manufacturing would be $———?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Education would likewise encompass the detailed pages to follow and that would be $———?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Financial institution, $———?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Health, $———; public safety and security, $———; and technical support, $———?

Mr. HUTCHINSON. Yes, sir.

ESTMATED COMPLETION COSTS BY PROJECT

Mr. PASSMAN. Have you had an opportunity to evaluate these projects to the extent that you could project the estimated cost of completion by category?

Mr. HUTCHINSON. Sir, we could not make any attempt to estimate the cost to completion by category since it is the individual project that has the completion date.

Mr. PASSMAN. Have you made that same spread and estimate of the individual projects that make up the capital projects to which I have just referred?

Mr. HUTCHINSON. Capital projects, sir?

Mr. PASSMAN. We are using capital because you are consolidating. I will substitute the word "consolidate" for "capital." I am just trying to save time. Under "Education," for instance, $——— you have many segments; do you not?

Mr. HUTCHINSON. We have a number of projects.

Mr. PASSMAN. Under the $———?

Mr. HUTCHINSON. Yes, sir; we have more than one project under the $———.

Mr. PASSMAN. And you had to add up the detailed projects to arrive at the total of $———?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Could you project the cost of the total to completion?

Mr. HUTCHINSON. Sir, we could take it project by project rather than looking at it by sectors, but I can make a general statement with respect to our projections for Libya. We are projecting most of these projects to end by fiscal year 1967. The reason we are making this kind of a projection, sir, is that we do hope and expect that, first, their oil revenues will increase substantially over these years and they will be able to take these things over themselves; secondly, we hope that their own development planning and governmental activity in this field will also improve enough to permit us to be able to get out our projects over this period of time.

We have made these projections, sir, but they are related to developments in the Libyan economy which we prayerfully hope will take place.

Mr. PASSMAN. You would not hazard a guess as to what the total cost may be?

Mr. HUTCHINSON. We are guessing, sir, that we will complete these projects by fiscal year 1967.

Mr. PASSMAN. I did not say anything about when you would complete them. I was talking about cost.

Mr. HUTCHINSON. I can give you the figures, sir, that we have estimated would be required over these next 4 years.

Mr. PASSMAN. All right, sir, how much?

Mr. HUTCHINSON. I cannot give it to you by sector, sir. I will have to give it to you project by project.

Mr. PASSMAN. We would prefer to have it project by project. In this instance you can put it in the record.

(The information was supplied to the committee.)

DEVELOPMENT COUNCIL PROJECT

Mr. PASSMAN. Would you explain the $235,000 item for contractual services for the Development Council project?

Mr. HUTCHINSON. Sir, this is a project to assist the Libyan Government in doing the development planning which I earlier mentioned. In view of the fact that they are likely to be possessed of substantial oil revenues we want to help them get organized and trained whereby those revenues can be put to productive use. This is the basic pur-

pose, training the Development Council which has been organized for this purpose.

We expect to have direct hire technicians working full time with the Development Council in managerial fields and particular functional fields; that is, particular sectors of the economy.

We do not expect our own technicians to be working directly themselves in the field of national policy and overall economic planning, but expect to have that provided on a contract basis, which the Government of Libya will be perhaps entering into.

EDUCATION PROGRAM

Mr. PASSMAN. With further reference to the $——— for aid to education in Libya for fiscal year 1963, how much has been obilgated through fiscal year 1962 for this purpose?

Mr. HUTCHINSON. Which particular project did you have in mind, sir? We have several education projects and I was not able to identify it.

Mr. PASSMAN. I was trying to get the sector total again. That is quite all right. We will go into them individually.

How much has been obligated through fiscal year 1962 for the purpose that you are requesting the $——— for fiscal year 1963?

Mr. HUTCHINSON. Sir, I can give you the obligations by project through fiscal year 1961 for those projects falling in education.

Mr. PASSMAN. Insert that data in the record.

Can you give it to us for 1962?

(The information follows:)

Obligations through fiscal year 1961 in education sector; Libya

Cumulative obligations through fiscal year 1961 of projects continuing in fiscal year 1963 in the education sector are:

Improvement of educational services	$1,235,000
Improvement of higher education	817,000
Improvement of vocational education	945,000
Total	2,997,000

Mr. HUTCHINSON. I can give you the estimated obligations.

Mr. PASSMAN. What are the estimated obligations?

Mr. HUTCHINSON. It is $109,000 for the improvement of educational services, $30,000 for the improvement of higher education, it is $109,000 for improvement of vocational education.

There may well be other things within other projects which have been classified on a functional basis as education so I am not sure whether these totals will reconcile exactly with the figure for education that is shown in the book, sir.

Mr. PASSMAN. The three educational projects for fiscal year 1963 include four other projects that were terminated in fiscal year 1962?

Mr. MOSSLER. They do include projects that were blended in under this new umbrella; yes, sir.

Mr. PASSMAN. On page 410, you are requesting $60,000 to finance 10 Libyan students for graduate study in the United States.

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. In what field?

Mr. HUTCHINSON. I do not know, sir.

Mr. PASSMAN. How long has the vocational project mentioned on page 411 been in existence?

Mr. HUTCHINSON. It was begun in fiscal year 1952 apparently, sir.

Mr. PASSMAN. What has been the total expenditure through fiscal year 1961? What has been the obligation through fiscal year 1962?

Mr. HUTCHINSON. The obligations through fiscal year 1961, sir, have been $945,000 and we estimate obligations of $109,000 in fiscal year 1962.

Mr. PASSMAN. When will you be able to determine throughout your region, finally, as to the obligations by project for fiscal year 1962?

Mr. TENNANT. It will be around the end of the month, sir. The reports will come in toward the end of the month.

Mr. PASSMAN. The $50,000 requested for the vocational education project is a contingent request?

Mr. HUTCHINSON. Sir, the $50,000 request for vocational education. I am missing the figure, sir.

We mentioned that we would have $50,000 for 8 Libyan teachers going to Beirut for 1 year and 10 coming to the United States to vocational education.

Mr. PASSMAN. Is that item listed in our books?

Mr. HUTCHINSON. Yes, sir; I think you can see it on page 412.

Mr. PASSMAN. Is that not rather indefinite? It says:

Assuming that agreements can be reached on new objectives and approach, oversea training would be expanded with 8 Libyan teachers going to Beirut for 1 year and 10 going to the United States for vocational education.

That is why I asked the question if it was contingent upon some agreement yet to be entered into.

Mr. HUTCHINSON. Yes, because this is 1963 money that we are talking about and we would have to be able to get the agreement that we are talking about on the orientation of this program, sir, before we would be sending the participants.

Mr. PASSMAN. That is not the same formula that would apply to all these requests, is it?

Mr. HUTCHINSON. Sir, some of the requests have been developed to a point where we know quite well that we have agreement on the approaches to be used. In this particular case the $50,000 certainly would be contingent upon getting the agreements mentioned.

Mr. PASSMAN. Of course, some of these projects could be delayed if you did not have the money to obligate?

Mr. HUTCHINSON. If we did not have the money they certainly would be, sir.

Mr. PASSMAN. And we could still carry on a reasonable program, could we not?

Mr. HUTCHINSON. Sir, we always have to cut the program to fit the funds.

Mr. PASSMAN. And usually it is fit pretty well after the cutting. Would that be a statement of fact?

Mr. HUTCHINSON. Sir, I have not been involved in the program long enough to know what the relation between the estimated requirements and the funds made available is.

PUBLIC HEALTH PROGRAM

Mr. PASSMAN. How much money has been obligated through fiscal year 1962 for public health projects in Libya?

Mr. HUTCHINSON. Through fiscal year 1961, sir, $2,176,000 had been obligated and we anticipate obligations of $146,000 in 1962.

Mr. PASSMAN. Is that in accordance with the justifications last year?

Mr. HUTCHINSON. I would have to check the 1962 book, sir.

This apparently, sir, is one of the projects in which we have combined a number of the older projects so we are not able to break out what our 1962 justifications set out.

Mr. PASSMAN. What is the anticipated cost to complete this project by 1967?

Mr. HUTCHINSON. We are estimating at this moment, sir, about a million dollars.

Mr. PASSMAN. What will you have accomplished after it has been completed?

Do you have any building or permanent installations to show for the expenditure?

Mr. HUTCHINSON. No, sir, I do not think that there are any buildings or construction being financed under this project, sir. There will be some, perhaps, small domestic water supply systems as I see it, but I do not think there will be any significant capital construction involved in the project.

Mr. PASSMAN. What do you mean by the term "initial stocks," and what sum is budgeted for this purpose?

Mr. HUTCHINSON. Which project are you referring to, sir?

Mr. PASSMAN. In this public health field.

Mr. HUTCHINSON. Well, sir, we are referring to those supplies which are necessary to get an installation going. Whenever you establish a health center or training or nursing facility there are certain supplies of medicines or bandages and drugs that are required to get the project going in the first instance. This is what we mean when we speak of the initial stock.

Mr. PASSMAN. Do they have facilities, buildings, equipment, to utilize the pharmaceutical supplies you may make available?

Mr. HUTCHINSON. Yes, sir.

PUBLIC SAFETY PROJECT

Mr. PASSMAN. Page 415 indicates that you have obligated $1,290,000 to date for the public safety project. What will be the total cost to complete this project, and when do you contemplate completing it?

Mr. HUTCHINSON. Again, that has the fiscal year 1967 terminal date that we earlier mentioned and our estimate is $——— to carry it through that far.

Mr. PASSMAN. An additional $———?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. What amount have you obligated to date?

Mr. HUTCHINSON. Through fiscal year 1961, $1,196,000, with an estimate of $94,000 in fiscal year 1962.

Mr. PASSMAN. Could you tell us the amount of unliquidated funds to the credit of this project as of the last accounting, and give the date?

Mr. HUTCHINSON. I think maybe we can, sir.

Mr. MOSSLER. As of the end of March 1962, from funds obligated before 1962, we had $238,000 unliquidated.

Mr. PASSMAN. Whatever you expected to accomplish, if anything, has been substantially accomplished, because your expenditures, as applied to the total cost, would be about 70 percent liquidated; would they not?

Mr. HUTCHINSON. This is true insofar as the liquidation is concerned, sir, but this project is one of supplying technicians and funding participants, on which you liquidate your obligation very quickly, but they are also programs which continue from year to year. The fact that your obligation is liquidated quickly does not mean that your program has been completed.

Mr. PASSMAN. I do not think I intended to imply that I thought it would be completed, but of the total cost from the inception of the project, projected to completion, about 70 percent of the expenditures would already have been made, would they not, yet it is to run to 1967?

Mr. HUTCHINSON. This is correct, sir.

Mr. PASSMAN. So the objectives to a very large extent have already been met?

Mr. HUTCHINSON. Certainly we expect the rate of obligation to be considerably less in subsequent years, averaging about $——— a year. The project started in fiscal 1957, and through fiscal 1961 the obligations have totaled almost $1,200,000, which is an average of from $200,000 to $300,000. We are leveling off the activities.

Mr. PASSMAN. I mentioned the word "unliquidated," still to the credit of the project.

TECHNICAL SUPPORT

Last year you requested $648,000 for the technical support projects for fiscal 1962?

Mr. HUTCHINSON. $648,000; yes, sir.

Mr. PASSMAN. How much did you obligate for this purpose out of fiscal 1962 funds?

Mr. HUTCHINSON. Sir, we have a program approval of $———. We do not know how much has been obligated. I would assume practically all of it.

I am sorry. I gave the 1963 figure. I beg your pardon. For 1962, I do not have the obligation as yet for technical support. I notice the figures in the book here show $979,000 anticipated. I must say I would like to take a look and see why.

Mr. PASSMAN. You asked for $648,000, and you anticipate obligating $979,000. Is that correct?

Mr. HUTCHINSON. This seems to be what the book shows; yes, sir.

Mr. PASSMAN. With 21 projects terminated.

Mr. HUTCHINSON. This certainly looks as if it ought to be investigated, sir. I agree with you.

Mr. PASSMAN. Mr. Natcher?

OBJECTIVES OF AID PROGRAM IN LIBYA

Mr. NATCHER. As I understand, in Libya our main interest, in addition to trying to help this country, is the protection of the Wheelus Air Force Base.

Mr. HUTCHINSON. The latter is certainly an objective. We also have an objective of hopefully being able to get them in a position where they can use their own oil revenues for their developmental purposes.

Mr. NATCHER. This country, according to the justifications, has a population of approximately 1,200,000, and the gross national product for 1961 is estimated to be $220 million.

OIL PRODUCTION IN LIBYA

What arrangement are we making with Libya in regard to oil? The oil strike took place in 1959. Can you tell me just what arrangement we have with this country in regard to the exporting of this oil?

Mr. HUTCHINSON. I do not know of an agreement with the Libyans, sir, concerning the oil and its exportation.

Mr. TROXEL. I would not pretend to be an expert, but American oil companies are participating in the exportation of oil from Libya. There is no intergovernmental agreement involved.

Mr. NATCHER. Can you tell me if any of this oil is coming back into this country at this time?

Mr. TROXEL. I have never heard of any shipments, and it would be sufficiently unusual that I would be very much surprised if any came in. I could not testify on that with absolute certitude.

Mr. NATCHER. According to the justifications, oil was discovered and has been produced since 1959 in paying quantities. What is this oil production as far as Libya is concerned—$11 million or $12 million?

Mr. MOSSLER. In 1961, they expect to export petroleum of $12 million in total, and I note a little farther down on the page here that the total exports from Libya to the United States—and I do not know if any of this is oil or not—are only $500,000 in total.

Mr. NATCHER. That is all I have, Mr. Chairman.

Mr. PASSMAN. Mr. Andrews?

STATUS OF WHEELUS AFB

Mr. ANDREWS. What is the status of the Wheelus Base?

Mr. HUTCHINSON. So far as I know, sir, it is an airfield that we hope to continue to operate indefinitely.

Have you any different information on that?

Mr. TROXEL. No, sir.

Mr. ANDREWS. Is there any danger of our losing it?

Mr. HUTCHINSON. I have not seen any indication.

Mr. ANDREWS. What are the terms of occupation?

Mr. TROXEL. I am not prepared to give a very complete statement on the terms, but we have it under an arrangement which, in fact, we expect to be indefinite.

(Off the record.)

Mr. HUTCHINSON. I would certainly want to emphasize that what we are doing in Libya is related to this base. We would not be doing this kind of program in Libya if it were not for that.

Mr. ANDREWS. In other words, this aid is more or less rent for the use of that base?

Mr. HUTCHINSON. Yes, sir; the agreement specifically provides for the cash grant of $10 million and the obligation to give serious consideration to other assistance to them. So we are in a negotiating process constantly on this score, sir.

IMPROVED FOREIGN EXCHANGE RESERVES

Mr. ANDREWS. I notice their gold and foreign exchange are in a pretty good position.

Mr. HUTCHINSON. Yes, sir; they are improving.

Mr. ANDREWS. $69 million in 1959, $81 million in 1960, $84 million estimated for 1961.

Mr. HUTCHINSON. Yes, sir. That is a little over half their total import level. This is not an absolute measure, of course, but this is not too bad a position in relation to their trade.

Mr. ANDREWS. Have you any figures for 1962?

Mr. HUTCHINSON. I do not have any figures for 1962 with me, sir; no, sir.

Mr. ANDREWS. Have you any there, Mr. Rabin?

Mr. RABIN. These figures do not go beyond 1961, sir.

Mr. HUTCHINSON. We could get the IMF publication, which I am sure has it for at least the first quarter of 1962, but I do not have that with me.

Mr. ANDREWS. That is all, Mr. Chairman.

Mr. PASSMAN. Mr. Ford?

EXTENT OF CONTROL OVER FUNDS FOR LIBYA

Mr. FORD. The funds which we make available are the $10 million, plus the $1 million, plus whatever else we provide. Do we have any control over the disposition of these funds? How much control do we have over the utilization?

Mr. HUTCHINSON. We have very little control, really, over the utilization of the $9 million which we provide from our funds, and I am sure there is no more control over the $1 million which is provided by the Department of Defense.

Mr. FORD. Probably less.

Mr. HUTCHINSON. Probably less.

Mr. TROXEL. I think it is about the same.

(Off the record.)

Mr. FORD. All we are talking about, then, in the justification book where AID has any control is in the development grant area. That is what you have been talking about here with the chairman and the committee.

Mr. HUTCHINSON. Yes.

Mr. FORD. That is $——— out of a total of $——— for fiscal 1963.

Mr. HUTCHINSON. Yes, sir.

Mr. FORD. Do we know where this $——— will go, even though we have no control over it?

Mr. TROXEL. At least nominally it goes into the development budget. It may not be precisely in the form of a budget, but becomes funds of the Libyan Government. We are not going to pretend to you that we really know how it is all spent.

Mr. HUTCHINSON. How they spend the total amount and how ours relates to that gets lost.

Mr. ANDREWS. It could be in this increased supply of gold that is building up every year.

Mr. HUTCHINSON. Sir, it certainly could be as a part of their increase in foreign exchange. It certainly does contribute to their increase in foreign exchange reserves.

Mr. ANDREWS. You say it does or does not?

Mr. HUTCHINSON. It certainly would contribute to their foreign exchange reserves.

Mr. ANDREWS. You do not have any breakdown on what part of this $82 million is gold and what part is foreign exchange?

Mr. HUTCHINSON. I was looking to see if we had any indication what the breakdown between gold and foreign exchange was, but it certainly does contribute to their ability to raise their reserves.

Mr. ANDREWS. Do you pay it to them in cash or in commodities?

Mr. HUTCHINSON. It is given to them in cash, sir. It is a cash grant.

Mr. ANDREWS. I do not know, but I bet that is where most of it went.

Mr. HUTCHINSON. Sir, I would say insofar as the information I have at hand indicates, Libya has not been buying gold from the United States.

Mr. MOSSLER. This is correct.

Mr. ANDREWS. Where does it go?

Mr. HUTCHINSON. What we are fundamentally concerned about in connection with our balance of payments is the drain on the U.S. gold.

(Off the record.)

Mr. FORD. Do we anticipate any development loans to Libya? You have none listed here, but that does not mean none have been applied for.

Mr. MOSSLER. There is none on the application list.

(Off the record.)

TERMINATION OF ECONOMIC AID

Mr. FORD. Mr. Hutchinson, I note in reading the justifications there is a consistent reference to the fact that this program is predicated on termination by 1967.

Mr. HUTCHINSON. Yes, sir.

Mr. FORD. Do you concur in that?

Mr. HUTCHINSON. Yes, sir. I think we ought to make every effort to do that. By that time, certainly their oil revenues ought to be high enough to support any reasonable development effort that they undertake. Certainly by that time they ought to be able to have set their organizational, procedural, and governmental house in order so as to be able to deal with those problems.

Mr. FORD. In other words, you, as head of this area, as far as this program is concerned, conscientiously believe if this program is carried out as it is laid out, we, the Congress, could anticipate it would be ended by 1967?

Mr. HUTCHINSON. We would look forward to that, sir, with some considerable hope and expectation. I would not want to assure you, sir, that the future is going to work out in that way.

Mr. FORD. We are depending on you, as our top authority in this, and maybe several years from now these words of wisdom and advice might be very helpful.

Mr. HUTCHINSON. I see my friend from the Department of State wants to answer.

Mr. FORD. I saw him moving in to inject himself. But you testified very straightforwardly and forthrightly. Now we will hear from the Department of State.

Mr. TROXEL. I will try to do the same. (Off the record.)

Mr. FORD. It seems to me it would be pretty hard to justify, with their oil revenues increasing substantially, we hope, and their gold situation apparently in good shape. If we have to have a list of priorities as far as applicant countries are concerned, the existence of these circumstances would have an impact, I should think.

Mr. HUTCHINSON. I should think it would. I think my testimony is clear on that. I would put it very low on the list of priorities under those circumstances.

Mr. FORD. Maybe by 1967, military equipment developments would be such that Wheelus priority might be quite low.

Mr. HUTCHINSON. I am not competent to testify to that.

Mr. FORD. That is all, Mr. Chairman.

Mr. PASSMAN. Mr. Rhodes?

DEVELOPMENT COUNCIL PROJECT

Mr. RHODES. Mr. Hutchinson, on page 401 there appears "Assistance to the Development Council," and of the amount projected for 1963, $235,000 is for contract services. Who is the contractor?

Mr. HUTCHINSON. I do not think, sir, we have selected the contractor as yet on this. Negotiations have been under way with the Libyans to accept a contractor, as a matter of fact, for the last several months. We have not selected one.

Mr. RHODES. But you estimate $67,000 on the project for fiscal 1962.

Mr. HUTCHINSON. This was our estimate, sir. I do not have the actual.

Mr. RHODES. Can you then say the $———— for fiscal 1963 is a fairly firm figure?

Mr. HUTCHINSON. I think this is a reasonably firm figure; yes, sir.

Mr. RHODES. Going to "Assistance to the Ministry of Industry," page 405, contract services are in the amount of $165,000. Have you selected the contractor for this project?

Mr. HUTCHINSON. No.

Mr. RHODES. Do you feel the projected figure of $———— for fiscal 1963 is a fairly firm figure?

Mr. HUTCHINSON. Yes, sir, I do; because the number of technicians is reasonably firm. The participant figure, which is $75,000, could vary. We might not get 20 or we might get a few more. That, I believe, has a little more softness in it. I am sure we will not be able to get the contract services we are talking about for less than $165,000.

IMPROVEMENT OF EDUCATIONAL SERVICES

Mr. RHODES. On page 407, contract services, $60,000 for the category "Improvement of educational services." I presume you have selected the contractor there, since you have already obligated rather considerable sums.

Mr. HUTCHINSON. I would like to check that, sir. I would assume that you are right, but I would not like to testify of my own knowledge.

Mr. RHODES. Would you furnish the name of the contractor for the record, please?

Mr. HUTCHINSON. Yes.

(The information requested follows:)

CONTRACTOR FOR IMPROVEMENT OF EDUCATIONAL SERVICES PROJECT—LIBYA

English Language Services, Inc., Washington, D.C., has been supplying several teachers of English under AID contract for colleges in Libya since 1958. The estimate is based on the assumption that this contract would be extended.

Mr. RHODES. On page 409, "Improvement of higher education," contract services are $328,000 for 1963. Have you a contractor selected yet?

Mr. MOSSLER. We do not, sir.

Mr. TROXEL. There is a small contract there with English Language Services. I do not believe it is the major contract.

Mr. HUTCHINSON. That is correct.

HEALTH AND SANITATION SERVICES

Mr. RHODES. On page 413, for "Public health and sanitation services, you have had rather considerable obligations. I note there is a small item of $40,000 for contract services. Again, do you have a contractor selected and, if so, who is it?

Mr. MOSSLER. No, sir. This $40,000 is for a feasibility survey in this area, and the contractor has not been selected.

Mr. RHODES. These projects, the one I just mentioned and one other, "Improvement of higher education," are not new categories. Why do you have these items for contract services here when you have not selected the contractor? You certainly have had time to do it, it would seem to me. Is this whole thing the wildest sort of conjecture?

Mr. HUTCHINSON. Sir, we have had an arrangement in Libya in the past where you had a combined so-called Libyan-American Joint Services Organization through which all the projects were funneled and administered. We have found that it has not worked out too well. Perhaps it did in the beginning, but the interest of the Libyans flagged, and it does not seem to be an appropriate administrative device. We are now changing our form of approach to the project, which has been encompassed within the new one, to try to get American contractors on the job to perform the specific services of training. We certainly cannot tell you that we know to the last dollar what these services will cost, but based on the experience in the past with this kind of contracted services, we do think these are reasonable levels.

(Off the record.)

Mr. RHODES. That is all, Mr. Chairman.

Mr. PASSMAN. If we got into all the details on these programs, it would be so voluminous it would take a half-ton truck to move the hearings from the committee room.

I shall ask a question on this one:

PERSONAL SERVICES CONTRACTS

Page 405, Libya:

Individual personal services contracts (third party) will augment salaries of 10 expert operational personnel who will be provided during the organizational period while Libyan personnel are being trained, at a cost of $165,000.

Will there be 10 personnel in this category?

Mr. HUTCHINSON. This seems to be correct, sir.

Mr. PASSMAN. Since they do not appear to be our technicians or contract technicians, what technicians are they? From where are they employed?

Mr. HUTCHINSON. Sir, I presume the contracts would be written with AID rather than solely with the Libyan Government. They will be written with the Libyan Government and with AID, whereby we will be providing 10 people working in the Libyan Ministry as though they were operating personnel, while Libyans are being trained in the United States. The Libyan Government will pay that part of their salary which is equal to what a Libyan gets while he is working there in the country. We will pay the difference.

Mr. PASSMAN. It means, then, that we are augmenting the salaries of these 10 expert operational personnel?

Mr. HUTCHINSON. I would not say we are augmenting their salary, sir. The Libyan Government is making a contribution to the total salary which they must be paid, which is equal to what the Libyan technician would get if he were working in the same job.

Mr. PASSMAN. I agree with 100 percent, but I am reading out of your book. However, it is not unusual for you to contradict what is in the book. I shall read again:

Individual personal services contracts (third party) will augment salaries of 10 expert operational personnel who will be provided during the organizational period while Libyan personnel are being trained, at a cost of $165,000.

It says "augment."

Mr. HUTCHINSON. It can be looked at that way. I personally would not want to. It seems to me it is an inept way of putting it.

Mr. PASSMAN. It is in the book that way, is it not?

Mr. HUTCHINSON. Yes, sir. That is what I am saying. I think the book put it in a very inept manner.

Mr. PASSMAN. Are these Libyan personnel or United States personnel?

Mr. HUTCHINSON. These will be American personnel. They will not be Libyan personnel.

Mr. PASSMAN. Will they all be U.S. personnel?

Mr. HUTCHINSON. They will certainly be foreign personnel, sir. Whether they all will be Americans, I cannot be sure.

Mr. PASSMAN. It could be that they will be employees from Germany, Lebanon, or other countries?

Mr. HUTCHINSON. It could be.

Mr. PASSMAN. Whatever the Libyan Government pays its personnel, we are going to supplement, or augment, each one of the individuals by $16,500; is that correct?

Mr. HUTCHINSON. Each one of them?

Mr. MOSSLER. That is what it would average.

Mr. PASSMAN. A lot of technicians of high caliber do not get that much salary to start with; is that correct?

Mr. HUTCHINSON. Sir, this is the total cost of maintaining those technicians over and above what the Libyan Government would be paying people in such jobs.

Mr. PASSMAN. That is the very point—that you are supplementing them at a cost of $16,500 each.

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. You augment the salaries. It says "Salaries." It does not say anything about any other type of benefits.

Mr. Gary?

Mr. GARY. You stated that they would be foreign personnel. Did you mean foreign to Libya?

Mr. HUTCHINSON. I meant foreign to Libya.

Mr. GARY. They might be U.S. personnel?

Mr. HUTCHINSON. Yes, sir, in all probability; but I do not want to say there might not be some persons who are not Americans.

Mr. GARY. What would the $16,000 cover?

Mr. PASSMAN. $16,500.

Mr. HUTCHINSON. The $16,500 would cover the addition to their salary and it would cover oversea differentials and other costs of that sort associated with the technician, probably his housing allowance and this kind of additional cost of a civilian overseas.

Mr. RHODES. Would these be American Foreign Service personnel?

Mr. HUTCHINSON. No, sir.

Mr. RHODES. They would not be Government employees?

Mr. HUTCHINSON. They will not be Government employees. They will be employed on a three-party contract between AID, the Government of Libya, and the technician.

Mr. PASSMAN. The way you answer the questions is your business, but this does not say anything about any fringe benefits to which they have established an entitlement. It says specifically, to the point, "augment salaries of 10 expert operational personnel."

Mr. HUTCHINSON. Sir, these are contract personnel, and the contract will provide for a payment to them which is adequate to cover the cost.

Mr. PASSMAN. And it could be in addition to this $165,000?

Mr. HUTCHINSON. No, sir.

Mr. PASSMAN. You do not have any detail which would indicate there would not be other benefits accruing to them. It says point-blank, "augment salaries."

Thank you.

Mr. HUTCHINSON. Sir, as we have indicated, there are occasions on which the wording within this book is not the most fortunate.

Mr. GARY. I have no further questions.

Mr. PASSMAN. If the people who make up these books do not know any more about it than that, if they make one statement and later you say, "Forget that, it is this way," it could easily be they have other benefits. Since this is a new approach, something that I have never heard of—and I have been on this subcommittee for 10 years—where you are now augmenting salaries of office workers and others who may be in a foreign government, I wish you would take a look and find out if they do have other benefits, and the equivalent in dollars of the Libyan salaries of these people.

Mr. HUTCHINSON. We will do that, sir. I wish the book had not used the word "augment." I think it is a much fairer statement to say the Libyan Government is paying them the salary that the technician would have received.

Mr. PASSMAN. Regardless of the gentleman's regrets, that is why we ask you to pin it down. If we should ever start arguing about discrepancies in these books, which you intended to use in March, when we did not start in March, the contracts will have expired before we finish the bill.

(The information requested follows:)

DETAIL OF CONTRACT SERVICES—ASSISTANCE TO MINISTRY OF INDUSTRY PROJECT—LIBYA

The plan is to help the new Ministry obtain the services of 10 high-caliber executives and technical experts to fill operating jobs until Libyans are qualified by training to take them over. The Libyan Government would pay these personnel according to its own pay scales, which vary by rank, seniority, and size of employee's family, between $4,000 and $9,000 per annum. AID would make up the difference between this pay base and what similar personnel would normally receive if hired directly from the United States. None would receive a total salary more than 10 percent higher than his recent highest earnings. It was estimated in the planning of this project that this salary supplement would average $14,000 per annum, with the combined Libyan-U.S. salaries to be in lieu of all wages, housing allowances, oversea differentials, educational allowances, and other fringe benefits and privileges. Costs of transporting employees, their families, and effects to and from the post and the costs of storing household effects while overseas were estimated to average $2,500. Contracts would be between the employee and the GOL, with AID making its contributions under the project agreement with GOL. The employees would function as Libyan officers under Libyan direction and not as representatives of the U.S. Government. Consideration has since been given to the alternative of providing American experts as a group, under the direction of a suitable contractor, an American industrial advisory organization, and with participant training and special research services provided by the same contractor. This would be in keeping with the normal practice of AID in providing contractual services.

MALAGASY REPUBLIC

Mr. PASSMAN. Next is the Malagasy Republic. When did they gain their independence?

Mr. TROXEL. June 26, 1960.

Mr. PASSMAN. Did you have a program for them before they gained their independence?

Mr. MOSSLER. Our first program was in fiscal year 1961.

Mr. PASSMAN. That would cover 6 months of calendar 1960, the year that they got their independence?

Mr. MOSSLER. Yes, sir.

Mr. PASSMAN. How much money did they get?

Mr. MOSSLER. $509,000.

Mr. PASSMAN. You programed $650,00 for fiscal 1962?

Mr. HUTCHINSON. This is what we had been anticipating when this book was printed, sir. The final program approval as of the end of June was $733,000, sir.

Mr. PASSMAN. I am bound to say one more time that there is a clear indication all the way through, that we made so much more money available than you actually needed to carry out the program that you originally printed in these books, about the only way it could be utilized along the way was greatly to increase many of them.

For fiscal 1963, what will your program be?

Mr. HUTCHINSON. We anticipate $——— for fiscal 1963.

CONTRACTUAL SERVICES

Mr. PASSMAN. Why do you need $30,000 for contractual services for the technical support project in fiscal 1963?

Mr. HUTCHINSON. I do not see the list of contract services, sir. We have $5,000 worth of local contracts which will include such things as an interpreter. We have $19,000 for the purchase of commodities. We have $25,000 for a program analyst and the support of his operations.

Mr. PASSMAN. Of course, the books are so inaccurate, I dislike referring to them any more, but I think it will be necessary to go back and tell you it is in your book. Contractual services, $30,000.

Mr. HUTCHINSON. But that, sir, is the total of the contractual services for both the technical support project and the transportation project which is listed under the Sector column to the far left of the page.

Mr. PASSMAN. Is it not just coincidental that these happen to add up the same on either side of that page?

Mr. HUTCHINSON. No, sir.

Mr. PASSMAN. It is not?

Mr. MOSSLER. I said it was not coincidental.

Mr. HUTCHINSON. On one side of the page you have a break by the type of funding, development grant, supporting assistance, and total, for the projects under $100,000.

Mr. PASSMAN. As you do have this broken down, contractual services, why do you need $30,000 for contractual services for the technical support project—or for contractual services, if you would care to answer just the shorter question?

Mr. HUTCHINSON. Sir, first, there is $5,000 in local contracts to employ interpretation services. This is under the technical support project. Then under the transportation project, this is a survey, a comprehensive survey of the road network of the country. We want to examine the ways in which local communities might be able to improve and extend their local roads and build roads on a self-help basis. We expect a contract for that survey in the amount of $25,000. That would add to the $30,000 which appears under contractual services on page 425.

Mr. PASSMAN. Mr. Gary?

Mr. GARY. I have no questions, Mr. Chairman.

Mr. PASSMAN. Mr. Natcher?

Mr. NATCHER. No, questions, Mr. Chairman.

Mr. PASSMAN. Mr. Andrews?
Mr. ANDREWS. No questions, Mr. Chairman.
Mr. PASSMAN. Mr. Rhodes?
Mr. RHODES. No questions, Mr. Chairman.
(Off the record.)

ECONOMIC SITUATION OF MALAGASY REPUBLIC

Mr. ANDREWS. Mr. Chairman, I would like to ask one question.
(Classified; off the record.)
Mr. MOSSLER. Yes, sir.
Mr. ANDREWS. What future do you see for a country like this where it is absolutely dependent for its existence on outside help?
Mr. HUTCHINSON. From the economic point of view, sir, I do not see any real prospects for growth. But some people in my organization would disagree with this statement, and think that the prospects are not quite so bleak.
It probably is true, as a matter of fact, that they have prospects that are as good as a number of the other newly born countries.
Mr. ANDREWS. With that I agree.
Mr. HUTCHINSON. Right. I would not want to say, sir, that I can now see any very real prospects for longrun development here.
Mr. ANDREWS. Thank you, sir.

MALI

Mr. PASSMAN. When did Mali gain its independence?
Mr. TROXEL. September 22, 1960, Mr. Chairman.
Mr. PASSMAN. Did you have any aid program for them prior to their independence or during the year that they gained their independence?
Mr. MOSSLER. The first year of assistance was 1961.
Mr. PASSMAN. Fiscal year?
Mr. MOSSLER. Fiscal year 1961.
Mr. PASSMAN. Which would be 6 months of the calendar year 1960. They gained their independence in September. What was the amount of the program in fiscal 1961?
Mr. MOSSLER. $2.5 million in 1961, sir.
Mr. PASSMAN. The 1962 program was $3.1 million. Is that holding firm?
Mr. HUTCHINSON. It seems to be down to $2.5 million, sir. Also, I would like to indicate in that connection, you will notice a development loan listed there of $5.6 million. This was a loan for a particular dam which did not eventuate. The Malians approached us in connection with financing the project. We took it under consideration, but this $5.6 million loan did not come about.

POLITICAL ATTITUDE OF MALI GOVERNMENT

Mr. PASSMAN. Is this country kind of communistically inclined?
Mr. HUTCHINSON. Would you want to speak to that?
Mr. TROXEL. We would not say they are communistically inclined but there is a pretty large element in the present Government that has taken an anti-Western stand.

Mr. PASSMAN. I must admit that the diplomatic explanation is a lot better than I put it.

Mr. TROXEL. May I talk to it a little further, Mr. Chairman, and maybe you can see why I worded it the way I did. Mali was a dependency of France and any movement toward cooperation with the Sino-Soviet bloc is a change. Most of France's former African territories have stayed in the Western camp, in that they have generally supported the Western position in the United Nations on Chinese representation in the United Nations and that sort of thing. However, there has been a considerable element within the Mali Government that has certainly been strongly anti-Western.

(Off the record.)

Mr. PASSMAN. That would not really indicate stability, would it?

Mr. TROXEL. No, it would not.

Mr. GARY. How many people are in that country?

Mr. TROXEL. 4,300,000.

Mr. ANDREWS. The book says 4,200,000.

Mr. TROXEL. Yes.

Mr. PASSMAN. Are there any noticeable changes since you published this book?

Mr. TROXEL. No major changes. The differences that were noticeable from the time the book was prepared have in some cases been corrected quite a bit.

Mr. PASSMAN. When you say [off the record] to me that is self-explanatory.

Mr. TROXEL. [Off the record.] I might add I myself belong to the school that does not feel that the book is precisely correct in this respect.

FISCAL YEAR 1963 PROGRAM

Mr. PASSMAN. And if we keep on questioning you about this progrma, in all probability it will be more incorrect in the future. Do you envision any program for Mali in 1963, as they are carrying on that intimate courtship with the Soviet bloc?

Mr. HUTCHINSON. $———, sir.

Mr. PASSMAN. Are they eligible for development credits?

Mr. HUTCHINSON. Yes, sir; we could make development loans to them. As I have indicated, we did consider one for them this year, but, after consultation with the French, the French made the loan.

Mr. PASSMAN. But they are still eligible for development credits?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Page 434 indicates you are requesting $250,000 to finance an expanding staff.

Mr. HUTCHINSON. Which page are you on, sir?

Mr. PASSMAN. On page 434.

Mr. HUTCHINSON. I do not understand the statement.

Mr. PASSMAN. If you do not I am sure I do not. It is on page 434 and says:

> In the light of the expanding staff, and especially the need for general backstopping support to be provided for contract operations, $250,000 has been programed in fiscal year 1963.

Are those predictions still holding firm?

Mr. HUTCHINSON. They must be talking from 1961 to 1963.

Mr. PASSMAN. Who are "they"?

Mr. HUTCHINSON. We must be speaking of 1961 to 1963 because there is a reduction in obligations from 1962 to 1963 of $100,000 and I am sure that the reason for this statement was that we have been handling this as a part of the consolidated operation and we expected in 1962 that we would be putting our own people into the mission out there rather than handling it from another post.

Mr. PASSMAN. I did read correctly, did I not, from page 434 of your justifications?

Mr. HUTCHINSON. You certainly did, sir.

Mr. PASSMAN. Thank you.

ECONOMIC POLICY AND PLANNING

Is the project listed on page 435, "Economic policy and planning," a new project?

Mr. HUTCHINSON. No. It was proposed in 1962 to assist the Government of Mali in its planning processes. We expected to send one-term consultants and others out under a contract with U.S. firms to work in specific fields such as food processing, water resources, and so on.

Mr. PASSMAN. How did you list this project in 1962?

Mr. HUTCHINSON. Sir, this was a new project that was proposed in 1962. It was to be a new project in 1962 so it would not have been listed in the presentation.

Mr. PASSMAN. Under your 1962 authorization you can initiate new projects of this type, such as we discussed this morning, and you do not have to justify in advance projects or programs?

Mr. HUTCHINSON. I do not know. Is our policy different?

Mr. MOSSLER. I think the authority is the same but I think you are referring to the fact in 1962 we did not present all of our development grant projects on a project-by-project basis.

Mr. PASSMAN. By what legislation do you have authority to do it differently subsequent to fiscal 1961?

Mr. MOSSLER. The authority is the same. The difference is the way in which we presented the program to you, sir.

Mr. PASSMAN. Previously you have justified on a program and project basis?

Mr. MOSSLER. For development grants prior to 1962 on an illustrative basis, last year we did not for the new projects.

Mr. PASSMAN. Did it work out all right when you presented it on an illustrative basis, on a project-by-project basis?

Mr. MOSSLER. Yes, and that is why we are back on that basis this year.

Mr. PASSMAN. Mr. Ford?

Mr. FORD. In the justifications this statement is made: (Off the record.)

If that is the case, why do we waste time justifying it on any other basis or trying to rationalize what we are doing?

Mr. HUTCHINSON. (Off the record.) We try, if possible to do so, to select things which we feel would make sense to do economically and socially.

Mr. MOSSLER. You will note also this is from the supporting assistance appropriation rather than the development grant appropriation.

(Off the record.)

Mr. TROXEL. There are people in this country we can work with and deal with. They are not willing to lose their independence to the Soviet bloc and we think it is important to demonstrate to them that we are their friends and that we are interested in their development.

FRENCH AID CONTRIBUTIONS

Mr. FORD. I notice that France is spending some $25 million in fiscal 1962. Is this an increase or decrease or substantially the same?

Mr. MOSSLER. Substantially the same as fiscal year 1961, sir, and I do not have any figures earlier than that.

Mr. TROXEL. It is substantially the same. A lot of the aid that France provided earlier would not show up in the budget, but our people out there say the French are carrying on pretty much as they have in the past and in some respects they have been increasing their aid. The Sotuba Dam project discussed earlier is an example.

Mr. PASSMAN. Do you know of any other similar cases where France has stepped in and relieved us of a loan after we had approved it?

Mr. TROXEL. I do not know of any that had actually got to the point of approval.

Mr. HUTCHINSON. I do not know of any.

Mr. PASSMAN. Is this little country of Mali an original territory of France?

Mr. TROXEL. Yes.

Mr. PASSMAN. And France would have a major interest there?

Mr. TROXEL. They have a major cultural interest there. I do not think they have a major economic interest there.

Mr. PASSMAN. You said you had met people there who are friendly. Did you attempt to talk to them about anything other than money matters? Did you try to do anything with them without money being involved?

Mr. TROXEL. Our people are talking to them right along on a variety of subjects and aid is only one part, but an extremely important part, of the efforts being made.

Mr. ANDREWS. Mr. Chairman, may I ask a question off the record?

(Discussion off the record.)

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. Gentlemen, we shall adjourn until tomorrow afternoon at 2 o'clock.

FRIDAY, JULY 20, 1962.

Mr. PASSMAN. The committee will come to order.

INCOMPLETE PROJECT INFORMATION

During our rather lengthy hearings on Africa it has been stated time after time that you were unable to give us the amount of funds that had been obligated for any project in your area in fiscal year 1962, the amount of expenditures for any project in fiscal 1962, and

you could not give us the cost beyond fiscal year 1962 to complete the project, or projects, or even the completion dates. I believe the record speaks for itself.

Yesterday afternoon, however, the testimony changed somewhat, and you were able to provide some answers to this type of questioning. The hearings thus far on the program, in my opinion, indicate an alarming lack of knowledge of the detailed costs of the programs, the estimated cost of the completed programs; and as you well know, it is the detail that totals up to the $5 billion request for this program, or approximately $4.7 billion now, which is before us for consideration, and our recommendations for funds at a subsequent date to the full committee and to the House of Representatives for their approval or disapproval.

Mr. HUTCHINSON. May I say one or two things, Mr. Chairman?

Mr. PASSMAN. Yes, sir.

Mr. HUTCHINSON. One, I think the record will show that we have consistently not been able to give you the data on obligation by project and expenditure by project for fiscal 1962. I have no recollection of having been able to give it to you on projects yesterday.

Mr. PASSMAN. I am sorry your memory does not serve you as well as mine serves me, but let the record speak for itself. I will leave my testimony and you leave yours, and let those who read the record make up their mind as to whether what I have just said is the fact.

Mr. HUTCHINSON. Let me say something concerning the date of completion of projects. We have not testified that it is never possible to give you completion dates on projects. We have been able to give it to you on certain types of projects, and we have been able to give it to you in certain countries. But there is a variation in our ability to do this, both in terms of the situation which exists in countries and in terms of the nature of the project.

So in some cases we can give it and in some cases we cannot. Insofar as the detail in support of the projects is concerned, sir, I will stand on the record that the detail this year is, if anything, much more than has been the case in the past. We will stand on the record insofar as the detail we have been able to supply is concerned.

Mr. PASSMAN. I have not accused the gentleman of having any worse presentation than has been made in the past; so, again, we shall let the record speak for itself.

MOROCCO

We shall now discuss the program for Morocco.

Would you give us the total amount of aid from all the many spigots of aid that we have given to Morocco through fiscal 1960?

Mr. MOSSLER. The aid to Morocco through fiscal year 1960 is $167.9 million for all programs other than Public Law 480. For Public Law 480 it was $24.3 million.

Mr. PASSMAN. Give us the total.

Mr. MOSSLER. $192.2 million.

Mr. PASSMAN. What was the amount for fiscal 1961?

Mr. MOSSLER. $110 million, including Public Law 480. Public Law 480 component was $69 million.

Mr. PASSMAN. Is that the year's total, $110 million?

Mr. MOSSLER. Yes, sir.

Mr. PASSMAN. You had a program of $31,050,000 for fiscal 1962. Has that held firm?

Mr. MOSSLER. That has held firm, sir.

Mr. PASSMAN. And you estimate you will need an additional $——— for fiscal 1963?

Mr. MOSSLER. Yes, sir.

Mr. PASSMAN. Of the $31,050,000, what part is not grant aid?

LOANS REPAYABLE IN LOCAL CURRENCY

Mr. MOSSLER. Of the $31,050,000, $30 million of it is on a loan basis. It is supporting assistance loans repayable in local currency.

Mr. PASSMAN. In local currencies, to be spent back in their own country?

Mr. MOSSLER. Yes, sir.

Mr. PASSMAN. You call that a loan?

Mr. MOSSLER. This is the only instance where supporting assistance is made on a loan basis.

Mr. PASSMAN. I want a direct answer. We receive ours in local currency in Morocco, their currency?

Mr. MOSSLER. Yes, sir.

Mr. PASSMAN. And the currency is to be spent back there, in their own country; is that correct?

Mr. MOSSLER. It is possible to spend it elsewhere.

Mr. PASSMAN. But under the contract it is understood to be spent back in Morocco?

Mr. MOSSLER. Not necessarily, sir.

Mr. PASSMAN. I believe you did say it was your understanding it would be spent in their country.

Mr. MOSSLER. It could be, sir.

Mr. PASSMAN. If that were true, it would not be a loan, would it?

Mr. MOSSLER. I say it could be.

Mr. PASSMAN. I say if it is so spent, then it would not be a loan, would it?

Mr. MOSSLER. Yes; we would be using it for our purposes.

Mr. PASSMAN. In their country?

Mr. MOSSLER. In their country, yes, sir, and saving dollars.

Mr. PASSMAN. I just hope that the American taxpayers will read this and see what type of things you are calling loans.

CASH GRANTS

Have we made any cash grants to Morocco?

Mr. MOSSLER. $15 million of the $30 million was on a cash loan basis.

Mr. PASSMAN. Have you had any cash grants?

Mr. MOSSLER. This was not a cash grant.

Mr. PASSMAN. Have you had any cash grants?

Mr. MOSSLER. No, sir.

Mr. PASSMAN. I believe the King of this country has possibly about the same type of friendship for us that Castro and the Prime Minister of Ghana have for us.

Mr. TROXEL. No, sir; we would not put him in that category at all. On the contrary, this is, in fact, the only case I know of in the world in which a country generally following a neutralist policy lets the United States use bases on its territory.

Mr. PASSMAN. Is this the same Morocco where we have a termination date on the use of those bases that we had already given up, and Russian Migs were having an exercise there with Russian technicians on the base? Is that the same country?

Mr. TROXEL. It is the same country.

The Russian technicians, however, were on a base which had never been activated by the United States.

Mr. PASSMAN. I am speaking about the one base, and I am sure Mr. Rhodes is familiar with it. So, the information given to us out there is different from the information you gave us. Russian technicians were coming in before we moved ours off the base.

Mr. TROXEL. No, sir; it was about a year after the Moroccans assumed control of the base, which was March 1960, that some Soviet technicians did arrive on the base.

Mr. PASSMAN. Is it not true that there is a termination date on the other bases, and we agreed to get out at a certain time?

Mr. TROXEL. That is right. Mr. Eisenhower and the King of Morocco agreed in 1959 that we would leave at the end of 1963.

Mr. RHODES. You say this base was never activated?

Mr. TROXEL. That is correct, sir.

Mr. RHODES. That does not square with the information we received. Can you tell us when the United States agreed to abandon it?

Mr. TROXEL. I can give you the date it was actually turned over. This is Ben Slimane. It was turned over to Morocco in March 1960. It had never been fully activated. We had people yet from the construction period that were on the base. It was about 1 year later, sir, that Morocco accepted some military assistance from the Soviet Union in the form of jet aircraft.

Mr. PASSMAN. When did they accept this assistance?

Mr. TROXEL. I do not have it. I believe it was February 1961. I would want to check it for the record.

Mr. PASSMAN. We were in Spain in May this year. We were there in April of last year. What you are telling us is different from what they told us.

Mr. TROXEL. It was about February 1961.

Mr. PASSMAN. What did we spend on this base?

Mr. TROXEL. I did not bring with me the cost figures. We would be glad to get those figures for you.

Mr. RHODES. If the chairman will yield, before leaving this, could you also give us a statement as to why we turned over a base which was so new that it had hardly been activated? What caused the change in plans which caused this rather amazing action to have been taken.

Mr. TROXEL. I think I had better get the Department of Defense to have it for you, sir.

Mr. RHODES. I wish you would.

Mr. PASSMAN. Would you also get the amount of our expenditures on that base?

Mr. TROXEL. Yes, sir.

Mr. RHODES. Get us the dates that the agreements were entered into which resulted in the turning over of this base. I think we should have a full report on it.

(The information was supplied to the committee.)

BUDGETARY SUPPORT

Mr. PASSMAN. I note from the justifications that the United States is now supplying about 49 percent of the capital equipment budget of Morocco. Is that correct?

Mr. HUTCHINSON. I think that is about right, sir.

Mr. PASSMAN. Do you anticipate any development credit-type aid to this country?

Mr. HUTCHINSON. We hope, sir, that in fiscal 1963 we can reduce significantly the supporting assistance which has gone into this country in the past. To do so we feel sure will require us to provide them with an opportunity to get some financing for capital projects.

ESTIMATED DEVELOPMENT LOAN APPLICATIONS

Mr. PASSMAN. You do anticipate there will be applications for the development credit type of aid?

Mr. HUTCHINSON. We are anticipating $———, sir, but we do not have any specific applications. This is in the hope and expectation that we are going to be able to reduce the amount of this rather direct payment that we are making and get more into the developmental effort that should serve to reduce our necessity for continued support.

Mr. PASSMAN. What countries are or are not eligible?

If they should file an application for a development credit, then it would be considered and, under the criteria, they are eligible for the loans?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Thank you.

U.S. TECHNICIANS UNDER DEVELOPMENT GRANT PROGRAM

Are you increasing the number of U.S. technicians for this country?

Mr. MOSSLER. Yes, sir; we propose to increase the number of direct hire technicians there by two.

Mr. PASSMAN. You anticipate that the supporting assistance program will decline, but you are increasing the number of technicians. To what extent are you increasing them, moneywise?

Mr. MOSSLER. By two technicians, sir; the development grant program, which these technicians are primarily involved in, is estimated from $1,050,000 to $———, and this involves two technicians.

Mr. PASSMAN. That is the outright gift part?

Mr. MOSSLER. That is the grant part.

Mr. PASSMAN. In what fields are you increasing your activity under the development grant category? You are going to require two additional technicians in that field. How are you going to utilize their services?

Mr. MOSSLER. These two technicians will be in the program support primarily concerned with agricultural programs and expansion of industry.

ESTIMATED PROJECT COMPLETION DATES

Mr. PASSMAN. Would you be able to tell the committee whether or not you have an estimate as to the completion cost on all of the projects that you have itemized on the blue sheet, following here, in detail——

Mr. HUTCHINSON. The blue sheet lists sectors.

Mr. PASSMAN. I merely refer to that so that the detailed projects follow after insertion of the blue sheets.

Mr. HUTCHINSON. It is on the detailed projects that we have the completion information.

Mr. PASSMAN. Pick up from pages 439 to 445. Could you tell us, either now, or insert it for the record, the estimated cost to complete each one of these projects?

Mr. HUTCHINSON. On 445 you have again picked up a sector analysis instead of a project analysis.

Mr. PASSMAN. I said beginning at 439 and carrying through to 445.

Mr. HUTCHINSON. I beg your pardon. We do have completion dates estimated for these. We estimate on the "Agricultural extension" project that it will end—we estimate all these projects as ending in ——. I would hasten to add, however, that particularly on the "Agricultural extension" project, this is one that you certainly would have to review year by year, and this estimated completion due would certainly not be overly firm.

Mr. PASSMAN. The cost?

Mr. HUTCHINSON. $——— for that one. $——— for the "Rural education" project. That also would not be so firm insofar as the termination date is concerned, although we are now estimating ———.

The "Industry feasibility surveys" project ought to have a more clearly ascertainable termination date, and we are again fixing ——, which ought to be firmer than the other two, and we estimate $———.

The same statement applies with respect to the "Industry and engineering training" project, on page 442, and we are estimating $——— for completion costs there.

"Technical support," of course, would be continuing so long as programs are carried on in the country.

Mr. PASSMAN. It is yet indefinite as to whether this will hold firm?

Mr. HUTCHINSON. All of these are estimates, sir. For those in the industrial field, I feel much more confident of these termination dates. The others are estimates, but I would not have too much confidence in the firmness of them.

Mr. PASSMAN. Why do you need $——— for — contract consultants in fiscal 1963?

Mr. HUTCHINSON. Which project, sir?

FEASIBILITY STUDIES

Mr. PASSMAN. This is the "Industry and feasibility" studies, 608–J–23–AF, page 441.

Mr. HUTCHINSON. Yes, sir. I am looking at the project now. Sir, as we have indicated, we are hopeful that we can get out of this generalized support through supporting assistance, which has been practically the entire aid program in the past, and get more into fields which contribute to the development of the country, and as a

result we are intending to conduct some feasibility surveys in a number of fields, such as canned fruits and vegetables, fish, mechanical, and metals-processing industries.

We expect to get a contractor to go out and to provide these kinds of surveys. It is our estimate that — technicians would be the number required to conduct surveys in these fields.

Mr. PASSMAN. You are getting into a lot of new projects by this appropriation request?

Mr. HUTCHINSON. Yes, sir, this would lead us into new projects because basically we have not been in projects in the past, we have been basically just providing generalized support.

Mr. PASSMAN. When you teach people canning and banking and all that, that opens up new fields whereby they may petition for loans for the expanded industries; is that correct?

Mr. HUTCHINSON. Yes, sir. We testified earlier that we did anticipate that we might be getting loan requests.

Mr. PASSMAN. That is an indirect answer, but it is acceptable.

Mr. HUTCHINSON. I will give you a direct answer—"Yes, sir."

Mr. PASSMAN. Mr. Andrews?

Mr. ANDREWS. Who suggests these studies? Would they not lead to applications for loans? Do our people do it or do the Moroccans?

Mr. HUTCHINSON. In this case, sir, it is a little of both. The Moroccans have indicated an interest, and we also have been pushing them to start working in this field of the development of their small industries, for two reasons:

One, the country has developed its public infrastructure pretty well, especially when the French were there. So the need is now in the private sector rather than in the overhead cost of governmental structure.

Mr. ANDREWS. If we are sending out teams looking for ways and means of making applications for loans, there is just no end to it, is there?

Mr. HUTCHINSON. This certainly does tend, sir—in fact, it is the purpose of this—to get applications for loans.

This arises from the fact that you have to start from the assumption that it is in our interest to stimulate growth in these countries. I would agree with you——

Mr. ANDREWS. Most of our interest is going to be over there instead of here if you keep that up.

Mr. HUTCHINSON. If you do not start with that assumption, the program makes absolute nonsense.

Mr. ANDREWS. You have answered my question very forthrightly.

Mr. PASSMAN. I will certainly agree with the last statement you made—it makes nonsense.

CONTRACTOR FOR FEASIBILITY STUDIES

Has any firm been selected as yet for the industry feasibility studies project?

Mr. HUTCHINSON. It is not signed yet, but we are in negotiation.

Mr. PASSMAN. Is it an American firm?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. What is the name?

Mr. HUTCHINSON. Porter International.

Mr. PASSMAN. Where are they domiciled?

Mr. HUTCHINSON. Washington, D.C.

Mr. PASSMAN. They have not set up for business yet and you do not know the address; is that right?

Mr. HUTCHINSON. They are set up.

Mr. PASSMAN. If they are set up for business, give us the address. Will you provide us a financial statement on this firm?

Mr. HUTCHINSON. Yes, sir.

(The information was supplied to the committee.)

Mr. PASSMAN. Would you know how long they have been in business?

Mr. MOSSLER. No, sir.

Mr. PASSMAN. Who consults with them? Are you the one that usually interviews these people?

Mr. HUTCHINSON. No, sir; I do not interview these people. In the first instance, we have a Contract Office, and we have an Office of Capital Projects which interviews these people and makes recommendations concerning their awards. I assure you this is a well-established company which has been in the business for quite a number of years, as the statement we will submit will show.

COMMODITY PROCUREMENT

Mr. PASSMAN. Why do you need $20,000 for commodities for the ——— project?

Mr. HUTCHINSON. Again, sir, this is related to the sort of activity we are carrying on under the previous project, an attempt to stimulate the private industrial sector in Morocco.

The specific $20,000 is to be used for laboratory equipment for technical films and documentation training and for a management seminar.

Mr. PASSMAN. Is that in connection with the industry feasibility studies, all in the same thing?

Mr. HUTCHINSON. It is a different project, sir, but it is related to the same objective of trying to stimulate the ability in the small private sector in Morocco.

Mr. PASSMAN. Would that also be true of the contract services for $90,000?

Mr. HUTCHINSON. Yes, sir. This is for the same basic purpose. These are the technicians who will be working in the center.

Mr. PASSMAN. Has that contract been negotiated to the acceptance stage yet?

Mr. MOSSLER. No, sir; this is a new fiscal year 1963 project, sir.

FUNDING OF BASE SURVEY PROJECT

Mr. PASSMAN. What was the cost of the survey of the U.S. bases, which was funded under the technical support project in fiscal year 1962?

Mr. HUTCHINSON. I have a figure in mind, sir, but I would rather check to be sure I am right. I think it was $6,000, but I want to check. I could be badly off.

Mr. PASSMAN. Could it be that we are making funds available to Morocco to teach them how to use the U.S. bases we are turning over to them? Is that the purpose of it?

Mr. HUTCHINSON. Sir, this survey was designed to see what uses these bases might be put to after they were turned back to the Moroccans. Now, there were a number of factors which entered into this survey. If I could go off the record a second on that——

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. HUTCHINSON. It was finally related to seeing whether these bases could in fact be converted to productive civilian use as opposed to the military uses to which they had previously been put.

Mr. PASSMAN. When is this money going to be utilized?

Mr. HUTCHINSON. This money has already been spent.

Mr. PASSMAN. Fiscal 1962 money?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. If I read correctly on page 444, the right-hand corner, "Fiscal year 1963 funding: Same logistic and other support, exclusive of base survey funding, covered in fiscal year 1962 including salaries of technicians." Should not that figure have been 330 and not 360?

Mr. HUTCHINSON. No, sir; the 360 figure is correct, although I will agree with you that you would never be able to understand the wording of this sentence. Frankly, I went over it myself last night and reached the same conclusion you did.

Mr. PASSMAN. Thank you.

Mr. HUTCHINSON. I find what it is trying to say is that we are covering the same kind of support costs that we covered in 1962 except for the survey of the bases which we covered in 1962. I would certainly agree you would never get it from this wording.

Mr. PASSMAN. It still follows that if you take the $6,000 off, 336, it comes out 330, not 360.

Mr. HUTCHINSON. That is correct, sir, which is why we are indicating——

Mr. PASSMAN. For your fund request you always take the extreme right-hand column when you add them up; is that the way you get your totals?

Mr. MOSSLER. The right-hand columns on these blocks add up to our fiscal year 1963 request.

Mr. PASSMAN. Are you not contradicting the mathematics itself by saying that, because it does not add up, does it?

Mr. MOSSLER. I said if we took the right-hand block in all these projects, plus the ones under $100,000, this is how we get to our development grant total.

Mr. PASSMAN. If it happens to be 10 or 15 percent over, that works in your favor?

Mr. MOSSLER. We hope that these are the costs of the projects and that they do add up.

Mr. FORD. Will the chairman yield?

Mr. PASSMAN. Yes.

Mr. FORD. I notice on page 145 you indicate that currently U.S. military personnel are generating about $——— a year in Morocco by the occupancy of these bases. This figure has dropped from $55 million per year in the early fifties to the current figure of $———.

Is that $——— in addition to the program you had in fiscal 1962 of $31.1 million?

Mr. HUTCHINSON. Yes, sir.

Mr. FORD. And would be in addition to the fiscal 1963 program of $——— plus whatever there is in development loans?

Mr. HUTCHINSON. Yes, sir; if it continues at that level in 1963—I am not sure whether it will, in view of the base situation, but whatever it is, it would be in addition.

Mr. FORD. When under the current agreement are we supposed to get out of these bases?

Mr. HUTCHINSON. December 31, 1963.

Mr. FORD. A year from this December 31?

Mr. HUTCHINSON. Yes, sir.

Mr. FORD. We have not quite 18 months.

Mr. HUTCHINSON. Yes, sir.

Mr. FORD. The program we have before us for fiscal 1963 runs until June 30, 1963?

Mr. HUTCHINSON. Yes, sir.

Mr. FORD. If the base agreement as presently understood is carried out, there will be approximately $——— less in U.S. dollars in Morocco beginning January 1, 1964?

Mr. HUTCHINSON. Yes, sir.

Mr. FORD. That, of course, is in fiscal 1964.

Mr. HUTCHINSON. Yes, sir.

Mr. FORD. On the assumption that this base agreement is carried out as we understand it is supposed to, what do we intend to do—I am sure you must look down the road—in fiscal 1964 with $——— less in U.S. funds available in Morocco?

Mr. HUTCHINSON. Sir, I would say two things. I think Mr. Troxel will say something else.

One, we have been able to not increase our assistance that we are providing even under the circumstances indicated in the book in which the earnings from the military have dropped from $55 million.

Second, this is one reason that we are contemplating, the fact you pointed out is one reason we are contemplating, the possibility of development loans in Morocco in the future, because they certainly are going to be losing considerable foreign exchange as a result of the pull-out of the bases.

We hope to be able to dig in our heels hard and not feel that the requirement is upon us to continue to provide assistance at anything like the levels that have been provided in the past.

Mr. FORD. It would be incomprehensible to me that we lose the base December 31, 1963, and then, despite the fact we have lost this facility, we expand our financial assistance by one means or another to compensate for the $——— loss in U.S. funds.

Mr. HUTCHINSON. We certainly do not intend to expand it directly to compensate. As you will notice, we are expecting to continue to draw the level down, sir.

Mr. FORD. Not if you have the development loans that are estimated there.

Mr. HUTCHINSON. It does say [off the record] this is true. But it is our expectation, sir, that if we are able to get development loans to ——— and we are no longer in the bases, the supporting assistance would disappear. I personally do not foresee a level of development lending in Morocco in excess of what is indicated here. So we would still be at a smaller annual rate of assistance than has been the case over the past several years or as contemplated for this year.

Mr. FORD. In other words, the supporting assistance, which was $40 million in fiscal 1961, $30 million in fiscal 1962, and contemplated $——— in fiscal 1963, would disappear with the closing down or phasing out of our bases in Morocco?

Mr. HUTCHINSON. Yes, sir.

Mr. FORD. That is the policy of the U.S. Government?

Mr. TROXEL. That is the policy.

(Off the record.)

LEVEL OF MOROCCO PROGRAM

Mr. PASSMAN. Supporting assistance in the amount of $20 million was initially programed for Morocco—that is for 1962.

The level judged to be required was then made $30 million.

An additional $10 million from the contingency fund has therefore been programed for Morocco.

Mr. HUTCHINSON. You are talking about 1962, sir.

Mr. PASSMAN. Yes.

Without that limitation there could be a repetition of the same thing in fiscal year 1963.

Mr. FORD. Do I understand that in the justifications last year the figure was presented as $20 million?

Mr. HUTCHINSON. No, sir; that is not correct.

Mr. PASSMAN. Wait just a minute. He asked me the question and when I finish getting this in the record, then we shall go back and see what the record says. I am reading now from the confidential information given to us by the Department.

(Off the record.)

Mr. PASSMAN. So they did take $10 million out of the contingency fund to bring it up to $30 million?

Mr. HUTCHINSON. Yes, sir; but the question the gentleman asked was, In our justification to the Congress did we include $20 million? We did not. We included $30 million in our justification to the Congress last year.

(Off the record.)

Mr. PASSMAN. Your original allocation was $20 million?

Mr. HUTCHINSON. Our original allocation was $20 million.

Mr. PASSMAN. This, out of the military, is on the way up. This is Morocco now, and for fiscal year 1961 you had $———.

Fiscal year 1962—this is January—$———.

You propose for fiscal year 1963 out of the military, $———.

Mr. HUTCHINSON. Out of fiscal year 1962?

Mr. PASSMAN. No, fiscal year 1963.

Mr. HUTCHINSON. I am sorry.

Mr. PASSMAN. So the military is greatly up.

TRIFFA IRRIGATION PROJECT

In addition to that, you have a project in Morocco, Triffa irrigation project No. 106. The loan was approved December 4, 1959. It was signed March 16, 1960. We were near Morocco and we were told that this project should not be started, and I suppose they reached the same conclusions, as you had had the approval since 1960. When did you prepare these books?

Mr. HUTCHINSON. They were prepared in February and in March.

Mr. PASSMAN. The approval of $23 million; disbursements, zero; repayments, zero; interest collected, zero.

But even in your February book you state it as though you are already operating in the future because it says, "In March 1962, $1.5 million was being processed for disbursement."

Mr. HUTCHINSON. That is correct, sir. I am familiar with some of the details of this project from my past experience. We had very great difficulty in getting agreement on the functions of the consulting engineer who was to be put on the job. They were very adamant that fundamentally they wanted to run the project the way they wanted to run it without supervision. We insisted upon an American consulting engineer on the project with real authority to supervise actively on the project. This discussion dragged on for months and months and months. There were a number of occasions when we thought we had agreement and then when the consulting engineer began to try to exercise his responsibilities we found that we didn't have agreement, so this has delayed the project substantially. Those difficulties have now been worked out and since this book was printed we have now disbursed $1,569,000 against the project and we have requests for disbursements for another $95,000 on hand which is being processed.

Mr. PASSMAN. You say here that in March 1962 $1.5 million was being processed for disbursement, and you are projecting that in advance of the printing of the books, are you not?

Mr. HUTCHINSON. Yes, sir; at the time the books were printed we had the requests for reimbursement on hand in about this amount and as I have testified since the book was printed we have disbursed $1,569,000.

Mr. PASSMAN. I do not see how you can put in the book in February something that happened in March.

Mr. HUTCHINSON. I said the books were being prepared in February and March, sir. That is my testimony.

Mr. PASSMAN. You said it was February and we agreed the books were just about as haywire as they could be.

Mr. RABIN. The books were printed in March. The work was done in late February and early March.

Mr. PASSMAN. Then that is another conflict, but that is not important.

Mr. RABIN. The preparation was in February and March and the printing was in March.

This looks as though it was added before it went into print——

Mr. PASSMAN. Thank you for your contribution.

CONSULTING ENGINEERS ON TRIFFA PROJECT

You were dealing with Moroccan officials on this project?

Mr. HUTCHINSON. We were dealing with Moroccan officials. I was trying to recall how the consulting engineer operated, who he is.

Mr. PASSMAN. You are dealing with the Moroccan officials in the country?

Mr. HUTCHINSON. We are dealing with the Moroccan officials in the country and with the consulting engineer and the contractor, sir.

Mr. PASSMAN. The consulting engineer is an American?

Mr. HUTCHINSON. The consulting engineer certainly is an American, sir. I am under the impression that there is an American contractor, too. I certainly should know, because I saw these contracts at one time but their names slip my mind at the moment.

Mr. PASSMAN. Some of the contracts are with contractors of other nationalities? You have third-country contracts in some of the development credit projects?

Mr. HUTCHINSON. Some of the ones made earlier, yes.

COST OF TRIFFA PROJECT

Mr. FORD. What is the total amount of the project cost to completion?

Mr. PASSMAN. $23 million. It is to be repaid in the currency of the country. That was the system prevailing at the time of all these credits.

So, in effect, this will be an additional fund feeding into the economy of the country.

Mr. HUTCHINSON. Yes, sir. They will also be an additional activity.

Mr. PASSMAN. You had a misunderstanding with the Moroccan officials or with the consultant or with the contractor?

Mr. HUTCHINSON. With the Moroccan offiicials, as to the scope of work and functions of the consulting engineer.

Mr. PASSMAN. Are these the same officials you deal with on other projects in Morocco, dealing with other types than aids and grants?

Mr. HUTCHINSON. These were particularly officials of the Ministry of Agriculture and, what do they call it—I suppose it is Public Works, sir. We certainly would be dealing with them on other projects but it is not unusual to have differences of opinion as to the scope of the consulting engineer's responsibilities.

Mr. PASSMAN. And the amout involved in the project would contribute, would it not, to the delay—the amount of it being very significant? Would that prompt us to delay it for a beter understanding?

Mr. HUTCHINSON. Well, sir, not delay in the initial disbursements——

Mr. PASSMAN. I am speaking of the beginning of the project. Sometimes maybe you would start a smaller project, waiving points where you would not waive them on one costing this much money.

Mr. HUTCHINSON. We would certainly, on a project of this size, want to be extremely careful. This is certainly one reason that we insisted that the scope of the consulting engineers' work be clearly understood and quite adequate to supervise the construction.

Mr. PASSMAN. Mr. Alexander?

ESTIMATED PUBLIC LAW 480 PROGRAM

Mr. ALEXANDER. In this total budget to Morocco how much of the fiscal year 1963 budget will go for Public Law 480 products?

Mr. MOSSLER. It is estimated for fiscal year 1963, that the uses of Public Law 480 will amount to $———— the bulk of which is for title II commodities which are anticipated at $————.

Mr. ALEXANDER. Now that would be in addition to your proposed program here as set out on page 145; is that right?

YEARLY COMPARISONS OF FOOD FOR PEACE PROGRAM

Mr. MOSSLER. That is correct. All of our estimates on food for peace are estimates and these could shift, especially in the case of title II.

Mr. ALEXANDER. Did you say it would be about $————?

Mr. MOSSLER. Yes, sir.

Mr. ALEXANDER. How does that compare with fiscal year 1962 and fiscal year 1961?

Mr. MOSSLER. In fiscal year 1961 we had $69 million.

Mr. ALEXANDER. We have reduced it a little. How about the next prior year?

Mr. MOSSLER. I have here 25 in 1962. No; that is $69 million.

Mr. ALEXANDER. Is that $69 million in fiscal year 1962 and $69 million in fiscal year 1961?

Mr. MOSSLER. That is right. $69 million in 1961, $69 million in 1962, and $——— in 1963.

Mr. ALEXANDER. That is over and above all of the other grants that you are requesting in this program as of now?

Mr. MOSSLER. That is correct.

MILITARY ASSISTANCE PROGRAM

Mr. ALEXANDER. What other program outside of your Public Law 480 do you have going to Morocco other than what you are asking for in supporting assistance and development grants and development loans?

Mr. MOSSLER. Military assistance, sir.

Mr. FORD. How much is that, again?

Mr. ALEXANDER. Put the figure of military assistance in the record right here.

Mr. TENNANT. $———— for fiscal year 1963.

Mr. ALEXANDER. Actually, your military assistance is supposed to be more or less the pay for the use of the base, or bases that we have in Morocco, is it not, or does it have any relationship to it?

Mr. HUTCHINSON. It is not really supposed to be, sir. You people sit on the committee up here and hear the justifications more than I do, but the military assistance is supported to be related to their actual military requirements for hardware and assistance of various sorts.

(Off the record.)

Now, I am not one to say that purposes are quite always that pure, so there may be in fact some mixture of purpose.

TOTAL ASSISTANCE PROGRAM FOR FISCAL YEAR 1963

Mr. ALEXANDER. What would be the total amount of funds that would be going into the Moroccan area for fiscal year 1963 including all of the funds—military assistance, Public Law 480 funds, the supporting assistance and development loans and development grants, or any other funds that we are giving. I want the total figure.

Mr. FORD. It is $ ———— if my mathematics are correct.

Mr. TENNANT. I got $ ————. This is assuming $ ———— development loans.

Mr. FORD. I do not include any development loans.

Mr. HUTCHINSON. This is uncertain.

Mr. ANDREWS. And it could be $ ————.

Mr. HUTCHINSON. It could be.

Mr. ALEXANDER. It could be $ ———— or $ ———— depending on how much you put in for development loans.

UNEXPENDED BALANCE AS OF MARCH 30, 1962

What is the unexpended funds available to Morocco?

Mr. HUTCHINSON. We can give it to you as of the 31st of March. I think those are the last figures we have.

Mr. ALEXANDER. Give us the latest figures you have.

Mr. MOSSLER. The pipeline as of March 31, 1962, was $33.2 million. The bulk of this is for the Triffa loan project.

Mr. ALEXANDER. Then it actualy is about $ ———— or approximately $————, then, for this year for all of it?

Mr. HUTCHINSON. If you added the pipelines to the new obligational authority; yes, sir.

Mr. ALEXANDER. Aren't we intending to put that in?

Mr. HUTCHINSON. You will have unexpended balances, of course, against these amounts, too, as we go into the next fiscal year, sir, so they wouldn't actually receive in cash the unexpended balance plus the amount of the new obligation. But it would be available.

Mr. PASSMAN. It depends upon the type of expenditure and the rate, whether it is cash grant, budget support, or what have you.

Mr. HUTCHINSON. That is right.

TERMINATION OF BASE RIGHTS

Mr. ALEXANDER. I understand that our military base contracts will end in late 1963.

Mr. HUTCHINSON. That is the present arrangement.

Mr. ALEXANDER. There is some question as to whether it will be negotiated, renegotiated, or not.

Now, if they were to turn us down, particularly with these leanings they have toward communism, what is the policy of the State Department and the foreign assistance people in regard to assistance if they do this?

Mr. HUTCHINSON. (Off the record). That much is quite clear. What our policy would be under the circumstances you have indicated, I would like Mr. Troxel to speak to over and beyond that.

Mr. TROXEL. One thing I would like to say, Mr. Alexander, is that it is by no means our desire to renegotiate continuing our present base arrangements in Morocco. (Off the record.)

Mr. ALEXANDER. But it seems to me we would be rather foolish to continue assistance in any appreciable amount, or in any amount if we are not able to accomplish our objectives where we have been giving them large sums and are still not able to reach the goal that we want. We would just be wasting whatever we gave to them; would we not?

Mr. TROXEL. (Off the record.) Mr. Alexander, we do have interests in Morocco, is all I am saying, other than that of the bases alone.

Mr. PASSMAN. Is it not true that the agreement expires and the bases become the property of Morocco?

Mr. TROXEL. That is correct, sir.

LOCAL CURRENCY AVAILABILITY

Mr. FORD. In addition to the money that has been enumerated for fiscal year 1963, and the carryover of fiscal year 1962, are there any local currencies available in Morocco which are available for utilization and if so, how much and how much is planned for use in fiscal year 1963?

Mr. MOSSLER. As of the end of 1961 we had no local currencies on hand. We do expect to generate or did expect to generate during fiscal year 1962 some local currencies as a result of our title II program there. That amounted to $3,261,000.

I do not have the exact use of that. I know we do have a general public works program there but I don't know the individual projects.

Mr. FORD. Those projects would be different than the ones set forth in the justification book?

Mr. HUTCHINSON. Yes, sir; that is right. This is fundamentally a program in which we are using title II commodities and local currencies generated therefrom to carry on the local public works of various types on this self-help basis that Mr. Conte has mentioned on several occasions.

Actually, there are about 80,000 people who would otherwise be unemployed, engaged in these kinds of projects. They are building local facilities, drainage ditches, channels for irrigation and that sort of thing.

Mr. FORD. Would you generate about the same amount in fiscal year 1963?

Mr. HUTCHINSON. Yes, sir, we are estimating about the same amount in fiscal year 1963.

Mr. ANDREWS. How is that money generated, Mr. Hutchinson?

Mr. MOSSLER. It is generated through the sale of a portion of the agricultural commodities that are shipped in, sir. Some of the commodities are distributed in kind. Other parts are actually sold.

Mr. HUTCHINSON. That is right. By far the great part of it is actually put out in payment of wages in kind.

Mr. ANDREWS. Then you add that $3 million to the $——— for fiscal year 1963?

Mr. MOSSLER. No, sir, this was included, once, with the original cost of the agricultural commodities.

Mr. ALEXANDER. Are Public Law 480 products given to the Government of Morocco and that Government sells it to their people, thus deriving local currency that way?

OPERATION OF PUBLIC LAW 480 PROGRAM

Mr. MOSSLER. We have different categories of Public Law 480. In Morocco we have a title I program which is fairly small. This is the sale of commodities for local currencies.

Mr. ALEXANDER. Do we give that to the Government of Morocco and they then in turn sell it to their people?

Mr. MOSSLER. In the case of title I we do not give it to the Government of Morocco. We actually sell it for local currency.

In the case of title II or title III we generally give it to the Government. In some cases they sell it to the people and to the extent that they generate local currency from these title II programs we use it in conjunction with some of the commodities that are also shipped in under title II for these work relief projects.

Mr. ANDREWS. Who determines what title this Public Law 480 will go into?

Mr. HUTCHINSON. There is an interagency group that works these programs out that is chaired by the Department of Agriculture. You have on it the Department of Agriculture, State, AID, the Bureau of the Budget and some other agencies who might have uses to which they could put local currency derived from these programs. The decision as to which title is to be used, in what amounts and what the commodity content is to be, and so on, is worked out in this group. We have representation on that group.

Mr. ALEXANDER. Do we have controlling representation?

Mr. HUTCHINSON. Does AID have controlling representation?

Mr. ALEXANDER. I am talking about the United States.

Mr. HUTCHINSON. The United States certainly has the controlling representation. They, of course, have to negotiate the agreement with the country.

Mr. ALEXANDER. I understand.

Mr. HUTCHINSON. We could say, "No deal."

Mr. ALEXANDER. In Morocco have we any program for building school buildings for them?

Mr. HUTCHINSON. I do not believe there is any school construction in the Moroccan program, sir.

PARTICIPANT TRAINING

Mr. ALEXANDER. Do we have any students who are being sent from Morocco to this country or any other country for education?

Mr. HUTCHINSON. Yes, sir. I am sure we do. We show participants; 118 are programed for fiscal year 1963, sir.

Mr. ALEXANDER. How much will that cost?

Mr. HUTCHINSON. $391,000, sir.

HEALTH PROGRAMS

Mr. ALEXANDER. How about health programs? Do we have any health programs?

Mr. HUTCHINSON. No, sir; we have no health programs in Morocco.

Mr. ALEXANDER. What is the literacy rate?

Mr. HUTCHINSON. Fifteen percent. It is higher than some of the countries, of course, that we have been dealing with.

Mr. ALEXANDER. That is all.
Mr. PASSMAN. Mr. Andrews?

MILITARY ASSISTANCE PROGRAM

Mr. ANDREWS. I believe you stated there has been a considerable increase in the amount of military aid for Morocco in fiscal year 1963 over fiscal year 1962 and fiscal year 1961.

Mr. HUTCHINSON. I believe that is right, sir. It is up from $——— to $———.

Mr. ANDREWS. I am wondering what they are planning, if anything, in view of the language on page 140. It says:

> Under a recently concluded agreement, the Soviets will supply Morocco with free small arms and ammunition and will furnish artillery and heavy equipment on a 12-year credit basis.

Mr. HUTCHINSON. I am not familiar with the details of our military assistance program, sir. Perhaps Mr. Troxel can speak to it.

Mr. TROXEL. I do not pretend to be an expert, but I can read the brief description that the Department has prepared on the Moroccan military program if that would be helpful. It says that the fiscal year 1963 program will be (off the record).

Mr. ANDREWS. That does not answer my question. I wonder what plans these people have if they are calling on us for more military assistance and at the same time are entering into a 12-year credit plan with Russia to buy artillery and heavy equipment.

Mr. TROXEL. I noticed in the discussion—of course, again, this is secret—that the Department of Defense has given us on this.

(Off the record.)

Mr. ANDREWS. Do you have any hope we will get an extension of our rights to use the bases beyond December 31, 1963?

Mr. TROXEL. I am not sure we will make an effort to extend the bases.

Mr. ANDREWS. What part have the Russians played in the situation?

Mr. TROXEL. I don't believe they have had any particular influence on the decision to work out a termination date of December 31, 1963, with the Moroccans. This was based primarily on an evaluation of the situation in Morocco and our own expectations as to the need for these facilities.

As you know, our needs have changed a great deal with the development of new weapons and with the construction of alternative facilities in Spain.

Mr. HUTCHINSON. Sir, I find that I have some information which is along the same lines as Mr. Troxel's but may include something more.

(Off the record.)

LOAN AGREEMENT FOR IRRIGATION PROJECT

Mr. ANDREWS. This project for $23 million?

Mr. HUTCHINSON. Yes, sir.

Mr. ANDREWS. Did you arrive at that figure back in 1960?

Mr. HUTCHINSON. Yes, sir.

Mr. ANDREWS. Has there been a change in the estimate of the cost of the project since that time?

Mr. HUTCHINSON. No, sir; there has been no change in the estimate to date.

Mr. ANDREWS. Are we committed to finance this project to completion?

Mr. HUTCHINSON. We are committed only, sir, to put in $23 million. There is a provision in this loan agreement as is in all the loan agreements that if there is cost overrun, that the Moroccan Government will provide the funds necessary to complete the project.

Now, of course, we are required in advance to make a finding as to the reasonableness of the cost, so we have some expectation that there is enough money there but there has been a passage of time involved.

Mr. ANDREWS. Are we providing all the money for this project?

Mr. HUTCHINSON. No, sir; we are not providing all the money for the project. I would have to get further detail to find the exact amount which the Moroccan Government is putting into it, but we are not providing the total cost.

Mr. ANDREWS. We are committed to $23 million?

Mr. HUTCHINSON. We are committed to $23 million if it takes that much to complete the thing we are financing.

Mr. ANDREWS. That is the total estimated cost at the time the commitment was made?

Mr. HUTCHINSON. No, sir; the Moroccan Government is making a contribution to the project also.

Mr. ANDREWS. I wish you would supply for the record what the total estimated cost was at the time the commitment was made and what you expect the cost to be upon completion.

(The information follows:)

TRIFFA IRRIGATION LOAN PROJECT, MOROCCO

In March 1960, when the U.S. Triffa irrigation loan agreement was signed, the estimated cost of the total irrigation complex then envisaged, including the U.S. loan financed portion, was $84 million. To date there has been no change in that cost estimate. Construction of the total complex is expected to continue until 1975 and consists of three phases.

During the first phase, from 1947 to 1960, the equivalent of $25.4 million was expended by the French and Spanish administrations and by the Government of Morocco on preliminary survey and construction work.

In March 1960 the U.S. Triffa loan agreement was signed for $23 million to finance the second phase of the project involving construction of a major dam, canals, and other necessary facilities. This phase will be completed by 1965.

The Government of Morocco anticipates further extension of its irrigation facilities from 1965 to 1975 at a cost equivalent to $35.6 million. The United States to date has made no commitment to assist in financing this third phase of the project.

Mr. ANDREWS. How long will it take to complete this project?

Mr. HUTCHINSON. Again, I will have to get that data, sir.

Mr. PASSMAN. Will the gentleman yield?

Mr. ANDREWS. Yes, Mr. Chairman.

Mr. PASSMAN. From page 447 of the fiscal year 1963 justification, I quote:

The loan is to help meet both foreign exchange and local currency costs involved in the second stage of an irrigation project that will ultimately encompass a large area in the basin of the river.

Is that a part of the same project?

Mr. HUTCHINSON. It depends on your definition of projects, sir.

Mr. PASSMAN. I am looking directly under the Triffa irrigation project No. 106, and that gives the financial arrangement, and the very first paragraph says:

The loan is to help meet both foreign exchange and local currency costs involved in the second stage of an irrigation project that will ultimately encompass a large area in the basin of the lower Moulouy River area.

So we are talking specifically about this project, are we not?

Mr. HUTCHINSON. And it will finance both foreign exchange and local cost, but not the total.

Mr. PASSMAN. If we are providing local currency, would it not appear we would be financing this one project, the second stage, 100 percent?

Mr. HUTCHINSON. I could interpret the language this way, sir, but I do know we are not financing the total cost of the project.

Mr. ANDREWS. If the total cost does not exceed $23 million, we are financing the whole cost?

Mr. HUTCHINSON. No, sir; there is specific agreement as to what our contract covers.

Mr. PASSMAN. Would local currency costs be a part that would normally be met by a recipient of a loan of this type?

Mr. HUTCHINSON. To the maximum possible; yes, sir.

Mr. PASSMAN. So it could conceivably be, other than the information you have given us, that we would be meeting the total cost?

Mr. HUTCHINSON. This meaning could be drawn from that.

TOTAL FOREIGN AID CONTRIBUTIONS TO MOROCCO

Mr. RHODES. Mr. Hutchinson, would you at this point in the record, subject to the approval of the committee, put in a study of all of the foreign aid to Morocco by country—Sino-Soviet bloc, the European nations, and all sources? And if you can, break it down into category as grants, loans, and so forth.

Mr. HUTCHINSON. We may have the information available now.

Mr. RHODES. If you have the disbursements and commitments, I think it would be well to have both.

Mr. HUTCHINSON. We will submit that for the record.

Mr. RHODES. And as I said, I want the Sino-Soviet bloc aid in there.

Mr. HUTCHINSON. It is sometimes difficult to get. We will do what we can.

(The requested information follows:)

Aid by the Government of France to Morocco in 1961 and 1962, estimated at $8 million a year, was limited to technical and cultural assistance. These funds helped to pay salaries and other expenses of about 8,000 French technicians employed by the Government of Morocco, and the expenses of 1,300 to 2,000 young Moroccans studying in France.

b. West Germany.—The Federal Government of West Germany committed DM 40 million (about $10 million) in 1961 in long-term loans for harbor improvements and other developments at Safi where a chemical industrial complex is to be established with private German and French financing and participation by the Government of Morocco. No disbursements from this fund have as yet been made. The findings of feasibility surveys are now being studied.

c. Yugoslavia.—In fiscal year 1961, the Government of Yugoslavia made the equivalent of $5 million available to the Government of Morocco in a long-term loan for the purchase of Yugoslavian industrial equipment. Recently, however, the U.S. Embassy in Morocco was informed by a representative of the Government of Yugoslavia that Morocco had drawn no credits against this loan.

2. Soviet bloc aid to Morocco

a. Poland.—The Government of Poland has granted a long-term loan totaling $4,800,000 over a 7-year period for the construction of a beet sugar refinery at Sidi Slimane. Work on the refinery has begun. It is presumed that some disbursements have been made, but the amounts and the exact terms of the loan are not known.

b. Czechoslovakia.—The Government of Czechoslovakia has extended long-term credit (terms unknown) of $380,000 over a 5-year period for the purchase of copper mining equipment. It is not known if disbursements have been made.

OTHER EXTERNAL AID TO MOROCCO (OTHER THAN UNITED STATES)

1. Free world aid to Morocco

a. France.—The Government of France and Morocco have recently signed an agreement whereby France will extend loans of up to $60 million for an unspecified period in the following categories:

(*a*) The Bank of France will provide the Bank of Morocco with six months' overdraft up to $20 million.

(*b*) The Government of France will provide the Government of Morocco with credit up to $20 million for projects which must be approved by the Government of France.

(*c*) Additional credits totaling another $20 million will be provided partly through the banking system and party through the French Treasury.

The terms of these loans will be decided in discussions soon to take place in Paris. None of the funds for these loans have been provided in the 1962 French budget, and it is believed that further appropriations by Parliament will be necessary. No disbursements have as yet been made.

In addition, the French have agreed to increase their technical assistance by about $2 million a year for salaries for a reported additional 1,000 technicians (bringing the total of French technicians to 9,000), for equipment and other services.

SPIGOT PHILOSOPHY OF AID

Mr. RHODES. The Assistant Director of the AID program made a speech for release on yesterday, July 19. The matter refers to what he calls spigot philosophy. This is Mr. Frank Coffin and Mr. Coffin says:

The debate over foreign aid in Congress is worthy but it tends to lose sight of the basic fact that "one of the deep wellsprings of this great program is the desire of the American people to help those less fortunate."

He also says:

Aid to other peoples is at once one of the most complex, frustrating, and vitally important enterprises of this or any other nation. Its purposes, techniques, problems, policies, failures, and achievements are raw material for inexhaustible debate. This year the debate centers about a cluster of issues all based on the spigot philosophy of aid. Under this philosophy we would turn over the spit of aid to show our antipathy to communism, to uncompensated expropriation, to the nonpayment of debts to private companies, to racial discrimination, to the nonpayment of the U.N. dues by other countries, without regard to our overall foreign policy or national interest. These are all worthy subjects for debate but we as a people are in danger of losing something precious.

Then he goes on to say:

What we have already done should be a source of deep pride for every American for never before has a single nation saved so many lives, trained so many people, and helped bring about a better life in so many countries.

Now, I mention this, Mr. Troxel, because it seems to me it is somewhat at variance with what you have said (off the record).

I personally hope that you are right and Mr. Coffin is wrong. I am surprised that Mr. Coffin, a very responsible man, would make such a statement as this, which apparently invites a continuation of expropriations and "hate America" programs. If foreign aid is a charitable program, then I think we ought to once again study the meaning of charity. Charity is a voluntary thing. We exercise charity through the churches and through our various societies which are intended to do that sort of thing. We as a government take the people's money—by payment of taxes, and there is nothing voluntary about paying taxes. So the use of tax money could not be charity, and if we do not use it in a way to benefit the taxpayer, then I submit that we have misused that tax money.

Now I am not going to say that good feeling around the world isn't to the interest of the American taxpayer, but the overriding interest has to be that interest of the taxpayer and I feel very strongly that in this program that we should conduct it very much as Mr. Troxel indicated we should conduct it and not necessarily as Mr. Coffin indicated.

Now, if I have misunderstood Mr. Troxel and gotten him on the side of an issue he doesn't want to be on, then I will yield to him at the present time.

Mr. HUTCHINSON. May I say one thing before he speaks to this question?

Mr. RHODES. Yes.

Mr. HUTCHINSON. On this question of charity, I think we would all, frankly, agree that we are not in the business of charity in the sense of almsgiving and that sort of thing. However, and I may be a little maudlin or something of that sort when I say this now, because when a person starts talking about his deep convictions he often sounds that way. I must say that I do feel that nations and people, individuals and nations, have to participate in the whole creative process that is going on in the world or they really lose their whole purpose of existence.

If we do not participate in this kind of activity, I do not know what our purposes are. I have the feeling that this is what Frank Coffin meant in the very deep sense rather than in just the loose sense of almsgiving and going about doing good, if you get my distinction.

Mr. RHODES. I would suggest he get himself a brand new press officer if that is what he meant because that is not what he said. Of course, I think we all get a good national feeling out of helping other people as long as we can afford to do it but I just cannot believe that the American people want to go and borrow money, as we have been doing, and will certainly do this year, in order to provide Mr. Coffin's type of charity on a global basis. This is just not in accordance with my understanding of the wishes of the American people. Neither do I think the realistic peoples of the world would understand this type of charity with taxpayer's money. They will be looking for the "gimmick" and will never believe there is none. Do you want to be heard, Mr. Troxel?

Mr. TROXEL. It would not be fair for me to debate with Mr. Coffin on that issue in absentia—especially when I would certainly be the

one to lose, Mr. Rhodes. However, I would just make one comment in connection with the recent testimony.

We have been dealing in this Moroccan program with supporting assistance category, and, as you know, this category has been stated very frankly to be a place from which we can draw funds when we have certain major political or strategic interests at stake. This does not mean to say that we do not try to do something very useful economically as well, but we make no bones about the fact that when we are drawing from this category of money, there is something involved besides absolutely pure development.

I would like to limit myself to this point.

When we speak of getting out of the supporting assistance category, this is consistent with the way this program has been developed, as Mr. Coffin himself testified very ably and at length before this committee last year.

Mr. RHODES. That is all.

SOVIET BLOC ASSISTANCE

Mr. PASSMAN. Mr. Hutchinson, we have tried very hard in the past to pin down actually where Russia gave anything away. So often we learn that they get back more than they give.

There are so many different places where you can pin that down. It is certainly not the fault of our country that we do not have any way of actually knowing; it is speculative or a guess.

There are so many articles indicating they get an awful lot of credit from the propaganda that they make on the commitments, but the disbursements are slow in coming and when they do come, we find out they are being repaid in something worth more to them than what they gave.

NIGER

Now, we shall go into the subject of Niger.

You had a planned program for 1962 of $1.2 million?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Is that holding firm?

Mr. HUTCHINSON. $1,199,000—$1.2 million for all practical purposes, yes.

Mr. PASSMAN. On table I you have listed nonproject assistance under "Development grants"; is that correct?

Mr. MOSSLER. For 1961; yes, sir.

Mr. PASSMAN. You are requesting $——— of "Grant aid" in fiscal year 1963?

Mr. HUTCHINSON. These are our estimates; yes, sir.

Mr. PASSMAN. Would you be able to carry on a reasonable, or workable, program with the same amount of funds for Niger that you had last year?

Mr. HUTCHINSON. Sir, you can always carry on some program for a smaller amount of money.

We would not think we would be able to carry on the sort of program that is responsive to the situation.

Mr. PASSMAN. If I should go through this country, project by project, and ask the same questions I have asked on other countries, where you have a small amount, your response would be about the same, would it not?

Mr. HUTCHINSON. It would be basically the same.

Mr. PASSMAN. Mr. Alexander?

Mr. ALEXANDER. Mr. Hutchinson, I noticed we are giving "Development grants," or did in 1961, of $2 million, and $1.2 million in 1962, and $——— proposed for 1963.

What is the budget paid for by the Government officials of this country that they raise among their own people?

Mr. HUTCHINSON. We are checking that, sir.

That is the sheet missing from my book on this country, for some reason, but I will try to get it for you.

I am sorry we do not have it with us.

(The information requested follows:)

BUDGET OF NIGER

Budget receipts and expenditures for the Government of Niger were $13,330,000 equivalent in CFA francs in 1960, $15,890,000 in 1961, and were estimated at $17,500,000 for 1962.

Domestic receipts, however, do not equal domestic revenues and the budget is balanced only because the Government of France subsidizes it. In 1960 and 1961, this amounted to approximately 500 million CFA francs ($2 million) per year.

EMPLOYMENT IN NIGER

Mr. ALEXANDER. I believe you stated there are only 18,000 wage earners including Europeans who work in this country. How many Europeans are included in this figure of 18,000?

Mr. HUTCHINSON. Again, I am afraid I do not have that information.

Mr. ALEXANDER. Can you get it?

Mr. HUTCHINSON. Yes; we will get it.

The French in this country are providing assistance to some considerable extent in the form of technicians.

Mr. ALEXANDER. We are always interested in what other people are doing but that is not what I want. I want to know what they themselves are contributing to their own self-government.

Mr. HUTCHINSON. Yes, I understand that. I was commenting with respect to the number of people employed and there are quite a number of French there.

(The information requested follows:)

NUMBER OF EUROPEANS AMONG WAGE EARNERS IN NIGER

Of the estimated 18,000 wage earners in Niger at present, 750 to 1,000 are employed or self-employed Europeans. The figure of 18,000 wage earners does not include possibly 1,000 French military men in the service of the Government of France.

PROPOSED FISCAL YEAR 1963 PROGRAM

Mr. ALEXANDER. Briefly, what are you going to do with this $———?

Mr. HUTCHINSON. We are going to do some work in connection with agricultural extension services. We are going to consider the possibility of establishing some farmer-training institutes at a couple of locations. We expect to provide some assistance in connection with a development bank for small industry in the country. We will be doing some feasibility surveys as I think you may have mentioned earlier in connection with some of our regional-type operations.

We will also be working on farm-to-market roads. This is basically what the program will consist of.

Mr. ALEXANDER. You are not building any schools in this country?

Mr. HUTCHINSON. No, no education, unless you call this agricultural training, education.

This is a farmer-training institute.

Mr. ALEXANDER. Is that a different type of training than you would have in schools?

Mr. HUTCHINSON. Yes, sir. Primarily, it is a different type than what we would have in schools.

Mr. ALEXANDER. You are not having any health program?

Mr. HUTCHINSON. No; no health programs here.

Mr. ALEXANDER. What kind of roads do they have there?

Mr. HUTCHINSON. The ones I saw are passable and there are not many of them. They are basically unsurfaced but with gravel and sand that is from the nearby area, or what you would get if you ran a shovel over them.

Mr. ALEXANDER. What is the usual mode of transportation?

Mr. HUTCHINSON. The usual mode of transportation is by truck and they do use these roads. I did not see any particular use of camels or anything of that sort.

Do you know anything about that?

Mr. TROXEL. Truck and on foot.

Mr. ALEXANDER. Could you give us for the record the number of automobiles in this country?

Mr. HUTCHINSON. I have my doubts but we will see if we can.

Mr. ALEXANDER. It seems to me with a country twice the size of Texas with just 2 million people, you would not have enough filling stations to keep a truck going.

Mr. HUTCHINSON. You do not have too many, sir, but they do have a number of stations along the way where you can stop and get something to eat and perhaps even stay overnight. I stopped at one while we were there.

(The information referred to follows:)

NUMBER OF MOTOR VEHICLES IN NIGER

There were 4,800 vehicles in Niger in 1959 of which 1,273 were automobiles. The balance were trucks and other vehicles. Currently, there are approximately 5,500 vehicles.

PROBLEMS OF LITERACY AND INCOME IN NIGER

Mr. ALEXANDER. What is the literacy rate of this country?

Mr. HUTCHINSON. That, again, is missing from my book. I believe it is 5 percent.

Mr. ALEXANDER. Do we have any military bases of any kind in this country?

Mr. HUTCHINSON. No, sir; we do not have any military bases here at all.

Mr. ALEXANDER. Is this country pro-Western or is it neutral or is it pro-Communist?

Mr. HUTCHINSON. My assessment, and maybe it would be better for Mr. Troxel to speak to this than me——

Mr. TROXEL. It is a member of the very friendly Afro-Malagasy Union, Mr. Alexander.

MILITARY AID

Mr. ALEXANDER. Are we giving any supporting assistance or military aid to them?

Mr. TROXEL. No, sir.

Mr. HUTCHINSON. No, sir.

(The following information was subsequently supplied:)

SUPPLEMENTAL STATEMENT OF AID TO NIGER

It is correct that no supporting assistance has been provided to Niger, but it is not correct that no military assistance has been provided, even though no combat equipment has been furnished. A single shipment of equipment financed from MAP funds was made to Niger on April 25, 1962, the largest part of which consisted of eight jeeps, two ambulances, and eight motorcycles, together with necessary spare parts and gasoline. Other items were tents, sets of tools, film projectors, field telephones, radios, boats, and outboard motors and some items of personal equipment. This shipment was not included in the material presented to the Congress in connection with fiscal year 1963 program inasmuch as it was authorized pursuant to section 614(a) of the Foreign Assistance Act of 1961 subsequent to the preparation of the presentation material.

Mr. ALEXANDER. That is all, Mr. Chairman.

Mr. PASSMAN. Mr. Rhodes?

Mr. RHODES. I see that Niger has a literacy rate of 5 percent and that Nigeria has a literacy rate of 20 percent; Niger has a gross national product per capita of $40 and Nigeria has a gross national product per capita of $88. I wonder if this is not another example that others have pointed out where the wealthier part of the region grew away and left the poorer part of the region alone to do the best it could on its own?

Mr. HUTCHINSON. I do not think it is a question of the wealthier part drawing away. They have a different background. Nigeria was a British possession and Niger was in the French area. It is certainly true that probably, economically, there are many ties that would seem to lead them in the direction of Nigeria. One of the projects we are contemplating, as a matter of fact, is a possibility of building some roads into Nigeria which would permit the movement of cattle and that sort of thing now being driven very long distances.

I think this might help tie them a little bit more economically to an area where their economic relations are, and which would benefit them.

LANGUAGES IN NIGER

Mr. RHODES. Do the people speak a native tongue, French, or what?

Mr. HUTCHINSON. French is the official language of the educated and then there is Hausa and several minor tribal languages.

Mr. RHODES. Do the natives of Nigeria speak Hausa also?

Mr. HUTCHINSON. Quite a number of them in northern Nigeria, yes, sir.

Mr. RHODES. There is no great language barrier?

Mr. HUTCHINSON. There would not be any great language barrier in that respect.

As to travel, again you have English and French involved in the two areas.

Mr. TROXEL. This is one of the countries linked with the Ivory Coast, Upper Volta and Dahomey in the Conseil de l'Entente. It is a member of the UAM nations we were discussing not long ago.

Mr. RHODES. I note that the country has much arable land but scanty rainfall. Is there a possibility of irrigated crops being grown?

Mr. HUTCHINSON. We have made some very tentative explorations in this area and have not, as yet, found too much. There is the possibility of one irrigation project not too far from the capital, as a matter of fact, that we expect we will be looking at particularly carefully. The French have made some feasibility studies and we want to examine this with some care.

NIGER RIVER

Mr. RHODES. I gather that the Niger River flows through this part of the country. Is it a large river?

Mr. HUTCHINSON. As a matter of fact, it is quite a large river. I was surprised at the size of the river. However, it cuts the country into quite a large part and then a fairly small part. It does not go through the central part of the country.

Mr. RHODES. Could you get figures on the annual flow of the Niger River for the record?

Mr. HUTCHINSON. I certainly will check.

Mr. TROXEL. We might have to go to Paris for that. We were discussing that not long ago.

Mr. RHODES. If you can, without sending somebody to Paris, get that for the record.

Mr. HUTCHINSON. Yes, sir.

(The information follows:)

ANNUAL FLOW OF NIGER RIVER

The best figures available on the flow of the Niger River were measurements made by a Swiss firm (NEDCO) at Jebba, Nigeria, approximately 400 miles downstream from Niamey. The low figure had a range of 16,000–25,000 cubic feet per second and the high figure had a range of from 141,000 to 230,000 cubic feet per second.

Mr. RHODES. It strikes me that it would be possible for irrigation projects to be constructed there and I certainly do not intend that we should establish irrigation which would grow crops to compete with the products of Arizona, Louisiana, or North Carolina.

Mr. HUTCHINSON. I understand that the river at Niamey—and this is my own guess from looking at it and confirmed by the engineers—is about 400 meters wide. How deep it is I do not know, but it is a man-sized river.

Mr. TROXEL. Perhaps it is like some of the rivers in your State and my own State of Colorado, Mr. Rhodes—part of the year they are wide and the rest of the year, small.

Mr. HUTCHINSON. This was not in the rainy season.

Mr. RHODES. I guess that is all, Mr. Chairman.

NIGERIA

Mr. PASSMAN. Could you give us the amount of aid Nigeria has received prior to fiscal 1961?

Mr. MOSSLER. $5.7 million.

Mr. PASSMAN. In fiscal 1962 I believe you had $10,116,000?

Mr. MOSSLER. Yes, sir.

Mr. PASSMAN. You contemplate a program in fiscal 1963 of $———?

Mr. MOSSLER. I am sorry; I said "Yes, sir" to your question, but that was incorrect for 1962, Mr. Chairman.

Mr. PASSMAN. All right.

Mr. MOSSLER. That is 1961 when we had $10 million.

Mr. PASSMAN. My question was, what did you have cumulative prior to 1961 for Nigeria?

Mr. MOSSLER. I said prior to 1961 we had $5.7 million.

POLITICAL STATUS OF NIGERIA

Mr. PASSMAN. When did the country gain its independence?

Mr. TROXEL. October 1, 1960.

Mr. PASSMAN. The figure you gave there for 1960 is what?

Mr. MOSSLER. Up through 1960 it was $5.7 million.

Mr. PASSMAN. We gave them that aid while they were a possession, or a territory, of what country?

Mr. MOSSLER. They were associated with Great Britain.

Mr. PASSMAN. Associated with as a colonial possession, territory, or what?

Mr. HUTCHINSON. What was their exact political status prior to independence?

Mr. TROXEL. It was a British colony, a British protectorate, and a trust territory—a mixture of juridical positions.

Mr. PASSMAN. In fiscal 1961 you had $10,116,000 for this little new country?

Mr. MOSSLER. That is right.

BUDGET REQUESTS FOR NIGERIA

Mr. PASSMAN. In fiscal 1962, $20 million; and did this hold firm?

Mr. MOSSLER. Very close, sir. It was $20.5 million.

Mr. PASSMAN. You went over?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. You have planned for fiscal 1963, $———?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. We are still in the realm of grant aid?

Mr. HUTCHINSON. Still in the field of grant aid; yes, sir.

Mr. PASSMAN. How much money did you request for this country for fiscal year 1962, total?

Mr. MOSSLER. I believe it was $14.2 million, sir.

Mr. PASSMAN. You gave them $6.3 million over your estimate?

Mr. MOSSLER. Yes; but we estimated costs only for continuing projects, sir. We had planned on making available some portion of the unprogramed development grant funds.

Mr. PASSMAN. You did confuse it, but you did not erase the fact that you obligated, or planned to obligate, a program of $6.3 million more than you justified last year; is that correct?

Mr. MOSSLER. More than we justified for continuing projects, sir.

Mr. PASSMAN. Where did you justify the additional $6.3 million?

Mr. MOSSLER. It was part of a worldwide amount of funds, amounting to $130 million.

Our appropriation request had $130 million unprogramed for Development Grant Assistance.

PROJECTS INITIATED IN FISCAL YEAR 1962

Mr. PASSMAN. What new projects did you initiate in fiscal year 1962?

Mr. MOSSLER. The Institute of Educational Research, Northern Nigeria Teacher Training Support, University Agricultural Education——

Mr. PASSMAN. Give us the amount for each.

Mr. MOSSLER. The first one was Institute of Educational Research——

Mr. PASSMAN. How much?

Mr. MOSSLER. What I have here are the 1963 estimated obligations for these projects that were newly initiated in 1962.

Mr. PASSMAN. 1963 obligations?

Mr. MOSSLER. What we are proposing for them in this book for obligation in 1963.

Mr. PASSMAN. That is not what I requested.

Mr. MOSSLER. I know.

Mr. HUTCHINSON. If you read off the list of projects, I will give the figures for 1962.

Mr. MOSSLER. Institute of Educational Research.

Mr. HUTCHINSON. $40,000.

Mr. MOSSLER. Northern Nigeria teacher-training support.

Mr. HUTCHINSON. $88,000.

Mr. MOSSLER. University agricultural education.

Mr. HUTCHINSON. $800,000.

Mr. MOSSLER. Classroom radio education.

Mr. TENNANT. $115,000.

Mr. MOSSLER. Fisheries development.

Mr. TENNANT. $308,000.

Mr. MOSSLER. Hedeja Valley development.

Mr. TENNANT. $240,000.

Mr. MOSSLER. Industrial water supply.

Mr. HUTCHINSON. $400,000.

Mr. MOSSLER. Industrial housing.

Mr. HUTCHINSON. $22,000.

Mr. MOSSLER. Nigerian Institute for Management and Administration.

Mr. TENNANT. $300,000.

Mr. MOSSLER. Public service staff support.

Mr. TENNANT. $400,000.

Mr. MOSSLER. Exploration water survey.

Mr. TENNANT. $282,000.

Mr. MOSSLER. That is it.

Mr. RHODES. Mr. Chairman, they are just reading the obligations, are they not?

Mr. HUTCHINSON. Yes, sir. That is what I thought he asked for.

Mr. TENNANT. Estimated 1962 obligations.

Mr. PASSMAN. You requested $14.2 million in grant aid for Nigeria for fiscal year 1962, and that is continuing costs.

Then you started new projects totaling $2,995,000?

Mr. HUTCHINSON. I do not have the total added up.

Mr. TENNANT. That is correct, sir.

Mr. PASSMAN. If you will add to that, $14.2 million, how much do you get?

Mr. HUTCHINSON. Something like $17 million.

Mr. TENNANT. $17,195,000.

Mr. PASSMAN. Let us subtract that from the $20.5 million figure you just gave us.

Mr. TENNANT. $3,305,000.

Mr. PASSMAN. Would this difference be lagniappe?

Mr. HUTCHINSON. The difference would be the amount we spent on continuing projects over and above the amount we estimated when we presented the estimated costs.

Mr. PASSMAN. Would it be just the same, and would you say it is over the amount you justified? Would it mean the same thing?

Mr. HUTCHINSON. Over the amount we estimated when we presented the program to the Congress.

Mr. PASSMAN. We always refer to that as justifications, do we not?

Mr. MOSSLER. Yes, sir.

Mr. PASSMAN. Thank you.

The difference of $3 million-plus is that much over what you justified to the committee.

Mr. HUTCHINSON. I just want to testify, sir, that it is not infrequent for the amount estimated at the time we are making the estimates for presentation to differ from what actually eventuates in the end.

Mr. PASSMAN. We are dealing with a great sum of money here, and we will admit that we made it possible for it to be this loose. If it is not tightened up, it will not be, because I am not for doing so.

NIGERIAN DEVELOPMENT PLAN

Has Nigeria's national development plan been approved by the Nigerian Parliament?

Mr. HUTCHINSON. Yes, sir; it has now been approved by the Nigerian Parliament.

Mr. PASSMAN. When?

Mr. HUTCHINSON. It was presented to the Parliament in March; it was probably approved in April or May.

Do you know the exact date?

Mr. TROXEL. That sounds reasonable. I do not recall.

U.S. LOAN COMMITMENTS

Mr. PASSMAN. On what date did the United States make its commitment of $225 million for the development credits to this country?

Mr. HUTCHINSON. I am trying to find the President's actual letter to the Prime Minister of Nigeria to give you the exact date.

The determination to make the commitment was made in November, sir, if that will help.

The determination was made in November, this I am sure of.

The actual date of transmittal to the Prime Minister we do not seem to have.

Mr. PASSMAN. Had Nigeria met all of the legislative criteria prior to our commitment?

Mr. HUTCHINSON. Sir, the commitment which was made at that time was not made under the authority of section 202(b).

Mr. PASSMAN. Under what authority did you make the commitment?

Mr. HUTCHINSON. You will recall last year's testimony to the effect that there was authority for the President to make undertakings or commitments to various governments, but they were not of the same nature as the commitments——

Mr. PASSMAN. Then, in reality, there is no moral obligation on this one; is there?

Mr. HUTCHINSON. There is not the same obligation on this one as yet.

I fully anticipate that the commitment will be made under section 202(b).

Mr. PASSMAN. Could you tell us how quickly we would have to stop it before it is a moral obligation?

Mr. HUTCHINSON. Sir, I think we would argue that it is still as it presently stands a moral obligation.

Mr. PASSMAN. But not as strong as some of the others?

Mr. HUTCHINSON. That is correct. It is not as strong an obligation as would be the case——

Mr. PASSMAN. I would not like to debate how strong, so let us call it not as strong.

Mr. HUTCHINSON. Right.

TOTAL AID REQUIREMENTS FROM ALL SOURCES

Mr. PASSMAN. How much more do you anticipate the United States will be asked to provide in addition to this $225 million credit?

Mr. HUTCHINSON. I do not know, sir, how much the total support to the Nigerian development plan may end up being. The total foreign exchange requirement of the plan as presently established, or as presently estimated, is $1.8 billion of which they expect to supply $900 million.

Mr. PASSMAN. Almost $1 billion?

Mr. HUTCHINSON. We have made a commitment of $225 million and there is $900 millilon they anticipate they need from external sources.

Mr. PASSMAN. You mentioned a figure of $1.8 billion.

Mr. HUTCHINSON. As being the total foreign exchange requirement for the plan, of which they expect to supply from their own resources, and there is $900 million they anticipate they need from external ternal sources.

Mr. PASSMAN. So far we have a partial moral commitment of $225 million of that total?

Mr. HUTCHINSON. Yes, sir. We are now conducting discussions with other nations and there is an IBRD consultative group at work with other nations to see what it might be possible to get from them. What will eventually come out as the planning progresses, I could not say.

Mr. PASSMAN. We moved a little bit faster than some of the others who may eventually become a party to this consortium?

Mr. HUTCHINSON. Yes, sir; we certainly did.

Mr. PASSMAN. It could be that even though we moved fast and committed ourselves to one of these 40-year loans—and I assume it is one of the 40-year, no-interest items, is it not?

Mr. HUTCHINSON. This is not a loan, but any loans we make pursuant to a commitment——

Mr. PASSMAN. Is this a credit?

Mr. HUTCHINSON. It is a commitment to provide assistance, sir.

Mr. PASSMAN. It could be a grant?

Mr. HUTCHINSON. Those projects which we finance on a grant basis, as well as any loans, will be charged against the commitment. We certainly expect loans to be by far the greater part of this. They probably will be made on the terms which you have indicated, but the commitment itself is not a loan.

Mr. PASSMAN. Forty years, 10-year grace, and no interest?

Mr. HUTCHINSON. Three-quarters of 1 percent financing charge.

Mr. RHODES. Will the gentleman yield?

Mr. PASSMAN. Yes; but that is what is often referred to as a service charge for handling the account? It is not an interest return on the money?

Mr. HUTCHINSON. No, sir.

Mr. PASSMAN. Did I get the answer?

Mr. HUTCHINSON. Yes, sir.

COMMITMENTS UNDER DEVELOPMENT GRANTS

Mr. RHODES. There is no way under the law the administration can bind the Congress to a moral commitment involving a grant?

Mr. HUTCHINSON. That is correct, sir.

Mr. RHODES. Only under the development loan category?

Mr. HUTCHINSON. That is correct; but we do expect, for example, if we provide grants as anticipated here, we would expect to reduce the commitment we are asking the Congress for by the amount we make grants available.

Mr. PASSMAN. That is really, to say the least, somewhat hasty; would you agree that is not overstating it?

Mr. RHODES. It does not seem to me to be so.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

IMPACT OF NIGERIA'S DEVELOPMENT PLAN

Mr. HUTCHINSON. I have been impressed by the extent to which this commitment has actually served as a unifying force in Nigeria. They have had a real problem among their various regions, including the possibility of splitting apart.

They are rallying around this plan for the development of the country. It has given them a sense of national purpose. It is true that when I talked to the premiers in the regions, they talked about their own problems, but they always talked about Nigeria's development and Nigeria's development plan.

It also has provided means for assigning priorities and, in a very real way, for the elimination of projects and programs which I would not have expected a new nation to be able to do. The Prime Minister told me in so many words, "Look, when I went into this, I expected to be putting our resources into health and general education as our first priority; but as we analyzed the program, we found that we should probably delay in putting first priority on these things which and directly productive and wait until we could afford the others out of our own income. So our first priorities will be agriculture, industrial development, and technical education."

Almost against my will, I was very favorably impressed with the effects which this plan has had both in unifying Nigeria as a nation and in giving them so much more sensible and down to earth priorities than I would have expected.

Mr. PASSMAN. If they are that smart and can do the things you just indicated, and if they have leaders that smart over there, I believe they could do a better job helping us than we could helping them, because we have not indicated that we had the ability to think these things through.

Mr. HUTCHINSON. They do have some very good leaders; they have some very competent people. They have had outside help in connection with this plan. But Nigeria is a country with resources both in terms of its leaders and its people, and its natural physical resources give it real prospects for development, which is the reason the program is so big, and this is the reason we are concentrating fundamentally in this country in Africa.

If by this means we can get a unified and growing and prosperous and developing Nigeria in the heart of Africa, this will be the best money spent in the AID program. I would stand by it.

Mr. PASSMAN. I want to respond to that by saying that every country you go into, if you cannot justify it on one basis, you can justify it on another basis. The further we examine, the bigger the requests get.

I yield to Mr. Rhodes.

Mr. HUTCHINSON. One sentence, please, Mr. Rhodes.

Mr. RHODES. Go right ahead.

Mr. HUTCHINSON. I would only ask that you compare the size of the program we are talking about in this country in terms of grants and contemplated loans with the size of the programs in the great mass of countries we have gone through before in which we have testified that the prospects are totally different.

TOTAL COST OF U.S. AID PROGRAM

Mr. PASSMAN. Our total foreign aid program, overall, for fiscal year 1963 will cost the overburdened U.S. taxpayers in excess of $12 billion.

I want to repeat, so you have not misuderstood me, that all facets of the foreign aid program for fiscal 1963, as planned—that includes the interest that we are having to pay on the money we borrow to give away—will exceed $12 billion.

Mr. Rhodes?

Mr. RHODES. Let the record show Mr. Hutchinson disagrees. I have just one moment.

AMALGAMATION OF AFRICAN COUNTRIES

If American aid is such a unifying influence as this, it seems to me we could cut the number of nations in Africa in half by offering them their aid in the event they would amalgamate, federate, or do something like that.

We would also reduce the number of votes in the United Nations. It seems to me you have opened vistas of political activity here that I never dreamed existed.

Mr. PASSMAN. May I have the privilege of seconding that motion, if it could be brought to that point.

Mr. RHODES. I would even double the amount each nation would get, just one time only, if we could do all these things.

Mr. HUTCHINSON. I would point out, sir, you did at least have in this case a Federal Government framework about which to work and a national government that you do not have in the other case.

AID TO NIGERIA SINCE INDEPENDENCE

Mr. PASSMAN. This is the former British colony that we are talking about that won its independence in 1960?

We can envision a program from the time they gained their independence through fiscal 1963 far in excess of a quarter billion dollars, can we not?

Mr. HUTCHINSON. Through fiscal 1963?

Mr. PASSMAN. Yes.

Mr. HUTCHINSON. In excess of a quarter billion dollars? That is too high, I think.

Mr. PASSMAN. You have $225 million at one point.

Mr. HUTCHINSON. That is over the plan period.

Mr. PASSMAN. It is a commitment to this country, is it not, of over a quarter billion dollars, if you pick up the $225 million, if it is an agreement, then you pick up the other.

If this contract is in effect, you will have made available for expenditure in fiscal 1963 and subsequent years commitments, however, in fiscal 1963 alone of $225 million under this partial moral obligation and $——— for grant aid; is that right?

Mr. HUTCHINSON. The grant aid will be charged against the commitment. It will reduce the commitment.

Mr. PASSMAN. Are you going to reduce the $225 million by the previous $30 million?

Mr. HUTCHINSON. Not by the previous $30 million.

Mr. PASSMAN. Then my statement is valid. From the time they gained their independence through fiscal 1963 we will have committed ourselves to expenditures in excess of a quarter billion dollars; is that right?

Mr. HUTCHINSON. Yes, that is correct, but it covers a period of some 9 years.

Mr. PASSMAN. We shall adjourn until Monday at 2 p.m.

MONDAY, JULY 23, 1962.

Mr. PASSMAN. The subcommittee will come to order.

VOLTA RIVER PROJECT, GHANA

A few days ago we were discussing the funding of the Volta River project for Ghana, and we asked a question to the effect that had this contract been obligated one-third, or any figure, of our total contribution out of 1962 funds and the other out of subsequent year appropriations, would the Department feel that we had the same moral commitment as would be the case if the commitment had been made out of section 202(b); and you were supposed to get us a legal opinion. Did you get that legal opinion?

Mr. HUTCHINSON. No, sir; we do not have it yet.

Mr. PASSMAN. It is one of the most important requests that we have made, and we wish you would get us that opinion at the earliest possible date.

Off the record.

(Discussion off the record.)

EDUCATION PROJECTS FOR NIGERIA

Mr. PASSMAN. I note, on page 458, that education projects for Nigeria are budgeted at $12,172,000 in fiscal year 1963. Is that correct, sir?

Mr. HUTCHINSON. This is the sector break; yes, sir.

Mr. PASSMAN. Are your estimates holding firm?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. How much has been obligated through fiscal year 1962 for aid to education for Nigeria?

Mr. HUTCHINSON. Sir, we do not have the obligations through the end of fiscal year 1962.

Mr. PASSMAN. How much do you have programed through the end of 1962?

Mr. HUTCHINSON. $10,395,000.

Mr. PASSMAN. So, for fiscal 1962 and 1963 that would be more than $22 million——

Mr. HUTCHINSON. Sir, it would be $22,567,000.

Mr. PASSMAN. You do not know the amount that has been obligated against the $12,172,000 as of this time?

Mr. HUTCHINSON. No, sir.

Mr. PASSMAN. What is the anticipated cost to complete all existing projects under this category of education?

Mr. HUTCHINSON. Sir, we do not have it broken in this way.

Mr. PASSMAN. How much has been obligated to date for the construction of education buildings in Nigeria?

Mr. HUTCHINSON. Again, sir, I cannot give you an obligation figure through fiscal 1962. I can give you the obligation figure through fiscal 1961 and an estimated figure through fiscal 1962.

Mr. PASSMAN. What is the figure through fiscal 1961?

Mr. HUTCHINSON. $1,417,000, sir.

Mr. PASSMAN. That was the year they gained their independence?

Mr. HUTCHINSON. It seems to have been in fiscal 1961. They gained their independence in October 1960.

Mr. PASSMAN. What sum did you have unexpended out of the original allocation for fiscal 1961 as of the last period for construction of education buildings?

Mr. HUTCHINSON. We would not have that figure, sir.

Mr. PASSMAN. Can you give us an estimate, although I am just a little afraid of the estimates?

Mr. HUTCHINSON. We could not estimate in any event, sir.

Mr. PASSMAN. Could you estimate what the construction cost would be for education buildings in 1963?

Mr. HUTCHINSON. For construction, sir?

Mr. PASSMAN. Yes, for construction of education buildings in fiscal 1963.

Mr. HUTCHINSON. We ought to have that figure for construction in 1963.

Mr. MOSSLER. I have it by projects, sir, if you would give me a moment to add it up.

Mr. PASSMAN. Take your time.

Mr. MOSSLER. $3,733,000.

Mr. PASSMAN. So you will utilize about 25 to 30 percent of the available funds for actual expenditures?

Mr. HUTCHINSON. Sir, this is the estimated obligations for construction for 1963.

Mr. PASSMAN. But you are requesting $12,172,000?

Mr. HUTCHINSON. For education; yes, sir.

Mr. PASSMAN. For education?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. And the question certainly would deal with the same subject matter, education. What part do you expect to obligate for construction of education buildings?

Mr. HUTCHINSON. That is the figure Mr. Mossler gave you.

CONTRACT FOR VOCATIONAL EDUCATION

Mr. PASSMAN. How much is budgeted for the Western Michigan University contract under the vocational education project?

Mr. MOSSLER. $286,000 for the contractual component of the project.

Mr. PASSMAN. What is the cost to date of this contract?

Mr. MOSSLER. Mr. Chairman, I gave you a 1962 figure, I am sorry, for that particular contract. The 1962 figure was $286,000. The 1963 figure, which you asked me for, is $420,000.

CONTRACT FOR COMPREHENSIVE SECONDARY SCHOOL PROJECT

Mr. PASSMAN. Why is there an anticipated unliquidated balance of $1,835,000 for the comprehensive secondary schools project on page 460, No. 620–N–65–AB?

Mr. HUTCHINSON. I think this is primarily because of the fact the Harvard University contract perhaps has been funded on a 2-year basis.

Mr. MOSSLER. Yes. There are two contracts, one in western Nigeria and one in eastern Nigeria. The first contract in western Nigeria is

with Harvard University and the one in eastern Nigeria is with UCLA, and both of these were obligated, forward-funded, for 2 years and rather late in 1962.

Mr. PASSMAN. In June of 1961 you had $1,031,000 unliquidated; in 1962 you obligated an additional $1,734,000; and it is estimated that on June 30, 1962, you will have $1,835,000 unliquidated. Is that correct?

Mr. MOSSLER. We estimated $1,835,000; yes, sir.

Mr. PASSMAN. Why would you need an additional $740,000 for contract services for fiscal 1963?

Mr. HUTCHINSON. First, sir, we are only asking for $740,000 for contract services for fiscal 1963, and it is my understanding this primarily is for the technicians that will be employed on the project, which will be going up.

Mr. PASSMAN. It will be on the increase, then?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. You also have requested $30,000 for other costs. Is that similar to the other cost items we have discussed earlier?

Mr. HUTCHINSON. Yes; local support costs, travel and so on.

Mr. PASSMAN. And you reimburse other departments for their services?

Mr. HUTCHINSON. No; that is not for reimbursement to the State Department.

Mr. PASSMAN. You forward funded this contract late in 1962, did you not?

Mr. HUTCHINSON. We forward funded the contract in 1962; yes, sir.

Mr. PASSMAN. Then it is actually too early to determine for certain that you would need the $740,000 to be added to the contract services for fiscal 1963, is it not?

Mr. MOSSLER. I think this is like all the projects. We intend to expand the scope of it, but it is true the actual obligations in 1963 may vary from the figure we have here, Mr. Chairman.

Mr. PASSMAN. This would look like one of the many places money could be saved.

HIGHER EDUCATION PROJECT

What is the 1963 cost of the Michigan State University contract under the higher education project?

Mr. HUTCHINSON. Sir, the figure we have is $1,705,000, but there is something wrong because it shows contract services, $1,550,000, so there is a discrepancy here.

Mr. PASSMAN. Let us take a brief recess to answer the quorum call.

(Brief recess.)

Mr. PASSMAN. The committee will come to order.

I think the last question was: "What is the 1963 cost of the Michigan State University contract under the higher education project?"

Mr. MOSSLER. $1,205,000.

Mr. PASSMAN. Is this the one where we had the discrepancy?

Mr. HUTCHINSON. This is the one where we appeared to have a discrepancy. In checking our notes we find the earlier figure we gave you included a $500,000 item with the same university in connection with the teacher training program.

Mr. PASSMAN. Where will that be found?

Mr. HUTCHINSON. Page 463, sir.

Mr. PASSMAN. Can you tell us the cost of this contract to date, speaking now of the higher education project on page 461?

Mr. HUTCHINSON. The Western Michigan contract?

Mr. PASSMAN. The Michigan State University contract.

Mr. HUTCHINSON. It seems it is $1,703,000 plus the $1,205,000, so that gives $2,908,000.

Mr. PASSMAN. Could you tell us the amount of unexpended funds to the credit of this account as of the end of fiscal 1962?

Mr. HUTCHINSON. No, sir; we could not.

Mr. PASSMAN. Could you give us a brief explanation of what contracts will be initiated with the $300,000 budgeted for this purpose?

Mr. HUTCHINSON. This is in connection with the University of Lagos you are speaking of, sir?

Mr. PASSMAN. That is right. It has the same project number, does it not?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. The explanation is on the back of the page.

Mr. HUTCHINSON. It says $300,000 is for construction costs in connection with the University of Lagos. We do not seem to have it, sir.

Mr. PASSMAN. Thank you.

Could you give us the cost to complete all construction under this project number?

Mr. HUTCHINSON. Sir, I would have to make some analysis to see whether we could or not. I could not give it to you offhand.

Mr. PASSMAN. You have no cumulative sheet showing the estimated costs?

Mr. HUTCHINSON. For completion of both the University of Nigeria and the University of Lagos?

Mr. PASSMAN. Yes.

Mr. HUTCHINSON. No, sir; I do not.

TEACHER TRAINING PROJECT

Mr. PASSMAN. If the very large pipeline of $2,866,000 for the teacher training project is due to the forward funding of university contracts, then why do you need $2,005,000 in fiscal 1963 for contract services?

Mr. HUTCHINSON. Sir, if I may check this.

Mr. PASSMAN. It is all under the same number, 620–N–66–AD.

Mr. HUTCHINSON. Sir, there are a series of different universities involved. Different universities were funded in 1962 from those that will be funded in 1963 in connection with teacher training.

Mr. PASSMAN. You are enlarging on the contract, are you not?

Mr. HUTCHINSON. We are enlarging on the project, taking a number of different universities in the field.

FORWARD FUNDING OF UNIVERSITY CONTRACTS

Mr. PASSMAN. How much did you obligate out of 1962 funds for the forward funding of university contracts? I am talking about the same project.

Mr. HUTCHINSON. For the forward funding of university contracts in 1962?

Mr. PASSMAN. That is right.

Mr. HUTCHINSON. We can list the amounts of funding of university contracts in 1962.

Mr. PASSMAN. For teacher training in Nigeria. As you are using some sheets we do not have, will you read from your sheets into the record?

Mr. HUTCHINSON. It looks like, sir, $2,119,700 is the total funding of the teacher-training activity through university contracts in fiscal 1962. This is 2-year funding so you could roughly divide it in half to see how much for forward funding fundamentally, I assume.

DEVELOPMENT GRANT PROGRAM

Mr. PASSMAN. In the past we have had the technical aid program and the outright grant program, and they have now been consolidated into development grants; so out of development grants you get money for both economic aid and technical aid?

Mr. HUTCHINSON. Yes, sir, that is correct.

Mr. PASSMAN. Under this caption you have a combination and it can be economic aid or technical aid?

Mr. MOSSLER. We have a capital component in addition to a technical component.

Mr. PASSMAN. But in prior year appropriations you could only obligate for technical aid plus perhaps some handtools and insecticides, but today you can draw out of the same appropriation for economic aid or technical aid?

Mr. MOSSLER. That is correct.

EXPLANATION OF OTHER COSTS—HIGHER EDUCATION

Mr. PASSMAN. You have other costs of $65,000. Give us a brief explanation of that item.

Mr. HUTCHINSON. It is the same kind of item that appears in connection with most of these projects. This is local support associated with the technicians on the project, local travel, subsistence, and other costs as they are moving on the job.

Mr. PASSMAN. As we go along it gets bigger and bigger. Under education planning we notice there are other costs of $120,000; and on page 465 under Institute of Educational Research we find there are other costs of $220,000. You are getting a great deal of money in under other costs. Going to page 466, under the northern Nigeria teacher training support project we find other costs of $505,000. So it may go into the millions for this country. Is that what a traveling salesman calls "miscellaneous" on his expense account, with no explanation?

Mr. HUTCHINSON. They are in many cases the incidental costs associated with the technicians being there. In the cases where it is a significant element there are usually other items associated with it. For example, the $505,000 item under northern Nigeria teacher-training support includes $500,000 toward the costs of constructing a teacher-training college and remodeling some existing institutions to serve the

same purpose. And the $120,000 item in education planning includes some materials and equipment associated with planning type or demonstration materials. And the $220,000 item in the Institute of Educational Research has research materials in it in addition to the miscellaneous-type costs.

Mr. MOSSLER. And the distinction usually made is that it is procured locally as compared to the other item of commodities which are usually imports.

EDUCATION PLANNING

Mr. PASSMAN. Even though under the education planning project, 620–N–68–AE, you have a substantial unliquidated balance, you are requesting additional money in 1963. Why would you need additional money for fiscal 1963?

Mr. HUTCHINSON. Sir, the 1963 funds are for the 10 U.S. technicians and for participants who will be coming to the States to observe education systems and the planning of education programs here. What the actual 1963 obligations are for, I will have to check and see as to what they actually are. It seems this was participant training which again would involve forward funding and as new participants come in the program there would be forward funding.

Mr. PASSMAN. I believe all would agree that even an abbreviated review of all the projects in Nigeria would consume 10 or 15 days, so of necessity we shall have to skip many of them. The American taxpayers will have to forgive us, because there is just not sufficient time to examine them all.

NORTHERN NIGERIA TEACHING-TRAINING SUPPORT

How do you propose to provide six technicians for $45,000 for the project listed on page 466?

Mr. HUTCHINSON. Sir, these six technicians will be direct hire. This is averaging about $9,000.

Mr. PASSMAN. $9,000 times six is $54,000, is it not?

Mr. HUTCHINSON. I am sorry. That is averaging about $7,500.

Mr. PASSMAN. How long will they be employed?

Mr. HUTCHINSON. This will be funding for a year for some of them and some of them will not be there for the full year.

Mr. PASSMAN. And some of it is for travel and other expenses?

Mr. HUTCHINSON. Some will be for that, yes, sir.

Mr. PASSMAN. So, we do not know how many technicians and what the cost per technician will be? Is that right?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Will $500,000 complete the U.S. contribution to the construction program? This is the same project.

Mr. HUTCHINSON. There may well be some further construction costs associated with the project, sir.

Mr. PASSMAN. Could you estimate the total cost?

Mr. HUTCHINSON. This project could continue for quite some time and I would not want to make a guess.

UNIVERSITY TEACHER EDUCATION PROJECT

Mr. PASSMAN. How do you expect to spend the $——— requested for the university teacher education project?

Mr. HUTCHINSON. This will be for ——— contracts with American universities in connection with the ——— Nigerian colleges of education. These are new contracts.

It is a new project.

Mr. PASSMAN. Applicable to fiscal 1963?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. If you did not start this one you still would have some good projects over there, would you not?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Thank you.

ADVANCED TECHNICAL EDUCATION PROJECT

On page 468, the advanced technical education project is another new project, is it not?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Could you give the same type of answers on that as you did on the previous project?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. What is the estimated cost to complete that project, for which you are asking $——— for 1963?

Mr. HUTCHINSON. There is an estimate here of $———.

AGRICULTURAL EDUCATION PROJECT

Mr. PASSMAN. How much has been obligated to date for construction on the agricultural education project?

Mr. HUTCHINSON. We could not give you the obligation figure, sir.

Mr. PASSMAN. Expenditures to date, the last known figure? Do you have that available?

Mr. HUTCHINSON. I do not have it quickly available. It would require a little research.

Mr. PASSMAN. We notice, on the same page, 469, "Other costs" of $344,000. In this instance it amounts to just about one-fourth of the 1963 estimate.

Mr. HUTCHINSON. This seems to be the local costs associated with the construction.

Mr. PASSMAN. Again you have $360,000 for participants. How many participants are involved?

Mr. HUTCHINSON. 120.

Mr. PASSMAN. For how long?

Mr. MOSSLER. It varies.

Mr. PASSMAN. They will be scattered all over? Will some be sent to this country and some to third countries?

Mr. HUTCHINSON. Probably most of these people will be sent to the United States, because this is technical education.

UNIVERSITY AGRICULTURAL EDUCATION PROJECT

Mr. PASSMAN. Tell us how you obligated $800,000 for the university agricultural education project, on page 471.

Mr. HUTCHINSON. A part of this is to continue the contract at Ife University. This contract service is $1,145,000. This includes five participants. This is not in addition to the $1,145,000.

Mr. PASSMAN. That is not in response to my question.

Mr. HUTCHINSON. I am sorry I misunderstood your question.

Mr. PASSMAN. You programed $800,000 for fiscal 1962.

Mr. HUTCHINSON. We had but our present estimate is $965,000, of which $320,000 is for technicians, $98,000 for participants, $109,000 for this "Other costs" item, and $438,000 for "Commodities."

Mr. PASSMAN. You estimated you would have $770,000 unliquidated on June 30, 1962. Is that holding firm?

Mr. HUTCHINSON. That probably will be increased some.

Mr. PASSMAN. And the amount requested for 1963, $1,585,000, would go to the same university?

Mr. HUTCHINSON. It would go to the same university contract, yes.

Mr. PASSMAN. So, again, if you did not get the appropriation you would have a going contract?

Mr. HUTCHINSON. We would have a continuing activity under the contract but funds would be needed to fund the contract and the participants.

Mr. PASSMAN. But you could continue it for another year?

Mr. HUTCHINSON. It would be continued but you would have to fund it over the remaining time.

Mr. PASSMAN. You still would have money to carry it on over the next year?

Mr. HUTCHINSON. The activity would continue for another year, yes, sir.

Mr. PASSMAN. For what do you intend to obligate $1,145,000 for "Contract services?"

Mr. HUTCHINSON. This, sir, is for the contracts of Ife and Ahmadu Bello Universities. There is $1,145,000 for that.

Mr. PASSMAN. And you have $440,000 for "Other costs."

Mr. HUTCHINSON. That is right. We do not have the breakdown of that.

Mr. PASSMAN. Could you estimate the cost of completion?

Mr. HUTCHINSON. This one I do not know.

Mr. PASSMAN. Thank you.

ZARIA INSTITUTE OF LOCAL GOVERNMENT AND ADMINISTRATION PROJECT

Why do you need an additional $154,000 for the Zaria Institute of Local Government and Administration project?

Mr. HUTCHINSON. This is to provide for the continuation of the contract on the project.

Mr. PASSMAN. What services are provided under this contract?

Mr. HUTCHINSON. It is a University of Pittsburgh contract. This is training for development of a curriculum and courses and there is also some provision for participants and there are also a few technicians associated with the project who are helping with the teaching in the institute.

COMMUNICATIONS MEDIA DEVELOPMENT

Mr. PASSMAN. Last year you budgeted $256,000 for the communications media development project, but page 473 indicates you obligated $508,000.

Mr. HUTCHINSON. $508,000 is our estimate for fiscal 1962.

Mr. PASSMAN. That is almost double. Is that a university contract, too?

Mr. HUTCHINSON. Yes, sir. This is for an Indiana University contract to be continued in fiscal year 1963.

Mr. PASSMAN. It was anticipated when you allocated your funds last year that $256,000 would give you a satisfactory project. What has transpired that would prompt you to obligate $508,000, almost double the amount?

Mr. HUTCHINSON. Sir, I do not know the basis on which the 1962 presentation was made so I do not know the basis for the change.

Mr. PASSMAN. Could you state whether or not you will have a workable contract if you operate according to the usual program?

Mr. HUTCHINSON. This has already been programed, sir.

Mr. PASSMAN. You do have some 1-year contracts, do you not?

Mr. HUTCHINSON. We have some.

Mr. PASSMAN. Could it be you have entered into obligations for additional years to increase the amount?

Mr. HUTCHINSON. It is quite possible that the project has been funded for an additional 1 year forward.

Mr. PASSMAN. We need to know some reason why you estimated 1 year $256,000, and we find you obligated $508,000. Could you do some research on that matter?

Mr. HUTCHINSON. We will find the reason for the difference, but, as you know, there are a number of differences both up and down in this section.

(The information follows:)

COMMUNICATIONS MEDIA DEVELOPMENT PROJECT—NIGERIA

As fiscal year 1962 got underway, the success of the communications media development project in western Nigeria led to a strong demand for such services in other regions. Furthermore, the surge in education expanded faster than expected the need for producing and using low-cost teaching materials. These factors led AID to reprogram the level of funds for this project in fiscal year 1962 to $508,000. This was to enable increasing the number of U.S. direct-hire technicians from 2 to 5 and the number of Nigerian participants training in the U.S. from 10 to 20. The contract with the University of Indiana was to be expanded to increase the number of contract technicians from five to seven and to add $30,000 worth of demonstration equipment. Additional teaching and training materials and equipment were also planned.

Mr. PASSMAN. Which of the project elements received additional funds?

Mr. HUTCHINSON. Since I do not know the basis of the 1962 justification, I could not give that.

TV EDUCATION PROJECT

Mr. PASSMAN. Could you tell us the amount of the estimate last year for the TV education project?

Mr. MOSSLER. I believe we had $25,000 last year.

Mr. PASSMAN. This little item jumped from $25,000 to $343,000. Would you think we were unduly inquisitive if we asked why this went up 700 percent?

Mr. HUTCHINSON. I can tell you what it is for.

Mr. PASSMAN. What is the cost to complete the project?

Mr. HUTCHINSON. We estimate this can be completed in ——— and would cost an additional $———.

Mr. PASSMAN. On this item you have other costs of $176,000. Could you give us some information on that matter?

Mr. HUTCHINSON. That, again, is the local cost associated with the technicians and materials associated with getting the production center in operation.

Mr. PASSMAN. What production center?

Mr. HUTCHINSON. The TV training production center and training programs.

Mr. CONTE. Mr. Chairman, will you yield?

Mr. PASSMAN. Yes.

Mr. CONTE. I understand they have two TV stations in Nigeria. How many receivers do they have?

Mr. HUTCHINSON. I do not know the answer to that, sir. I can check for you.

Mr. CONTE. A very small percentage of the people could afford a TV set out there.

Mr. HUTCHINSON. Could I go off the record on this?

Mr. CONTE. Surely.

(Discussion off the record.)

CLASSROOM RADIO PROJECTS

Mr. PASSMAN. How many radios do you propose to purchase for classroom radio projects?

Mr. HUTCHINSON. Sir, we would have to check that.

FOOD AND AGRICULTURE PROJECTS

Mr. PASSMAN. I note that you have $5,581,000 budgeted for food and agriculture projects; is that correct, sir?

Mr. HUTCHINSON. That sounds about right, sir. I would have to check the sheet again—yes, sir. As I testified in connection with the Nigerian development plan, agriculture is one of the three areas where they are giving highest priority in their planning.

COMMITMENTS UNDER SECTION 202(b)

Mr. PASSMAN. The Nigerian plan we are thinking about is that $225 million state-to-state obligation, made before the authorization bill passed last year. We have a moral obligation but not quite as strong as some of the other moral obligations? Is that one we discussed earlier?

Mr. HUTCHINSON. This is the $225 million commitment we discussed——

Mr. PASSMAN. Did I misstate our mutual understanding about this, that it is a moral obligation but not quite as strong as some of the other moral obligations?

Mr. HUTCHINSON. I think this is correct. It has not yet been made under 202(b) but probably will be, sir.

Mr. PASSMAN. If you have money.

Mr. HUTCHINSON. The authorization already exists with respect to 202(b).

Mr. PASSMAN. That is one which would be peculiar. They go out and make a commitment without any authorization whatsoever; they commit $225 million, hoping that they will at some subsequent date get an authorization making it possible for them to do the same thing under an authorization. At a subsequent date you get an authorization and put the $225 million under a commitment, where you are protected by obligation.

Mr. HUTCHINSON. Sir, let me say this. It has always been recognized and was included in the committee report last year in connection with the authorization bill that the President did have authority without 202(b) to enter into commitments——

Mr. PASSMAN. Of this magnitude, for one country, $225 million, to a plan?

Mr. HUTCHINSON. That was a case where there was no discussion of an amount, sir, and too——

Mr. PASSMAN. Where do you get the $255 million you were talking about?

Mr. HUTCHINSON. There was no discussion in the committee report——

Mr. PASSMAN. No commitment?

Mr. HUTCHINSON. That is correct.

With regard to this being made prior to the authorization this commitment was made some time in November. I am not sure when the authorization was made some time in November. I am not sure when the authorization bill passed but I am reasonably sure it was earlier than November of last year.

Mr. PASSMAN. We were discussing last week about the project that was not made under 202(b), and we asked, "Do we have a moral obligation?

The response was, in effect, "Yes, but not as strong a moral obligation as if it had been made some other way."

Mr. RHODES. It seems to me, Mr. Hutchinson, your testimony is in conflict with some testimony that we had from other people. As I understood it, the only commitment which could be made was under 202(b) in the development loan category. Now you are saying you can make other commitments but they are not quite so binding.

Mr. HUTCHINSON. This is my understanding of the situation, sir——

Mr. RHODES. Were you not going to get an opinion from the Solicitor on this point?

Mr. HUTCHINSON. We were going to get an opinion, sir, as to our ability to enter into an obligation to make a loan to stretch beyond 5 years for a particular project. That was quite different from this.

If you have the committee report here I can show you——

Mr. RHODES. That is not the report from this committee but the report from the legislative committee?

Mr. HUTCHINSON. That is correct.

Mr. PASSMAN. If the President had the authority why would you need 202(b)?

Mr. RHODES. That is the point. Why do you need 202(b) if you already have the authority?

Mr. HUTCHINSON. I think the argument runs, sir, that in 202(b) you get the legislative branch of the Government more involved morally in this commitment than in the case where you do not exercise the authority of 202(b).

Mr. RHODES. Then do you mean to say that a commitment, lacking the procedure under 202(b), is a commitment of the executive department and not a commitment of the legislative?

Mr. HUTCHINSON. I think that is correct, sir.

Mr. FORD. There may be a different level. Some people feel the executive branch and the legislative branch are not coequal.

Mr. HUTCHINSON. Sir, as I understand the situation the executive has always considered that it has the authority to enter into commitments but that it always had to indicate that those commitments were completely without any obligation whatsoever on the part of the legislative branch to appropriate funds.

Now as I further understand the situation the provision in section 202(b) permits the executive to go one step further and get the legislature at least morally involved in making appropriations to carry out the commitment. This is the way I understand it.

Mr. PASSMAN. Would you state specifically what part of the Constitution gives the President of the United States permission to obligate this Government for billions of dollars to foreign nations without any type of authorization?

Mr. HUTCHINSON. Sir, you are getting beyond my depth. I cannot cite it.

I can cite the committee reports in this case.

AGRICULTURAL PRODUCTION PROJECTS

Mr. PASSMAN. You might tell us the estimate of cost to provide the 10 retail meat marketing outlets by 1972.

Mr. HUTCHINSON. Which project sir, are we talking about now?

Mr. PASSMAN. It goes back through under the agricultural production project.

But, let me start over. What is the total cost to complete the agricultural project listed on page 478?

Mr. HUTCHINSON. To complete, sir, I do not have an estimate.

Mr. PASSMAN. What is the estimated cost to provide the 10 retail meat marketing outlets by 1972?

Mr. HUTCHINSON. Sir, this seems to be the goal for the country rather than the program that we are financing.

Mr. PASSMAN. It says here, if I may read into the record——

Mr. HUTCHINSON. I mean that we are financing only part of it.

Mr. PASSMAN. I quote:

Specific project goals include: A monthly output of 25,000 day-old chicks by 1963 and the establishment of 100 commercial poultry producers by 1972; an increase in hog production of 20 percent and cattle production of 50 percent by 1970; the establishment of one demonstration retail meat marketing outlet by 1962 and one in each of 10 towns by 1972; reduction in local meat prices by 30 percent; the establishment of 6 livestock feed distribution centers by 1972;

the completion of a regional soil map and initiation of soil conservation and irrigation project; increase rubber acreage by 400 percent by 1970; increase vegetable production 30 percent by 1967; increase food and food grain production 50 percent and pulses 30 percent by 1967; and train in Nigeria and the United States 1,000 agricultural officers by 1970.

My question had to do with the 10 retail marketing outlets by 1972. I was omitting a lot of the other.

Mr. HUTCHINSON. I do not have it.

Mr. PASSMAN. We note that $695,000 is requested for commodities for the agricultural project, on page 480. Could you give us a little information on that one?

Mr. HUTCHINSON. Sir, we do not have the amounts by type.

Mr. PASSMAN. Thank you.

Mr. CONTE. With regard to baby chicks, when we were out there we saw a woman who was a missionary and had been out there all her life. She had raised a good many orphans out there, Nigerians and two of the boys she had raised she sent them here to the United States with money she raised through charitable organizations—I believe it was to Michigan University—and both those boys are back out there on the farm with her. They had a couple thousand chickens out there. They received no aid at all from the United States. They didn't care for foreign aid. But this is a case where they came to the United States and went back in the same field that they studied here.

I wonder if the agency could look into that. Instead of sending seven to the United States, to learn new methods in the poultry field, it might be a lot cheaper to send them to her little farm out there and they could learn more by being on the job and by studying under those two boys than they could by coming over here to the States.

Mr. HUTCHINSON. All right, sir, we will be glad to investigate that.

We felt these programs in connection with poultry have been quite successful in sending people here, just as those two boys learned, but it may very well be some of the facilities of that sort could be utilized.

Mr. CONTE. They were highly dedicated boys and they could have gone into some other field in Nigeria and made a lot more money, but they are dedicated to agriculture and they are doing a good job in poultry.

Mr. HUTCHINSON. I could give you the detail, but again it is kind of—it is the individual items, but I do not have many figures for them.

Mr. PASSMAN. As we discuss these matters this afternoon, on July 23, we still do not have an authorization bill. It is getting very close to, we believe, final passage, but that fact certainly accounts for the fact that we could not proceed earlier with our hearings, as originally planned. So, now it is going to be necessary, even if we complete the hearings in another month, to skip over a lot of projects and touch upon others very briefly.

WESTERN REGION AGRICULTURE PROJECT

On page 476, you do have listed the agricultural production and distribution, western region contract 620–A–11–AA, where you are estimating unliquidated balances for fiscal year 1962, $1,005,000, with an additional $1,559,000 for fiscal year 1963.

Mr. HUTCHINSON. Those figures are correct.

Mr. PASSMAN. You have a small feed-mixing plant, and for housing for U.S. technicians as part of it, you have that at the bottom of page 477?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Then, at page 478, you have agricultural production and distribution, eastern region contract 620–A–11–AB.

On that one you had obligations for fiscal 1962 of $613,000. You estimated there would be an unliquidated credit to the project of $602,000 at the end of the fiscal year, but you are also requesting $1,130,000 for fiscal year 1963?

Mr. HUTCHINSON. Those figures are correct, sir.

Mr. PASSMAN. Following to the bottom of page 479, in connection with this project, it would appear that a construction contribution would be made for broiler facilities, storage facilities, and for U.S. technician housing; is that correct?

Mr. HUTCHINSON. Yes, sir.

NORTHERN REGION AGRICULTURE PROJECT

Mr. PASSMAN. On page 480, you have agricultural production and distribution, northern region contract 620–A–11–5C. It would appear that you obligated $430,000 in fiscal year 1962 and that you will have unliquidated on June 30, 1962, $431,000?

Mr. HUTCHINSON. This is our estimate of obligations, sir, and the unliquidated balance; yes, sir.

Mr. PASSMAN. It has been established that these things are not holding true to form. They could be some lower, or even twice as much in some categories, on account of the early printing of the presentation books and revisions since that date?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. It would appear that you are adding to that project for fiscal year 1963, even though you had very little expenditure in the past, a sum in the amount of $1,465,000; is that correct?

Mr. HUTCHINSON. That is correct, sir.

Mr. PASSMAN. Let the record speak for itself, but I think we should read again from page 480, the final sentence:

Construction contribution will be made for feed and grain storage and for six U.S. technician houses.

Is that correct, sir?

Mr. HUTCHINSON. Yes, sir.

AGRICULTURAL CREDIT CO-OP PROJECT

Mr. PASSMAN. At page 481 you have an agricultural credit cooperative. On this project you obligated $95,000 for fiscal year 1962?

Mr. HUTCHINSON. That was our estimate.

Mr. PASSMAN. It is understood that we have to go by these books, then, unless we go into detail? But you are going to have unliquidated, $140,000?

Mr. HUTCHINSN. Yes, sir.

Mr. PASSMAN. Which is $45,000 greater than the original obligation. Did you pick this money up out of some previous year?

Mr. HUTCHINSON. Yes, sir. Out of the amount up to fiscal year 1961.

Mr. PASSMAN. And you estimate $567,000 for fiscal year 1963?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Again, that is several times—about 5½ times—the obligation for fiscal year 1962?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. And this item of "Other costs" accounts for approximately 80 percent of the total estimated fiscal year 1963 addition?

Mr. HUTCHINSON. Yes, sir. This consists primarily of funds that will be used as seed capital for revolving funds for small loan purposes.

Mr. PASSMAN. On page 482, "Agricultural supervisory service," contract 620–A–14–AE, you had obligated for fiscal 1962, $149,000, and estimated an unliquidated sum of $50,000, and you are increasing the fiscal year 1963 up to $219,000?

Mr. HUTCHINSON. Yes, sir.

FOOD AND AGRICULTURE PROJECTS

Mr. PASSMAN. On page 483 you have another project, fisheries development, under "Food and agriculture," contract 620–A–18–AF. You obligated $308,000 in fiscal year 1962 and your estimated unliquidated balance would be $280,000 for fiscal year 1962?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Notwithstanding the fact of this large unliquidated balance, which is about 80 percent of the original obligation, you are asking for $259,000 for fiscal year 1963?

Mr. HUTCHINSON. Yes, sir; that is correct.

Mr. PASSMAN. Page 484 is the Hedeja Valley project under "Food and agriculture," contract 620–A–13–AG.

Obligated, $240,000, for fiscal year 1962. Your estimated unliquidated balance, June 30, 1962, $220,000. Even so, you are requesting $130,000 for the project in fiscal year 1963?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. You have a new project on page 485, "Food and agriculture, rural land use development," 620–A–12–AH. You are requesting ——— for fiscal year 1963?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Could you give an estimate of the completed cost?

Mr. HUTCHINSON. This one, sir, we hope to be able to finish up in ——— and we are estimating ——— for completion, sir.

Mr. PASSMAN. And you are asking for more than half of the funds for fiscal year 1963?

Mr. HUTCHINSON. Yes, sir. It would be one-third of the total, sir.

Mr. PASSMAN. This is in addition to the ———?

Mr. HUTCHISON. Yes, sir.

Mr. PASSMAN. It is a ——— project?

Mr. HUTCHINSON. That is correct.

MANUFACTURING PROJECTS

Mr. PASSMAN. On page 486, "Manufacturing projects, industrial development," 620–J–92–AA. Obligated in fiscal year 1962, $3,713,000?

Mr. HUTCHINSON. $3,679,000.

Mr. PASSMAN. That was the original, but you increased it.

All right, we shall use the figure that you have in the book, even though it is actually higher. The obligations you estimated would be $3,679,000, but you will have unliquidated as of June 30, $3,614,000?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. But, you are asking for an additional $3,859,000 for fiscal year 1963?

Mr. HUTCHINSON. Yes, sir; that is correct, because the project is being expanded with the A. D. Little contract being increased from 14 technicians to 40 and in addition we are proposing some technicians for Federal Government industrial promotion service.

Mr. PASSMAN. Again, gentlemen, I shall not question your wisdom in trying to utilize the funds, but do you not expand these contracts even before you get them started; that is, a lot of them?

Mr. HUTCHINSON. Well, sir, the A. D. Little people are in Nigeria working now.

Mr. PASSMAN. My statement is valid, is it not, that many times before you get a project actually organized and going like this, then you have plans for greatly expanding it?

Mr. HUTCHINSON. Well, sir, we do have plans for increasing the size of the projects for some projects as they get underway.

Mr. PASSMAN. Are most of these technicians recruited by American institutions—colleges, universities, or development firms?

Mr. HUTCHINSON. This kind of technician, most of them. We do provide for direct-hire technicians.

Mr. PASSMAN. Those are the ones that AID hires?

Mr. HUTCHINSON. That is right.

Mr. PASSMAN. But the majority of them are coming out of the contracts with American institutions?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. I believe we agreed the other day that this is rather well scattered over the 50 States.

Mr. HUTCHINSON. They are well scattered throughout.

INDUSTRIAL WATER SUPPLY PROJECT

Mr. PASSMAN. At page 488 there is another project, industrial water supply, under "Manufacturing."

You estimated the obligations would be $400,000 in fiscal year 1962 and that the unliquidated balance would be $400,000; but you are requesting an additional $200,000 for the project, even though all the prior year funds are intact?

Mr. HUTCHINSON. Yes, sir. That is because the 1962 funds are being used for a contract to carry out the original survey and the 1963 funds are being used to fund the actual design of the facilities.

Mr. PASSMAN. As of June 30, as these books present it to us, you would have the entire amount on hand, unliquidated. The amount of the prior year's obligation?

Mr. HUTCHINSON. That is correct; but that was for a specific thing which will have to continue, and the 1963 funding——

Mr. PASSMAN. Tell us what progress you made, then.

Mr. HUTCHINSON. I do not know where the project stands——

Mr. PASSMAN. Thank you.

GOVERNMENT MANAGEMENT PROJECTS

At page 489, a Government management contract is listed. You obligated $185,000 in fiscal year 1962—all these are estimates—and you will have unliquidated the same amount as of June 30?

Mr. HUTCHINSON. That was the estimate, sir.

Mr. PASSMAN. Even so, you are requesting an additional $252,000 for fiscal 1963?

Mr. HUTCHINSON. That is correct. For an additional group of Nigerians who will be coming to the country under a new contract.

Mr. PASSMAN. On page 490, you have another project under "Government management," "Obligations," 1962 fiscal year, $300,000. Funds on hand, unliquidated, June 30, $300,000. The sum of $160,000 is requested for fiscal year 1963?

Mr. HUTCHINSON. That is correct, sir, and again this is to fund a different activity from that which is funded in the 1962 item.

Mr. PASSMAN. It is a different activity?

Mr. HUTCHINSON. It is library materials and two faculty members.

Mr. PASSMAN. But it still deals with Government management. So would my statement be correct, it is expanded activity?

Mr. HUTCHINSON. I suppose so, sir.

Mr. PASSMAN. Thank you.

Page 491, still dealing with Nigeria: You had another Government management contract, "Public service staff support." Obligations, $400,000. Estimated unliquidated balance as of June 30, $370,000. Is that correct, sir?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. You are requesting $400,000 of additional funds for fiscal year 1963?

Mr. HUTCHINSON. Yes, sir, to expand the activity for 50 more 2-year positions.

Mr. PASSMAN. I believe we should indicate, from page 491, and I quote:

> In fiscal year 1962 salary supplements will be provided for 50 positions of 2-years' duration.

Is that correct?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Whose salary are we supplementing?

Mr. HUTCHINSON. We are supplementing the salaries of the Americans who are going out to work on the project. As we discussed the other day, where we put people into particular governmental positions where the Government is willing to pay the salary that they would pay if they had one of their own people in it. We pay the difference.

Mr. PASSMAN. They receive two pay checks, one from the Nigerian Government and one from the U.S. Government?

Mr. HUTCHINSON. Yes, sir.

Mr. FORD. Would the chairman yield there?

Mr. PASSMAN. Yes.

Mr. FORD. Do you have a breakdown on how much we supplement each individual to provide this adequate salary?

Mr. HUTCHINSON. We can give you that information. I don't have that sort of information with me.

Mr. FORD. Could we have it for this particular project, just for illustrative purposes?

Mr. HUTCHINSON. Yes, sir.

Mr. FORD. The individual is performing a certain job and what the two contributions are.

Mr. HUTCHINSON. Yes.

(The information requested follows:)

PUBLIC SERVICE STAFF SUPPORT PROJECT—NIGERIA

Under the proposed Public service staff support project in Nigeria, AID would pay to Americans employed by the Government of Nigeria a salary supplement equal to the difference between (*a*) the last salary received by the employee before service with the Government of Nigeria plus a 10-percent oversea incentive allowance and (*b*) the base salary paid by the Government of Nigeria for the position involved. For example:

American employee present U.S. salary	$10,000
Plus oversea incentive, 10 percent	1,000
Total	11,000
Minus Government of Nigeria salary for superscale group 6 Federal	6,900
AID salary supplement	4,100

The Government of Nigeria will pay international and domestic travel and provide housing at nominal cost.

Mr. FORD. I am not interested in the names of the individuals, I am interested in the job.

Mr. PASSMAN. We have gone into a bit of detail in similar instances. What country was it the other day?

Mr. HUTCHINSON. Libya.

Mr. PASSMAN. We got the amount of U.S. contributions, and so on, in that case.

ECONOMIC POLICY AND PLANNING

We now go over to page 492, "Economic policy and planning, agricultural statistics." You obligate $166,000 in fiscal year 1962. It is estimated you will have $67,000 unliquidated at June 30, 1962, and you are requesting an additional $130,000 for fiscal year 1963?

Mr. HUTCHINSON. Yes, sir. This is to continue the four participants and four additions.

Mr. PASSMAN. Page 493, "Exploration, water supply, economic policy and planning."

You have obligations of $282,000 for fiscal year 1962. You estimate you will have unliquidated $262,000 on June 30, 1962, and you are requesting an additional $417,000 for fiscal year 1963?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. I am not sure any of us are getting a fair shake, especially the overburdened taxpayer, so I want the record to be clear that we have no alternative. We do not have time to go into these projects in detail, with 100 nations to examine around the world.

TECHNICAL SUPPORT

But here is one on page 494, still dealing with Nigeria, for technical support. When did this country gain its independence?

Mr. TROXEL. October 1, 1960, Mr. Chairman.

Mr. PASSMAN. Then you actually had a program in this country prior to its gaining its independence?

Mr. TROXEL. Yes, sir.

Mr. PASSMAN. It was a British colony at that time?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. At page 494, it would appear, in this project in fiscal year 1962 you obligated $1,647,000, and you had unliquidated on June 30, 1962—a few weeks ago—$1,622,000. But, you are requesting an additional $1,677,000 for fiscal year 1963?

Mr. HUTCHINSON. This is what these figures show, sir, and the estimated obligations for fiscal year 1963 appear to be in order, in view of the very large program we are going to be carrying on out there, but I must say that the unliquidated amount for fiscal year 1962 just looks inconceivable. If they had this amount unliquidated I would agree there would be something wrong.

Mr. PASSMAN. I do not know why you want to get excited about this one, because this would be true with about every project we have examined in this book.

Mr. HUTCHINSON. As indicated back in the very beginning, when you look at the figures you can see that the program in Nigeria is just beginning to get underway and it is one where we expect a very great expansion and that this is the fundamental reason for the unliquidated obligations. We had just this year begun to expand the program in accordance with the commitment in support of the development plan. As a result we do build up a pipeline at the beginning of the period, and this is the fundamental reason you see these large unliquidated obligations at the end of 1962 and still a request for large obligations in fiscal year 1963.

Now the project that you just directed our attention to is for technical support which ought not to build up an unliquidated balance of this sort. It ought basically to go along from year to year and you ought to liquidate most of your obligations in each year, so it is different from those other projects and there is just bound to be something wrong with this.

AID LEVEL FOR NIGERIA

Mr. PASSMAN. Let us indicate that prior to 1962 you had a program of $10,116,000 and for 1962 you had a program of $20 million and you estimate a program of $———, in addition to the figures I have just mentioned, for fiscal year 1963. And it could be that this would be revised upward?

Mr. HUTCHINSON. I do not think the past——

Mr. PASSMAN. Do you know whether or not the $20 million has held good?

Mr. HUTCHINSON. It has gone to $20,587,000.

Mr. PASSMAN. It is obvious that we have too much money in here.

Mr. HUTCHINSON. The program has gone up very sharply in fiscal year 1962 over fiscal year 1961 and we anticipate that it will continue to rise in fiscal year 1963, and this is the reason fundamentally for the large unliquidated obligations that will be carried forward into fiscal year 1963 and the reason that we are still asking for large obligations—new obligations in fiscal year 1963.

UNLIQUIDATED BALANCES

Mr. PASSMAN. Out of the previous allocations of the $30,666,000, what will you have unliquidated and available for expenditures in subsequent fiscal years, beginning with July 1 of this year?

Mr. HUTCHINSON. We can give you our best estimate, sir.

Mr. PASSMAN. Everything we have been discussing this afternoon has been grants?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. How much will you have unliquidated?

Mr. MOSSLER. Our estimate is $19,205,000.

Mr. PASSMAN. Almost equal to the amount you obligated for fiscal year 1962?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. And you could run a pretty good program for a pretty good while with that much money, could you not?

Mr. HUTCHINSON. Certainly there would be considerable activity continuing in Nigeria but you can't keep projects going and stop your funding.

Mr. FORD. Would the chairman yield there?

Mr. PASSMAN. Surely.

LENGTH OF NIGERIAN DEVELOPMENT PLAN

Mr. FORD. At page 153 of the general justifications in parentheses in the first paragraph on the right-hand side it says—

Recent information indicates that the plan may be extended for a sixth year to permit more efficient implementation.

Does this mean the plan initiated last year, the dollar amount is being held the same but it is being extended over an additional year?

Mr. HUTCHINSON. Yes, sir. It is now a 6-year plan instead of a 5-year plan.

Mr. FORD. That has been decided?

Mr. HUTCHINSON. Yes, sir.

Mr. FORD. Are the dollar requests we see before us involving Nigeria predicated to a 5- or 6-year program?

Mr. HUTCHINSON. On a 6-year program. The $225 million is re-related to a 6-year program.

Mr. FORD. Well, that confuses me because I had assumed from reading the justifications it was based on a 5-year program, but this statement in parentheses would seem to indicate that no firm decision has been made on a 5- or a 6-year program.

Mr. HUTCHINSON. I can say, sir, I can see the reason for this kind of confusion. In one sense my statement is confused. At the time these books were printed the final decision had not been made and we did do considerable work in connection with the plan. We had a special consultant working with the Nigerians, as a matter of fact, on the plan and as a result of all those studies the decision was made to extend it to a 6-year program.

Now, we in making our estimates for this particular program which is in the books had related what we were trying to accomplish to what we felt could be done within this time period within

the plan—for things within the plan. And so we still feel that we can move forward with this kind of program in the time period we are talking about, even though the plan has been extended to 6 years. I think that would be the best way to put it.

Mr. FORD. Well, does that lead to the possible conclusion that we are going to put up our money on the basis of the 5-year program but the contributions from others, including Nigeria, will be predicated on a 6-year program?

Mr. HUTCHINSON. First, let me say I do not think the change from a 5- to a 6-year program fundamentally affects the grant portion of our program that we are considering here. I think it would have a lot more affect on the capital assistance program, which will be stretched over 6 years.

Mr. FORD. Development loan——

Mr. HUTCHINSON. Loan program, that is right. I am sorry,

Also we are now working with the Nigerian Government, the International Bank for Reconstruction and Development, and with the countries that are participating in the consultative group on how we can relate our financing to the Nigerian financing, to IBRD financing and to financing to be provided by other countries and we are just not quite sure whose money is going to go in first and in what proportion.

Mr. FORD. I am worried. We had a joint plan where a group of nations would put up so much money, including Nigeria, and this was to be a 5-year plan, the total being $2.8 million—$2.8 billion.

I gather from what I have read and from what you said that all of the countries except ours cannot make the 5-year program dollarwise, so their time is being extended but ours is not.

Mr. HUTCHINSON. Well, No. 1, the contribution which each nation is making to the plan has not been determined. We are the only nation which has made a specific commitment. We made it for some of the reasons I indicated the other day and secondly, we think we can use it to get others to also go in and finance.

So we are not making our commitment to make money available within any time period other than the 6 years. The same way others would be making commitments to help in financing the plan. So we are all on the same basis insofar as the time period is concerned.

Now, I wouldn't want to mislead you, though, and have an impression that this means that our money might not go in before the expiration of the 6-year period. This is possible. It might very well.

Mr. FORD. That leads to another question if I might, Mr. Chairman.

Mr. PASSMAN. Yes, go right ahead.

NATIONAL DEVELOPMENT PLAN

Mr. FORD. You have a goal of $2.8 billion with the United States, Nigeria, and other countries participating.

Mr. HUTCHINSON. That $2.8 billion figure doesn't ring a bell with me, but this is probably the total investment including the private sector.

Mr. FORD. That is what it says at page 153, last sentence.

Mr. HUTCHINSON. Yes, that is correct; $2.8 billion. This includes the private sector as well which they expect to handle its own investment. About $1.8 or $1.9 billion is a part they expect to have filled from governmental sources and the outside.

Mr. FORD. We will limit it to the $1.8 billion then.

I gather from what you said we are the only country who has now agreed to a specific amount of money.

Mr. HUTCHINSON. That is correct.

Mr. FORD. And we are proceeding to execute it on that basis?

Mr. HUTCHINSON. On that basis.

Mr. FORD. How can you call it an agreement if one of the principal ingredients is the dollar amounts involved?

It is agreed it is a $1.8 billion program?

Mr. HUTCHINSON. That is right.

Mr. FORD. With a number of countries involved in the plan?

Mr. HUTCHINSON. We are trying to get a number of countries involved.

Mr. FORD. And we are the only ones who put the dollar on the line?

Mr. HUTCHINSON. Except the Nigerians, and the Nigerians are undertaking to put up $900 million in round numbers—half of the foreign exchange costs.

Mr. PASSMAN. Should this not be in the record at this point, Mr. Ford:

Nigeria's development goals are established in the national development plan to begin April 1, 1962, although the plan documented has not yet been approved by the Nigerian Parliament.

Mr. FORD. What worries me is tied in with what the chairman points out: We are the only ones who seem to have made any agreement. The Nigerians, according to what the chairman read from the justification book, have not——

Mr. HUTCHINSON. The Nigerians now have. The Nigerians have adopted the plan. This is correct.

Mr. FORD. But no other country that was to be a participant has agreed in dollar amount?

Mr. HUTCHINSON. This is correct.

Mr. FORD. When do we expect to get agreements from those countries and what countries are they?

RELUCTANCE OF OTHER COUNTRIES TO ENTER CONSORTIUM

Mr. HUTCHINSON. We do not expect to get specific commitments in these kinds of dollar amounts. The other countries are running quite shy on entering into consortium arrangements as they have done in a number of cases in the past. They have agreed, however, to enter into a working group or a consultative group with IBRD where we will consider project by project, program by program, the amount that we would be willing to put in and that we can get them to put in and those meetings are now going on and it is going to be a long, long time, frankly, before we know how much each country is actually going to contribute.

Mr. FORD. How do you define "a long, long time"?

Mr. HUTCHINSON. It is going to be a couple of years, I think. As we work with them in financing of individual projects.

In the meantime we will be going forward with our grants and we will be considering projects for financing on a loan basis. We expect to go to the countries, go to the working group in connection with

each of these and say, "We are interested in this. Are you interested? Will you come in? What are you interested in?" And so on.

(Off the record.)

Mr. PASSMAN. Did you say there was some reluctance on the part of other countries coming into these consortiums with us?

Mr. HUTCHINSON. Yes, sir; there has been a reluctance developing in the last several months.

Mr. PASSMAN. I think I have previously stated, and factual reports have supported my position, that many of them are cutting down or reneging, even on prior commitments. Also, that in most cases where we are going in with free money or long-term repayment, without interest, they are coming in, when we can get them to come in, with hard-boiled, banker-type loans, with short periods of repayments and reasonable interest rates.

Mr. HUTCHINSON. We certainly hope to be able to use the working group and our terms as it develops to get an expansion of the terms which——

Mr. PASSMAN. It is not working out as we had anticipated. They are reluctant to come in on the consortiums?

Mr. HUTCHINSON. On the consortiums there has been some reluctance in recent months.

TECHNICAL SUPPORT COSTS

Mr. PASSMAN. On page 494, I read the last paragraph:

> Technical support costs are expected to rise to $1,677,000 next year, covering the estimated 23 Americans and 150 locals in the support staff. This reflects the expanded program.

I suppose the locals will be financed out of the other item of $260,000?

Mr. MOSSLER. Yes, sir.

Mr. PASSMAN. And the 23 U.S. technicians will be funded out of the $1,260,000?

Mr. MOSSLER. Yes, sir.

Mr. PASSMAN. Thank you.

Now, take the $1,260,000 and divide it by 23. That means these technicians are costing $54,000 a year, each.

Could you give us a brief explanation as to why the cost is so high?

Mr. HUTCHINSON. There is clearly something wrong with the figures, sir, as I testified earlier.

Mr. PASSMAN. This is no different than a hundred other instances, but could you give us some information on this one?

Mr. HUTCHINSON. I assure you, sir, that these figures are wrong, insofar as $54,000 per technician is concerned.

Mr. PASSMAN. You are going to have 150 locals, and they are going to have other costs of $260,000?

Mr. HUTCHINSON. I would not even testify to that.

INCONSISTENCIES IN PRESENTATION

Mr. PASSMAN. I thought I would pick up a few of the first programs and point out the inconsistencies and the manner in which we are getting in, and I thought I would pick the very last one, because we would have been on Nigeria for a month.

You say U.S. technicians, 23 of them, $1,260,000, and then you have contract service, $77,000, and commodities $80,000. You have other costs, $260,000. Put them all together, and it adds up to $1,677,000.

Mr. HUTCHINSON. Yes, sir, and as I say this is in line with what costs had been running insofar as total technical support of the mission is concerned, but there is obviously something wrong with the internal break here. There is no question. The unliquidated obligation figure does not look right. The technician cost does not look right, and therefore I wouldn't want to testify that the cost of the local technicians is right because the internal breakdown is just not correct.

Mr. PASSMAN. Did you not testify that if we went through and added all the figures in the right-hand column the thing would come out to the total year's request?

Mr. HUTCHINSON. I did, sir.

Mr. PASSMAN. At the beginning of Nigeria we went into a bit of detail on some of the projects, did we not?

Mr. HUTCHINSON. We did, sir.

Mr. PASSMAN. And then we ran through a multitude of them just hurriedly, did we not?

Mr. HUTCHINSON. We did, sir.

Mr. PASSMAN. Then, we are closing this phase of the inquiry with the final project in the book for Nigeria; is that correct?

Mr. HUTCHINSON. That is—I hope so, sir.

Mr. PASSMAN. Do you know of any others on which to examine?

Mr. HUTCHINSON. No, sir; I do not.

Mr. PASSMAN. I want whoever reads the record to see that you would run into the same thing on practically all of the others, but in the interest of timesaving we had to go through it.

Mr. HUTCHINSON. If you are going to read that into the record, then I want to say what has been testified to in connection with this project is not typical. We do not have variation——

Mr. PASSMAN. There have been discrepancies all the way through on these pages. You put whatever you want in the record as long as it is in keeping with these hearings. Did we not examine one on technical support a moment ago, about the unobligated up here?

Mr. HUTCHINSON. Which one, sir?

Mr. PASSMAN. Your totals here on the page did add up, did they not?

Mr. HUTCHINSON. They did, sir.

Mr. PASSMAN. Let us try to understand this project: Can we get additional information as to why you obligated $1,647,000 and you have unliquidated under technical support—one project, now, in Nigeria—$1,622,000. Can the Comptroller help us out?

Mr. TENNANT. I have no more specific information.

Mr. PASSMAN. Do you have it in your book?

Mr. MOSSLER. I have a March figure on unliquidated.

Mr. PASSMAN. What is the March figure?

Mr. MOSSLER. That shows only $553,000 unliquidated as of the end of March.

Mr. PASSMAN. Will you get the information for us, as to why it is so far off?

Mr. HUTCHINSON. It just clearly is a wrong figure, sir. As to why it is, I just plain don't know.

Mr. PASSMAN. Also, will you tell us why these technicians are costing $54,000 each, if that is a correct figure?

Mr. HUTCHINSON. We will get the information concerning the technicians, yes, sir.

Mr. PASSMAN. And will you break down the $260,000 of other costs, including the 150 locals and the supporting staff?

Mr. HUTCHINSON. Yes, sir.

(The information supplied follows:)

TECHNICAL SUPPORT PROJECT—NIGERIA

Technical support project obligations are estimated to total $1,677,000 in fiscal year 1963 as shown on page 494. The distribution of this total by cost element as shown on page 494 is in error and should be corrected as follows:

Corrected fiscal year 1963 estimated obligations

	Thousands	
Cost element: U.S. technicians		$420
Contract services		100
Commodities		257
Other costs		900
Local salaries	$85	
Local travel	25	
Utilities	110	
Auto and housing maintenance, house and office renovation	285	
Local purchases	220	
Rents	175	
Total		1,677

The 23 technicians estimated in fiscal year 1963 are to be funded from the $420,000 shown above. The average cost per technician is, therefore, about $18,000. Salaries for the 150 local employees in fiscal year 1963 are estimated at $85,000, or an average of about $570 per employee.

It appears on page 494 that estimated obligations in fiscal year 1963 approximate the unliquidated balance at June 30, 1962. The latter figure is incorrect. A more accurate disbursement estimate in fiscal year 1962 reduces the unliquidated balance at June 30, 1962, from $1,622,000 to $847,000.

SECTOR AND COMPONENT COSTS—PROJECTS UNDER $100,000

Mr. PASSMAN. You do have a sector and component cost data for proposed fiscal year 1963 projects under $100,000.

I believe it is manufacturing, $95,000; and economic policy and planning, $57,000?

Mr. HUTCHINSON. Yes, sir; that is correct.

Mr. PASSMAN. All of it would come under "Technicians"?

Mr. HUTCHINSON. All but $5,000; yes, sir.

Mr. PASSMAN. Would you tell us how many technicians would be involved?

Mr. HUTCHINSON. I believe seven, sir, in the two projects. Fifty-seven thousand dollars in the first—in the economic policy and planning. That seems to be for technicians, and $95,000 in the industrial project.

Mr. PASSMAN. We have not gone into anything in Nigeria but the grant part of the program?

Mr. HUTCHINSON. That is correct.

Mr. PASSMAN. Time will not permit the examination on the other phases of the AID program, so I will just shut this spigot off, and let the other spigots alone, and yield to Mr. Gary.

POLITICAL SITUATION IN NIGERIA

Mr. GARY. What is the political situation in Nigeria?

Mr. HUTCHINSON. Let's let Mr. Troxel speak to it.

Mr. TROXEL. Nigeria, as you know, is a federation of three regions. They have been getting along reasonably well together. There are very diverse groups of people in the country. There has been a good deal of difficulty lately in the western region, particularly within the opposition to the present government. So far, however, our reports indicate an insistence on using democratic processes to try to work out the differences.

Mr. GARY. Off the record.

(Off the record.)

Mr. GARY. You say you are having some difficulty there now?

Mr. TROXEL. There is some difficulty with one of the political parties. They are still using democratic processes to try to work out their differences.

Mr. HUTCHINSON. This is a country which is certainly in the Western and British tradition as far as the juridical process is concerned. They certainly seem to want to work their problems out in accordance with that kind of thinking.

They have been a leader in the moderate groups in Africa. They have on occasion had some differences in their own policy. Take atomic testing, which has been basically an anathema to the Prime Minister; nonetheless, I heard him say personally to our Ambassador when the decision was made to resume testing that he thought the United States had shown most amazing forbearance in this field and he thought we had no alternative as a matter of fact. They are clearly among those who are generally in the same stream of thought and tradition that we are in as far as government processes are concerned.

Mr. GARY. There are three divisions of government?

Mr. HUTCHINSON. Four.

Mr. GARY. Within Nigeria?

Mr. HUTCHINSON. Yes, sir. There are three regional governments and a Federal Government within Nigeria.

Mr. GARY. Are any of them pro-Communist?

Mr. HUTCHINSON. No, sir.

Mr. GARY. What would you call them—neutral?

Mr. TROXEL. They use the word "unaligned."

Mr. GARY. To what extent is Nasser's announcement over the weekend that Egypt now has missiles that will reach to Israel going to effect the African situation?

Mr. TROXEL. I am not sure that I can speak to it too well.

Nigeria maintains relations with Israel. I am not sure of the current status of the Israel technical assistance program, but for quite a while Israel has had a good working relationship with Nigeria.

I realize this is not quite an answer to your general question on Africa, but it does indicate how one African country has regarded that situation.

Mr. RHODES. Off the record.

(Off the record.)

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Mr. GARY. What is the population of Nigeria?

Mr. TROXEL. Between 35 and 40 million. I believe 40 million is the estimate we see being used more and more.

Mr. ANDREWS. The book has 36 million for 1961.

Mr. HUTCHINSON. That is the figure we have been using.

Mr. TROXEL. It is by far the biggest country in Africa. What happens in Nigeria is going to make a tremendous difference throughout Africa as a whole, hence, this is by far the most important country.

Mr. ANDREWS. You say the largest country. What is the area?

Mr. TROXEL. I meant largest in population. I believe it is in the third rank in square miles. Sudan is the very largest, and Nigeria is in either second or third rank.

Mr. RHODES. You have to get Algeria in there somewhere because it is larger than Nigeria.

Mr. GARY. To what would it compare in the United States in area?

Mr. ANDREWS. About twice the size of Texas, I saw somewhere.

Mr. TROXEL. That would not be too far off.

Mr. HUTCHINSON. It would be 50 percent larger than Texas.

Mr. RHODES. With four times as many people as Texas.

Mr. GARY. Give us some comparison so we can fix it in our minds.

(The information requested follows:)

Statistics on Nigeria—Comparative areas and populations of African countries larger than Nigeria and selected States of the United States

Country or State	Area (square miles)	Population
Africa:		
Sudan	968,000	11,900,000
Algeria (includes Sahara Departments) [1]	920,000	11,300,000
Congo (Leopoldville)	906,000	14,500,000
Libya	680,000	1,200,000
Chad	496,000	2,700,000
Niger	459,000	3,100,000
Federation of Rhodesia and Nyasaland	487,000	8,500,000
Angola [1]	481,000	4,700,000
Republic of South Africa [1]	472,000	16,200,000
Mali	465,000	4,200,000
Mauritania	419,000	800,000
United Arab Republic	386,000	26,700,000
Nigeria	357,000	35,800,000
United States: [2]		
Texas	267,399	9,579,000
California	158,693	15,717,204
New York	49,000	16,782,304

[1] Selected Economic Data for Less Developed Countries, March 1962.
[2] 1960 census.

NOTE.—The Nigerian population figure of 35,800,000 shown in the table compares with the 1952-53 census figure of 30,773,000. The present rate of population growth in Nigeria is believed to be about 2 percent annually.

Source: AID Proposed Regional Programs for fiscal year 1963, vol. 4.

ECONOMIC SITUATION IN NIGERIA

Mr. GARY. What about the economic situation there?

Mr. HUTCHINSON. We think the potential is very, very good, at least relative to other African countries.

As we indicated, they do have a stable government. They do encourage private investment, both local and foreign, to a very great extent.

They are all out for it. They have resources of practically everything—mineral and forestry resources and the possibility of the development of their agricultural resources as well.

They have a better than average education in the top levels of their government and an ability to plan and to execute programs, considerably better than the average in Africa. It is certainly true that this competence is thin, and when you get down below the higher levels it runs out pretty quickly.

Their per capita gross national product is low, it is running about $90. We do think with these human resources, with the stability of government, their prospects for growth and development relative to other African countries is excellent.

Mr. GARY. What is the per capita income?

Mr. HUTCHINSON. Estimated about $90 in 1961.

Mr. GARY. That is all.

VOTING RIGHTS IN U.N.

Mr. PASSMAN. These smaller African countries, even though they may have only 1 million population, do have the same voting rights in the U.N. that we have? We have one vote and they have one?

Mr. HUTCHINSON. This is true as far as the General Assembly is concerned.

Mr. PASSMAN. Nigeria would be on the same basis, so far as the voting rights in the U.N. are concerned, as its neighbor with 1 million population?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. As far as voting in the General Assembly is concerned, size does not have anything to do with it?

Mr. TROXEL. No.

RURAL LAND USE DEVELOPMENT PROJECT

Mr. NATCHER. In justifying the $252,000 for the rural land use development project, which appears on page 485 of the justifications, you make certain points concerning the present Nigerian population which is scattered throughout isolated villages, and further, the basis for this project would be a pilot program to secure the necessary information to be submitted to the Nigerian Government for land tenure adjustments as they apply to village agriculture.

Now, Mr. Hutchinson, assume this amount is approved by the Congress and this particular project starts and is completed, what assurance, if any, do you have from the Nigerian Government they will accept the outcome of the project?

Mr. HUTCHINSON. We do not have any ironclad assurance they will accept it. However, the problem of land tenure in Nigeria, as in most

African countries, is not like the land tenure problem in so many Latin American countries, where you have the well-established landlord system with all the vested interest that gets built up around it. The situation often is that tenure is vested in the tribe. They move about from here to there and a man may own a palm tree, or he may own something else of that sort, but may not own land.

So this is more often the development of a system of tenure where no real system of tenure exists.

Mr. NATCHER. This is a pilot program, and you have really no assurance that the recommendations will be accepted by the Nigerian Government?

Mr. HUTCHINSON. That is correct, sir.

On the other hand, we are working with the Nigerian Government in connection with the program. They are interested in the results, too. We do not feel we would be faced with a very serious problem of getting acceptance of the recommendation in view of the fact we do not have the vested interests built up in land holdings that have been the case in many other countries.

Mr. NATCHER. I believe this has been one of our main difficulties in Latin America.

Mr. HUTCHINSON. Yes.

Mr. NATCHER. After programs such as this have been completed—for instance, in Peru, is it not true they refused to go along with the recommendations made by the projects for which we appropriated the money from time to time?

Mr. HUTCHINSON. I do not know what the situation is in Peru, nor what the Latin American experience has been in specific instances. I do know that the land tenure problem in Latin America is an extremely stubborn problem and from what I picked up at staff meetings and other discussions, I do not think we have the cooperation in connection with it we would like.

I would prefer Mr. Moscoso to speak to it in detail.

I think the land tenure in Africa is quite different. It is basically one of developing a system of tenure rather than breaking down one that has been built up by perhaps centuries of tradition and vested interests.

Mr. NATCHER. Your projects here for Nigeria pertaining to education seem to be in the main sound, but a project such as this rural land use development project, which is a pilot project, as you have stated very frankly to the committee, may not be accepted in the end, I cannot see the expenditure of money for this particular purpose, Mr. Hutchinson.

Mr. HUTCHINSON. Sir, the problem really would be one of getting acceptance by the people of a system of land tenure rather than one to get an agreement with the Government. I really do not anticipate that we would have much difficulty with the Government for the reasons that I have indicated, that we do not have the vested interests built up.

I would also in all honesty say in a number of cases we are going to have to do some experimentation in some of these African situations, and we may find in fact, that being the case, the experiment does not pan out, and this could be one of them.

Mr. NATCHER. Would it not be more logical to complete your educational projects and try to bring these people up to a level where they could understand and accept a program such as this rural land use development program?

Mr. HUTCHINSON. Sir, it seems to us that increased agricultural production is one of the requisites for sustained growth in this country, and the present system under which there really are not tenure rights to any significant degree, and where the people move from this plot to that plot, is one of the things that inhibits production pretty greatly. So it would seem to us if we could work with the Government in devising a method that might get a more stable system of tenure, that in itself would do more to increase production than any other thing we could do.

It is a question of judgment as to what fields you move into and how fast. I would agree there is always this kind of a question.

Mr. NATCHER. Mr. Chairman, with your permission, I would like to go off the record just for a minute at this point.

Mr. PASSMAN. Certainly.

(Off the record.)

INDEPENDENCE AND AID PROGRAM IN NIGERIA

M.r ANDREWS. Mr. Hutchinson, I believe this country came into existence in the fall of 1960.

Mr. HUTCHINSON. Yes.

Mr. ANDREWS. And they were in our program for $13.1 million in fiscal year 1961, which was the year they came in existence?

Mr. HUTCHINSON. Yes, the year they came into independence.

Mr. ANDREWS. Then for 1962 for both development grants and development loans, we had a program for this country of Nigeria of $45 million.

Mr. HUTCHINSON. That was the anticipation, sir. The development loan program did not eventuate.

Mr. ANDREWS. But we did have that program for the country?

Mr. HUTCHINSON. Yes.

Mr. ANDREWS. $45 million?

Mr. HUTCHINSON. Yes.

Mr. HUTCHINSON. That was the anticipation, sir. The development grants of $——— million?

Mr. HUTCHINSON. Yes, sir.

Mr. ANDREWS. With a possible development loan program of $——— million?

Mr. HUTCHINSON. That is a possibility.

Mr. ANDREWS. Those figures make a total of $——— million?

Mr. HUTCHINSON. Yes.

Mr. ANDREWS. For a country that came into existence in October 1960?

Mr. HUTCHINSON. Yes.

As we are indicating, we think this is a country in Africa where the prospects are among the best for developing the type of government we think makes sense, and for developing it economically.

RATE OF DEVELOPMENT

Mr. ANDREWS. In your opinion, based upon your knowledge of this country, and its people, how long will it take to establish the type government you have in mind for them and the standard of living and economic life you plan for them? How long will it take to accomplish that goal?

Mr. HUTCHINSON. I hate to give you a period of years, sir.

Mr. ANDREWS. That is the only way you can do it.

Mr. HUTCHINSON. I am sure it would be a long time. The present development plan is for 6 years.

Mr. ANDREWS. Certainly you cannot accomplish the goal in 6 years.

Mr. HUTCHINSON. That is correct.

Mr. ANDREWS. I do not imagine you could intelligently answer that question.

Mr. HUTCHINSON. I think you are right, sir.

Mr. ANDREWS. But at least it will take years and years and years and years and will cost millions and millions of dollars?

Mr. HUTCHINSON. In total, it certainly will.

The total investment anticipated in the 6-year plan is $2.8 billion, including all the local investment involved, and $1.8 billion, plus or minus, of foreign exchange investment as a matter of fact. They intend to put almost $1 billion in themselves over that period of time.

Mr. PASSMAN. Who is going to put in the $1 billion?

Mr. HUTCHINSON. The Nigerians.

Mr. PASSMAN. That is their own country?

Mr. HUTCHINSON. Of course. I am indicating the order of magnitude.

Mr. PASSMAN. Anything they earn in their country, from their exports, or any money they generate, it is expected they would put it in?

Mr. HUTCHINSON. Of course.

Mr. PASSMAN. Thank you.

I have never seen anything unusual about the fact a country is going to spend some of its own money in its own country.

Mr. HUTCHINSON. I was only indicating in response to the gentleman's question that it was going to cost them a lot of money.

FEDERATION OF RHODESIA AND NYASALAND

Mr. PASSMAN. The next nation will be the Federation of Rhodesia and Nyasaland.

When did this nation gain its independence?

Mr. HUTCHINSON. It has not gained its independence, sir.

Mr. PASSMAN. This is not a U.S. possession?

Mr. HUTCHINSON. This is a British possession.

Mr. TROXEL. A "semiautonomous member of the Commonwealth" in the official documents.

Mr. PASSMAN. In the unofficial documents, where would it stand?

Mr. TROXEL. A form of British dependency, sir.

Mr. PASSMAN. That has been true for a long time?

Mr. TROXEL. Yes, sir.

Mr. PASSMAN. And they have been getting along fairly well, have they not, as we think of people in that region?

Mr. TROXEL. For the most part, it is a prosperous area.

Mr. PASSMAN. When did the United Kingdom agree to let us go in with this aid program?

Mr. HUTCHINSON. I think we started in with a small program in 1961, sir. It looks like 1954.

Mr. PASSMAN. Was there any particular difficulty in getting the United Kingdom to agree to let us go in?

Mr. TROXEL. We have a good understanding with the United Kingdom on our program in the federation.

Mr. PASSMAN. Could it possibly be, by the United States going in with an aid program, we would lessen the burden of the United Kingdom?

Mr. TROXEL. We make a very great effort not to cause a reduction in the United Kingdom burden.

Mr. PASSMAN. If these things are desirable, and the programs are good, and by the fact we are in, would it not lessen the burden on the United Kingdom?

Mr. TROXEL. Not necessarily, sir. We attempt to do things that otherwise would not be done.

Mr. PASSMAN. You mean in this aid program?

Mr. TROXEL. Yes.

Mr. PASSMAN. You say we do things that otherwise would not be done—such as budgetary support, perhaps?

Mr. TROXEL. We are not giving any budgetary support.

Mr. PASSMAN. Not in this territory. Because we are in with an aid program, it could naturally follow that it may lessen, if used properly, the burden of the United Kingdom; is that correct?

Mr. TROXEL. It may lessen it, but we make a strong effort to keep it from lessening it for the United Kingdom——

Mr. HUTCHINSON. It tends to increase the level of support because of continuing costs.

Mr. PASSMAN. It does what?

Mr. HUTCHINSON. It tends to increase the level of support because of continuing costs of the projects.

Mr. PASSMAN. It increases the production in this territory and Great Britain can draw more dollars out of there in earnings; is that what you mean?

Mr. HUTCHINSON. No, that is not what I mean.

Mr. TROXEL. It is important to note that the Federation is self-governing to a great extent.

Mr. PASSMAN. When you enter into these kinds of agreements with Great Britain, do they in turn give us aid for the Virgin Islands, Guam, and our territories and possessions?

Mr. HUTCHINSON. I do not think so.

Mr. PASSMAN. This is a one-way street, as far as it would apply to the United Kingdom possessions and the United States possessions?

Mr. HUTCHINSON. It is certainly a different situation.

Mr. TROXEL. I would say "yes, sir."

Mr. PASSMAN. They really play this thing smart. If they can get us to come in with aid, then they do not have to go in.

LEVEL OF AID

You did have $634,000 for this British possession in 1961.

Mr. HUTCHINSON. That is correct.

Mr. PASSMAN. For the fiscal year 1962 program, you had for this British possession $2 million?

Mr. HUTCHINSON. $2,871,000.

Mr. PASSMAN. Originally you had $2 million?

Mr. HUTCHINSON. Originally——

Mr. PASSMAN. Now you have increased it by $871,000, which brings it up to $2,871,000?

Mr. HUTCHINSON. That is correct, sir.

Mr. PASSMAN. I will apologize one more time for giving you money in excess of your needs, and you had to find some way to obligate it, so you gave this British possession an additional $871,000.

Mr. HUTCHINSON. I can only comment again, the fact the program went up in May or June from February does not necessarily mean you gave us too much money.

Mr. PASSMAN. Had we held these hearings shortly after you printed these books, you would have been testifying that you had an aid program in this British possession of $2 million?

Mr. HUTCHINSON. We would have testified that was our estimate at that time.

Mr. PASSMAN. As we did not have the hearings at that time, we have gone further into the future, and the estimate is $2,871,000, but we are still talking about funds for fiscal year 1962.

Mr. HUTCHINSON. The fact we went to $2,871,000 is not related to the fact we did not have the hearings back in March.

Mr. PASSMAN. But if we had held these hearings back in March, you would have been testifying with respect to $2 million out of fiscal year 1962 funds, and as we are holding these hearings in July, and not March, then we are discussing a figure of $2,871,000.

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. Had we conducted these hearings early this year, prior to the closing of fiscal year 1962, on all of these pages in these books, you would have been testifying to what we find on these sheets; is that not so?

Mr. HUTCHINSON. On all the sheets in the book.

Mr. PASSMAN. But, with this delay, we find that in a great many instances it has been reshuffled, and in many instances for individual countries it has greatly increased over the March books?

Mr. HUTCHINSON. That is correct.

UNLIQUIDATED BALANCES

Mr. PASSMAN. Do you have any unliquidated funds to the credit of this British possession that will be expended in subsequent years?

Mr. HUTCHINSON. I think so, sir.

Mr. PASSMAN. How much?

Mr. MOSSLER. We had unliquidated at the close of fiscal year 1961, $392,000.

Our estimate of unexpended balances at the close of fiscal year 1962 was originally $1,692,000.

Mr. HUTCHINSON. It would be somewhat higher than that now.

Mr. PASSMAN. With this large anticipated unliquidated balance, you are not requesting any funds for this British possession for fiscal year 1963, are you?

Mr. HUTCHINSON. You have the book before you, sir, which shows $———. You will see the chart and the discussion.

Mr. PASSMAN. Then you are asking for $——— for this possession for fiscal year 1963?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. What has been the total of aid to Rhodesia-Nyasaland through fiscal year 1961?

Mr. MOSSLER. Through fiscal year 1961, total aid to the Federation had been $10.9 million.

Mr. PASSMAN. The 1963 request exceeds the original estimates for fiscal years 1962 and 1961, combined?

Mr. HUTCHINSON. It does.

Mr. PASSMAN. If you had lived with the original estimate for 2 fiscal years, 1961 and 1962, you would have had $2,634,000 for the 2 fiscal years against an estimate of $——— for fiscal year 1963?

Mr. HUTCHINSON. That is right.

UNITED KINGDOM ASSISTANCE TO ITS POSSESSIONS

Mr. PASSMAN. You stated earlier that by reason of our aid program the amount of aid that the United Kingdom may give to its possessions is increased?

Mr. HUTCHINSON. I said sometimes there is a complaint from countries that this can be the case.

Mr. PASSMAN. What about this instance?

Mr. MOSSLER. As you will note on page 161, it is planned that United Kingdom aid will go up from $22 to $23 million.

Mr. PASSMAN. You plan or they plan?

Mr. MOSSLER. We anticipate, or it is anticipated.

Mr. PASSMAN. This being a territory, Britain has very close trade agreements with its possession, or territory, does it not?

Mr. MOSSLER. Yes, sir.

Mr. PASSMAN. So they have a little different interest there than we do?

Mr. MOSSLER. Yes, I think they do.

Mr. PASSMAN. Let me quote from the justifications:

None of the territories has as yet engaged in comprehensive planning with clear-cut development goals and priorities.

Is that correct?

Mr. HUTCHINSON. It sounds as though it might be; yes, sir.

Mr. PASSMAN. Then why do we want to increase this grant program, a lot of which, I assume, is technical aid?

Mr. HUTCHINSON. Yes. This may be a reason to increase the program. We do not have to have comprehensive long-range plans in order to give assistance.

Mr. PASSMAN. Let me read this again, because I do not believe it says anything about long-range plans:

None of the territories has as yet engaged in comprehensive planning with clear-cut development goals and priorities.

Mr. HUTCHINSON. You do not have to have comprehensive planning and clear-cut development goals and priorities to know that there are things it makes good sense to do.

Mr. PASSMAN. The fact is they do not have to have any plan or program; just so there is a name of a country or territory, we are in?

Mr. HUTCHINSON. This is intended to say what it says, that they do not have clear-cut development goals and priorities.

Mr. PASSMAN. Then why do you have to increase the amount?

Mr. HUTCHINSON. Because it seems there were specific things it was worthwhile to do that would contribute to the objectives in the country.

Mr. PASSMAN. The final conference report a few years ago had the total foreign aid program at $2.8 billion. It is pretty hard to understand why this has skyrocketed to where the authorization will be close to $4.7 billion.

COLBY-LIKUNI RURAL TRAINING CENTER, NYASALAND

How many technicians will be financed by the $80,000 for the Colby-Likuni Rural Training Center?

Mr. HUTCHINSON. Three.

Mr. PASSMAN. That is about $26,000 each?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. On this same project you obligated $180,000 in 1962?

Mr. HUTCHINSON. That is the estimate, sir.

Mr. PASSMAN. These are all estimates.

And you estimate the unliquidated sum would be $140,000 on June 30, 1962?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. But you are requesting $290,000 for the same project for fiscal 1963?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Which would be a stepup in this little project of $110,000. It says here on "Status of Project":

This is a new project in fiscal year 1962. During this fiscal year, funds will be made available for construction of a major farm institute, plus provision of U.S. staff and commodities, and limited participant training.

Was this project initiated prior to the hearings last year?

Mr. MOSSLER. We had no money prior to 1962.

Mr. PASSMAN. Did you justify it or list it during the hearings last year?

Mr. MOSSLER. This was not a continuing project and therefore it was not mentioned during the hearings last year.

Mr. PASSMAN. It started under your present authority?

Mr. MOSSLER. Under our present authority; yes, sir.

AFRICAN COUNTRIES NOT RECEIVING U.S. ASSISTANCE

Mr. CONTE. Will the chairman yield?

On this map of Africa we have where you indicate spots where we are not giving aid, I notice Egypt. We have a program in Egypt; do we not?

Mr. HUTCHINSON. Yes, but that is not in the African region. It is handled as a part of the Near East and south Asia region.

Mr. CONTE. What about Mozambique?

Mr. HUTCHINSON. That is in the African region. We do not have a program there.

Mr. CONTE. No technicians?

Mr. HUTCHINSON. No.

Mr. CONTE. Why don't we have a program there?

Mr. HUTCHINSON. Mozambique is a Portuguese possession and we do not feel it would be at this point in time productive to put a program in Mozambique. Mr. Troxel can testify as to the political situation.

Mr. TROXEL. May I go off the record?

(Discussion off the record.)

PROPOSED INCREASE IN AID FOR BRITISH POSSESSIONS

Mr. PASSMAN. We are greatly increasing the aid for a good many British colonies or territories or possessions this year, and we intend to bring in additional British colonies or territories or possessions.

COMMUNITY DEVELOPMENT PROJECT

Back on this Federation of Rhodesia and Nyasaland, why did you request $63,000 for two U.S. technicians for the community development project? That is $31,500 per technician per year.

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Is that not in excess of the average?

Mr. HUTCHINSON. That is in excess of the average and we would be glad to make an examination to see why it exceeds the average.

Mr. PASSMAN. We have so much to examine in connection with the irregularities in this book that our time will run out before we can examine all of them, but we wish you would give us a report on as many as you can.

TECHNICAL SUPPORT PROJECT

Why is the technical support project for this British possession increasing from $234,000 to $361,000 for 1963?

Mr. HUTCHINSON. Sir, first we are increasing the number of U.S. technicians on the project.

Mr. PASSMAN. Direct-hire technicians?

Mr. HUTCHINSON. Yes. It seems we are increasing this by one technician, and then there seems to be some probable increase in the commodities component and in the local staff and transport and so on associated with the total program support in view of the increased size of the program being carried on out there.

Mr. PASSMAN. And the "Other costs" item on this one project is $150,000?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Which is about 40 or 42 or 43 percent of the total?

Mr. HUTCHINSON. Yes, sir; that is about right.

Mr. PASSMAN. Mr. Ford?

Mr. FORD. Mr. Chairman, would it be possible for me to take a couple minutes on Nigeria, because I was out answering a quorum call?

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Mr. PASSMAN. Yes. There is no shutoff on that. You can always go back. We will have that understood. Any time you want to go back to any country you can certainly do just that.

DEVELOPMENT LOANS FOR NIGERIA

Mr. FORD. Turn to page 156. For fiscal 1963 how much is contemplated for development loans for Nigeria?

Mr. HUTCHINSON. From $——— to $——— for 1963.

Mr. FORD. How much for development grants?

Mr. HUTCHINSON. $———, sir

Mr. FORD. Nothing for supporting assistance or other mutual security programs, economic?

Mr. HUTCHINSON. No, sir.

Mr. FORD. What about food for peace?

Mr. HUTCHINSON. There might be very small amounts but they would be quite small, I am sure.

Mr. FORD. Could you give us an estimate?

Mr. MOSSLER. The only program we expect to have is a title III program estimated at $———, sir.

Mr. FORD. What about the Export-Import Bank?

Mr. HUTCHINSON. Sir, we have not got a problem out of the Export-Import Bank. We have been discussing the possibility of their picking up some of the loans to Nigeria. They have one under consideration now and I could only say that to the extent the Export-Import Bank makes loans the commitment is reduced.

Mr. FORD. In other words, that would be a substitution for some of the contribution from us?

Mr. HUTCHINSON. Yes, sir.

Mr. FORD. Are there any other U.S. economic programs as we use the term?

PEACE CORPS IN NIGERIA

Mr. HUTCHINSON. Not as we use it. The Peace Corps has a number of people in Nigeria.

Mr. FORD. Do you have any idea of the magnitude of that progarm?

Mr. HUTCHINSON. We can give it to you in terms of people.

Mr. MOSSLER. They now have 107 there and they hope to increase it to ——— sometime in the future but we do not know when.

Mr. FORD. How many now?

Mr. MOSSLER. 107.

Mr. FORD. And they hope to increase it to how many?

Mr. MOSSLER. ——— in the future.

OTHER AGENCIES OFFERING AID TO NIGERIA

Mr. FORD. We have no military assistance programs in Nigeria, do we?

Mr. HUTCHINSON. That is correct.

Mr. FORD. What about IBRD?

Mr. HUTCHINSON. Again, the IBRD is heading up the consultative group and we expect they will be putting a significant amount of money in Nigeria on a loan basis.

Mr. FORD. Will that also be used as a means of reducing our $225 million or will be applicable against the $1.8 billion?

Mr. HUTCHINSON. That will be applicable against the $1.8 billion.

Mr. FORD. Is that IBRD Sy Rubin's group?

Mr. HUTCHINSON. No, he is working with DAC. IBRD is heading up the consultative group on Nigeria. At the moment they themselves are working on the Nigerian dam project.

Mr. FORD. Do you have any U.N. technical assistance program?

Mr. MOSSLER. In 1962 apparently we had a program from both the U.N. Technical Assistance Fund and the U.N. Special Fund to the extent of $1.6 million.

Mr. FORD. Do you have the forecast for 1963?

Mr. MOSSLER. I do not have it for 1963.

Mr. FORD. What are the forecasts for the United Kingdom, West Germany, France, and Israel for 1963?

Mr. HUTCHINSON. This is what we are working on through the consultative group now. I could not guess what it will be.

LOAN REPAYMENTS

Mr. FORD. What about the dollar loan repayments? The last section of this financial data chart shows U.S. dollar loan repayments for MSP and Public Law 480. Are you forecasting any for 1963?

Mr. HUTCHINSON. I am not sure of your point. We anticipate there will be some collections against loans previously made but we do not anticipate to be making MSP and Public Law 480 loans in Nigeria in 1963.

Mr. FORD. What loan repayments are you forecasting in 1963?

Mr. TENNANT. I would guess they would be of this magnitude in 1963.

Mr. FORD. What do you have in the way of local currencies in this area, if any, from which programs will be developed in 1963?

Mr. HUTCHINSON. We do not expect any local currency to be generated in either fiscal year 1962 or 1963. Apparently there is on hand $500,000 due from the 1961 program.

Mr. FORD. Are you planning to utilize that availability in 1963?

Mr. HUTCHINSON. It does show it being utilized in 1963, yes. I do not have the details as to the specific projects.

Mr. FORD. Would they be similar to the projects we were discussing today?

Mr. HUTCHINSON. They may be the same projects.

Mr. FORD. You mean they would be the same projects and this money would be utilized to offset dollars?

Mr. HUTCHINSON. To cover local costs. We might use this $500,000 to cover local costs. I emphasize the "might."

Mr. FORD. If you can get that I would like to see what your thinking is in this regard.

Mr. HUTCHINSON. Yes, sir.

Mr. FORD. Not only put it in the record but some time before you leave I would like to talk to you about it.

Mr. HUTCHINSON. Yes, sir.

(The following was submitted for the record:)

ANTICIPATED USE OF LOCAL CURRENCY IN NIGERIA, FISCAL YEAR 1963

A commodity import procurement authorization for $500,000 was issued June 30, 1961. When the pounds sterling counterpart funds become available, they will be used, according to present Government of Nigeria and United States AID/Nigeria plans, to contribute to the local costs of three projects—teacher training in the western region, agricultural education in the northern region, and the Zaria Institute provincial training scheme.

Mr. FORD. That is all, Mr. Chairman.

Mr. PASSMAN. Mr. Rhodes?

POLITICAL RELATIONSHIP OF FEDERATION OF RHODESIA AND NYASALAND

Mr. RHODES. What is the political situation in this part of the world as far as the relationship between the three parts are concerned, Northern Rhodesia, Southern Rhodesia, and Nyasaland? I notice most of the aid is going to Nyasaland. Is there any reason for that?

Mr. HUTCHINSON. Yes, there is. Mr. Troxel will speak to that.

Mr. TROXEL. Nyasaland is the most undeveloped part of the Federation and the one that is most likely to break away from the Federation.

Mr. RHODES. What type of assistance is going into Nyasaland?

Mr. HUTCHINSON. We have rural training centers where we are working on agricultural extension and cooperatives, agricultural credit, small credit institutions; and a polytechnical school and secondary school supplies.

Mr. RHODES. That is aid at the most basic level?

Mr. HUTCHINSON. That is right.

Mr. RHODES. Is the literacy rate low?

Mr. HUTCHINSON. I do not know. Do you know?

Mr. TROXEL. No, except that it is extremely low.

Mr. RHODES. Is it mainly an agricultural economy?

Mr. TROXEL. A subsistence economy.

Mr. RHODES. A jungle economy?

Mr. TROXEL. Some of it is fairly dry.

I see here a literacy figure for Nyasaland of from 5 to 10 percent.

Mr. HUTCHINSON. It is a guess.

Mr. RHODES. The objective of the aid to Nyasaland, as I gather it, is to help people to improve their capability through education, No. 1; and to try to keep it a part of the Federation. How do the Rhodesians feel about keeping it a part of the Federation? Do we have another situation where the more prosperous part will break away from the rest?

Mr. TROXEL. There are tremendous dangers. I do not think it would be fair to say the aid is designed to keep it a part of the Federation. We would be delighted if it would be kept as a part of the Federation but whether this is feasible is another matter.

If I could go off the record, Mr. Chairman.

(Discussion off the record.)

Mr. RHODES. Could you get us whatever information you have about the people of Nyasaland as distinguished from the rest of the Federation as to education, the gross national product per capita and anything else which would be relevant as to the capacity of this particular group of people to get along on their own?

Mr. HUTCHINSON. Yes.

(The requested information follows:)

Federation of Rhodesia and Nyasaland, indicators of level of social and economic development

	Northern Rhodesia	Southern Rhodesia	Nyasaland
Population (1961):			
Total (in millions)	2.5	3.1	2.9
Rate of growth (percent)	2.8	2.9	2.2
Density (per square mile)	9	21	59
Area:			
Total (in thousands of square miles)	288	150	49
Agricultural land:			
Percent of total area	[1] 41	17	28
Acres per capita	[1] 30	5	3
Gross national product and power:			
Gross national product (1960):			
Total ($U.S. equivalent in millions)	590	765	154
Per capita ($U.S. equivalent)	244	249	54
Investment (percent of gross domestic product)	18.8	26	10.8
Nonsubsistence sector contribution: Percent of gross domestic product	97	81	50
Power per capita: Kilowatt-hours per year	671	517	10
Transport:			
Miles of improved roads (per 1,000 square miles)	29	35	60
Motor vehicles ($ thousands)	42	125	11
Education (1960):			
Percent literacy	20-25	20-25	5-10
Primary school pupils (in thousands)	288	484	285
Secondary school pupils (in thousands)	3	4	2
Primary school teachers (in thousands)	4.9	10.9	6.2
Secondary school graduates (number receiving certificates) [2]	85	260	59

[1] Arable land only.

[2] Certificates are given to students who have passed the secondary school terminal examination at a level 2 years below the normal entry standards for an English university.

Mr. PASSMAN. Mr. Conte?

Mr. CONTE. No questions.

SENEGAL

Mr PASSMAN. You have another territory here of Senegal. Is that a former possession of France?

Mr. HUTCHINSON. It is independent.

Mr. PASSMAN. They have gained their independence?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. When?

Mr. TROXEL. June 20, 1960, Mr. Chairman.

Mr. PASSMAN. You had a proposed AID program last year of $2.7 million. Did that hold firm?

Mr. HUTCHINSON. It fell. Only $573,000, sir.

Mr. PASSMAN. Then why would you have a program of $3.4 million for fiscal year 1963?

Mr. HUTCHINSON. Well, sir, since we were so slow getting started in 1962 we would have to move the program a little more rapidly in 1963.

Mr. PASSMAN. Since France contributes about $30 million annually in economic aid to this country—I presume that is on account of its close ties and commercial contracts with the country—would that account for it?

Mr. HUTCHINSON. Certainly, because of its close ties and commercial contracts. The French people are used to a high level of assistance in these areas so they are able to concentrate——

Mr. PASSMAN. There is a relation between France and this country that does not exist between this country and the United States?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Mr. Rhodes?

Mr. RHODES. The Senegalese are famous soldiers, are they not?

Mr. HUTCHINSON. Yes, sir.

Mr. RHODES. Do you know what sort of a military establishment they have as an independent nation?

Mr. HUTCHINSON. I do not; no.

Mr. TROXEL. I do not have enough information to make it worthwhile to comment.

Mr. RHODES. Do you know if we have a military assistance program?

Mr. TENNANT. There is none.

Mr. RHODES. That is all, Mr. Chairman.

SIERRA LEONE

Mr. PASSMAN. The next is Sierra Leone. Is that still a British possession?

Mr. HUTCHINSON. No, sir; it is an independent country.

Mr. PASSMAN. At the time it gained its independence it was the oldest British possession in Africa?

Mr. HUTCHINSON. The oldest British possession in Africa, sir.

Mr. PASSMAN. When did it gain its independence?

Mr. HUTCHINSON. April 1961.

Mr. PASSMAN. In 1961 you had an AID program of $496,000?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. And you had planned $1.5 million for fiscal year 1962. Did that hold firm?

Mr. HUTCHINSON. Yes, sir; that did hold firm.

Mr. PASSMAN. You are requesting $——— million for fiscal year 1963?

Mr. HUTCHINSON. That is correct, sir.

EFFECT OF REDUCED BUDGET

Mr. PASSMAN. Would you have a workable program there if you held your program level the same as you planned for 1962?

Mr. HUTCHINSON. Sir, we feel in order to accomplish the objectives that we are working on, the program ought to expand as indicated in this book.

Mr. PASSMAN. But most of your expansion would consist of the projects that would follow on pages 523 through 529?

Mr. HUTCHINSON. Yes, it would.

Mr. PASSMAN. It would be a question of holding them down to the same 1962 plan level, would it not?

Mr. HUTCHINSON. No, sir; it would be a question of our instituting some new programs in 1963 as well.

Mr. PASSMAN. But you could continue those that you have planned for fiscal year 1962?

Mr. HUTCHINSON. We could continue the ones insofar as they are funded with 1962 funds.

Mr. PASSMAN. If you had the same amount of money programed for fiscal year 1963 for this country that you had in fiscal year 1962, you could carry on the programs at the same level that you planned for fiscal year 1962?

Mr. HUTCHINSON. We could carry on programs at that same level; yes, sir.

Mr. PASSMAN. Mr. Ford?

Mr. FORD. What is going to happen if the Congress in its wisdom or otherwise decides to make certain reductions in the development grant area? Are you going to make the decision not to proceed with any new programs, or are you going to cut back the going ones and initiate some new ones?

Mr. HUTCHINSON. We will probably do some of both, sir. This is an annual occurrence with us in which we go through a reprograming exercise, usually in the fall, after we get the congressional appropriation. Then we cut back our plans on going forward with the programs that are underway, not expanding them as much as we anticipated, and perhaps cutting some out or back, and cutting out some of the new programs. It is an adjustment based on priorities at the time. We go through a complete reprograming cycle.

Mr. FORD. That is all, Mr. Chairman.

Mr. PASSMAN. Even with reduced funds—that is, reduced below your request for fiscal year 1962—you did have sufficient funds to start many new projects that you had not previously justified to Congress?

Mr. HUTCHINSON. Well, sir, we did ask for an appropriation for new projects so we would have in any event been able to start new projects unless all the funds had been cut out entirely.

Mr. PASSMAN. With the funds made available last year you carried on the old program and initiated many new projects?

Mr. HUTCHINSON. Yes, sir.

SOMALI REPUBLIC

Mr. PASSMAN. When did the Somali Republic gain independence?

Mr. TROXEL. In July—July 1, 1960.

Mr. PASSMAN. In 1961 you had a program of $4,227,000. You had a planned program of $10,253,000 for 1962, which is about 2½ times the program that you had for 1961. Could you tell us if that figure held firm?

Mr. HUTCHINSON. My figure is $2.3 million and I have it worked out at $10.1 million instead of $10.3 million.

Mr. PASSMAN. Your books show $10,253,000. That is on page 531.

Mr. HUTCHINSON. That is the $10.3 million, sir. I am sorry.

Mr. PASSMAN. What amount do you have unliquidated to the credit of the Somali Republic as of June 30, 1962, your latest estimate?

Mr. MOSSLER. It is estimated at the close of 1962 that the unexpended balance will amount to $9,969,000.

Mr. PASSMAN. You will have unliquidated to the credit of the Somali Republic, estimated at the end of fiscal year 1962, almost the same amount of funds that you had programed for the year.

Mr. MOSSLER. Very close to 1 year's level.

Mr. PASSMAN. You programed $10,253,000 for fiscal year 1962. You revised that downward to $10,100,000, but you have unliquidated to the credit of this country as of June 30, 1962, $9,969,000, which is within $131,000 of the total amount that you programed for fiscal year 1962?

Mr. HUTCHINSON. That sounds right, sir.

Mr. PASSMAN. Thank you.

You request, notwithstanding that fact, $——— for fiscal year 1963?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. There are various and sundry projects scattered all through this country, and again, because of time limitations, it is going to be necessary that we cut out the questioning on the individual projects.

Mr. Rhodes?

Mr. RHODES. I have no questions, Mr. Chairman. I am just pleased to see that the Somali Republic has finally become a Republic with our assistance. We have been in this country for a long time and, as we mentioned in previous hearings, I for one am firmly of the belief they wouldn't have been as avid for independence if it hadn't been for our foreign aid as they apparently were. But, we apparently set out to accomplish this, we did, and they are now part of the family of nations. I note from the book here that there apparently isn't any more hope that they will ever have a viable economy than there ever was.

Mr. PASSMAN. But at least the upper echelons will live better.

Mr. TROXEL. May I add just one thought. At least it was two countries, Mr. Rhodes, former British and Italian possessions that have joined together.

Mr. RHODES. There were three, were there not: Italian, British, and French?

Mr. TROXEL. Yes, sir; British, French and Italian Somaliland, but the British and Italian territories gained their independence while the other is still under the French.

Mr. PASSMAN. Gentlemen, we shall adjourn until 9:30 o'clock tomorrow morning.

TUESDAY, JULY 24, 1962.

Mr. PASSMAN. The committee will come to order.

Have you completed the recapitulation of the unexpended funds as of June 30?

Mr. TENNANT. I have some preliminary figures and I am breaking out some of the funds so that you will have separate subcaptions. I think I will have them in a day or two.

LEVEL OF FOREIGN ASSISTANCE

Mr. PASSMAN. I had heard, more or less vaguely, that because of our balance-of-payments situation, the gold outflow, and the expected deficit for fiscal 1962—along with the fact that we had persuaded several nations to pay their loans back as much as 37 years in advance—that there was some possibility the President might indicate his willingness to agree to a reduced foreign aid program for fiscal 1963, rather than a larger one. I called Mr. Claxton at the State Department, however, and he said he would endeavor to either confirm or deny the rumor which I had heard to that effect. His reply to me was quite disappointing, from my point of view.

As you had heard me mention this matter, I thought it appropriate for me to indicate to you that I did discuss it with Mr. Claxton. Let me add that I still hope there will be such an indication on the part of the President before we mark up the bill.

Off the record.

(Discussion off the record.)

TECHNICAL SUPPORT—NIGERIA

What did you find for us on the technical support, $54,000 per year, each for the 23 technicians in Nigeria?

Mr. MOSSLER. When I got back last night I related the request to the desk officer but have not had the answer yet.

Mr. PASSMAN. Did you ask them also to clear up why there would be $1,622,000 of the $1,647,000 programed for technical support for Nigeria?

Mr. HUTCHINSON. We did, sir.

Mr. PASSMAN. That is not in this morning?

Mr. HUTCHINSON. No, sir.

USE OF SECTION 202(b) TO COMPLETE SPECIFIC PROJECTS

Mr. PASSMAN. Did you get a ruling from your legal department in response to my question of a few days ago, which was, in effect, if you had entered into the Volta River project in Ghana, if it was a $300 million project, just to use a round figure, and you had obligated out of 1962 funds $100 million, would you have felt that the Congress was obligated to appropriate the additional $200 million, as if the funds had been provided under section 202(b)?

Mr. HUTCHINSON. Sir, I talked to the Acting General Counsel this morning as to where he stood on this. He said he has his lawyers working on it but he finds it is a quite complex question and he does not have the answer to it.

Mr. PASSMAN. That is strange.

Mr. HUTCHINSON. I do not mean he will never have an answer, sir. He just does not have it as yet.

Mr. PASSMAN. You have the law before you, and why it should take so long to get an answer, I cannot understand.

SUDAN

We shall now take up Sudan. When did this country gain its independence?

Mr. TROXEL. January 1, 1956.

Mr. PASSMAN. What was your total program for Sudan from its inception to 1961?

Mr. MOSSLER. $51.2 million.

Mr. PASSMAN. You envisioned a program of $8.8 million for fiscal year 1962. What amount did you actually program?

Mr. MOSSLER. $8.3 million, sir, in development grants.

Mr. PASSMAN. And you plan a program of $——— for 1963?

Mr. HUTCHINSON. Development grants, yes.

Mr. PASSMAN. Everything we have been discussing so far has been on grants, for the $8.3 million and the proposed $———. Could you tell us the amount of unliquidated funds to the credit of Sudan as of your last date, and give the date?

Mr. MOSSLER. As of the end of June 1961 the actual figure for grant assistance was——

Mr. PASSMAN. Since you gave the total in all categories on the others, give the total to their credit, and then we will break it out as to the grant assistance.

Mr. MOSSLER. $16,382,000 including grants and loans.

Mr. PASSMAN. What about 1962? What do you have unexpended out of the grant category?

Mr. MOSSLER. Our estimate at the close of 1962 is $9,500,000.

Mr. PASSMAN. So, in effect, you really have more money in the grant program unexpended to the credit of Sudan, the estimate as of June 30, 1962, than you programed during fiscal year 1962?

Mr. HUTCHINSON. That is correct, sir.

Mr. PASSMAN. Which means that we could do, as General Palmer says, a little squeezeout, and not hurt the program?

Mr. HUTCHINSON. Again, this is just over a year's pipeline and that is typical of the pipeline we have been running.

Mr. PASSMAN. I notice from the justifications [off the record]. Could it be that development credits will be on more liberal terms in future years?

Mr. HUTCHINSON. That is a real possibility, sir.

FUNDS FOR EDUCATION

Mr. PASSMAN. Page 550 indicates a 1963 program of $——— in education.

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. How much has been obligated to date in this field?

Mr. HUTCHINSON. Sir, we do not have that.

Mr. PASSMAN. What has been the cost of construction to date? We are certainly going heavy in this field of education, are we not?

Mr. HUTCHINSON. We certainly are in Africa because that seems to be one of the fundamental requirements.

Mr. PASSMAN. Do you have the figure?

Mr. MOSSLER. $2,160,000.

Mr. PASSMAN. What sum do you propose for construction in 1963?

Mr. MOSSLER. For grant construction we propose $550,000. There is also the possibility that there may be some loans for construction activity in Sudan in 1963.

Mr. PASSMAN. Like the others, it is wide open—open at both ends and split in the middle.

Mr. HUTCHINSON. Insofar as the grant program is concerned we try to have only quite small construction items in the program. The large capital items we feel should be on a loan basis.

Mr. PASSMAN. When you get in the educational field, usually this opens up the avenue into the development credits?

Mr. HUTCHINSON. There is some possibility of this in the education field, but this is not as great as it is in transportation and manufacturing and such fields as that.

Mr. PASSMAN. It is all a form of education, is it not, the technical aid part of development grants, outside of the outright grants?

Mr. HUTCHINSON. In a fundamental sense you could put the whole program under education.

INDUSTRIAL DEVELOPMENT BANK

Mr. PASSMAN. When was the $2 million Development Loan Fund credit approved as partial capitalization of the Industrial Development Bank?

Mr. HUTCHINSON. The loan authorization in the Sudan was December 18, 1961, sir.

Mr. PASSMAN. You say partial capitalization of the Bank was approved in fiscal 1962.

Mr. HUTCHINSON. Fiscal 1962?

Mr. PASSMAN. Did you say it was approved December 18, 1961?

Mr. HUTCHINSON. Yes, sir.

CONTRACT SERVICES

Mr. PASSMAN. What services will be provided by the $265,000 estimate for contract services for the Industrial Development Bank?

Mr. HUTCHINSON. Sir, this is service for technicians to be training the local personnel in the actual management and operation of the Bank. They will help them in terms of exactly how the Bank should be operated internally, and they will also provide assistance to independent small entrepreneurs in connections with their accounting methods and this sort of thing.

Mr. PASSMAN. Is this just one bank?

Mr. HUTCHINSON. This is just one bank; yes, sir.

Mr. PASSMAN. What is the total capital of the Bank?

Mr. HUTCHINSON. I do not have that figure with me, sir. I could get it.

CONTRACTING FIRM

Mr. PASSMAN. What is the name of the company, college, or university with which you have a contract?

Mr. HUTCHINSON. Daniel, Mann, Johnson & Mendenhall.

Mr. PASSMAN. Are they bankers?

Mr. HUTCHINSON. They are general engineering and management consultants.

Mr. PASSMAN. Do you ever employ any bankers in the program to teach people how to bank?

Mr. HUTCHINSON. Yes, sir; we do.

Mr. PASSMAN. This is just one bank and you have $265,000 for contract services. Numerous little banks in my district are doing a large business capitalized at only $50,000, and there is one bank in which I have stock capitalized at $100,000 and they are doing a big business, yet here you have $265,000 to teach them how to bank.

Mr. HUTCHINSON. It is more than to teach them how to bank, sir; it is to teach the people——

Mr. PASSMAN. How to borrow?

Mr. HUTCHINSON. To teach them how to manage the funds they borrow and accounting methods and this sort of thing.

Mr. PASSMAN. You have one group that trains the personnel how to operate and manage the bank, then you have another group working with the proposed borrowers teaching them how to process and file applications?

Mr. HUTCHINSON. It is a whole lot more than teaching them how to file applications, sir. It is teaching them how to address themselves to financing and managing their small businesses. This is a service we think is needed in all these countries. If these people were as advanced in their understanding of these things as the people in your district, we certainly would not be providing assistance to them.

Mr. PASSMAN. Where is this outfit located that is doing the training?

Mr. HUTCHINSON. It is a U.S. firm, sir. I will have to get their actual legal residence.

Mr. PASSMAN. Do you know where they are domiciled?

Mr. HUTCHINSON. No. I will have to check that.

Mr. PASSMAN. You did put the name of the firm in the record?

Mr. HUTCHINSON. Yes, sir; Daniel, Mann, Johnson & Mendenhall.

Mr. ANDREWS. Mr. Chairman, will you yield?

Mr. PASSMAN. Yes.

Mr. ANDREWS. Each year we see more and more contracts with firms such as you have mentioned. Do you contact those firms for business or do they contact you?

Mr. HUTCHINSON. There is a little of both, sir. Firms of this sort very frequently file with us statements of their abilities and we maintain files on them and on specific projects they may approach us. It is more frequent, however, for us to approach a number of firms whenever a specific project comes along to see what expertise we need and what firms can provide it.

Mr. ANDREWS. Does the average firm you do business with have business with other private companies or with just Governments?

Mr. HUTCHINSON. Most of the firms we do business with do business with private firms as well as with us, sir.

Mr. PASSMAN. You could not possibly remember all the details about these companies, but would you ascertain for the committee whether this is an old firm or whether they established themselves in business so as to get into this field of training for the Government?

Mr. HUTCHINSON. Yes; but I am sure this particular firm has been in business many, many years without regard to the aid program.

(The information follows:)

Information on Daniel, Mann, Johnson & Mendenhall

Daniel, Mann, Johnson & Mendenhall is an architectural and engineering firm established in 1950 out of a merger between Daniel, Mann & Johnson, architects, and Irvan F. Mendenhall, civil engineer.

The firm was established in southern California where it was originally engaged in the design of new schools, new office buildings, and new industrial plants. Since 1950 the firm has grown to become one of the largest architectural firms in the United States. The firm is currently engaged in both domestic and oversea operations for the U.S. Government and private organizations.

The first AID contract with Daniel, Mann, Johnson & Mendenhall was in 1959, at which time it was already the second largest architectural firm in the United States.

FOOD AND AGRICULTURE PROJECTS

Mr. PASSMAN. Under Food and Agriculture there are three new projects you have started at a cost of $604,000 for the Sudan. At page 563, you have $248,000 for a project identified as agricultural extension and pest control; at page 565, you have $254,000 for agricultural research and crop development; and, at page 567, you have $102,000 for agriculture planning services. They are all under "Food and agriculture."

Mr. HUTCHINSON. They are shown as new projects in a sense, but, as indicated, these projects were formerly under something called agriculture development. They have now been pulled out to make a separate project.

Mr. PASSMAN. Your justification book indicates they are new projects, does it not?

Mr. HUTCHINSON. Yes, sir; in the sense they have been pulled out and we have separate project agreements covering them rather than carrying them under the general agriculture development project.

ESTIMATED COMPLETION COST

Mr. PASSMAN. Could you give us some indication of the cost to completion of these three projects?

Mr. HUTCHINSON. We are estimating all these projects would end at the end of ——, and we are estimating $—— to complete the agricultural extension and pest control project; we are estimating $—— to complete the agricultural research and crop development project; and $—— to complete the agriculture planning services project.

Mr. PASSMAN. Why will they be concluded?

Mr. HUTCHINSON. Sir, this is a program to try to bring insect pests under control, which we can estimate with a little bit more definiteness than we can some of the general educational-type programs.

Mr. PASSMAN. What about item 2, "Crop development?"

Mr. HUTCHINSON. Sir, I cannot give you the reason.

Mr. PASSMAN. Can you give us a reason on the third, "Agriculture planning services"?

Mr. HUTCHINSON. Sir, the planning of agricultural services that the Government intends to carry on is something that you can foresee a possible ending date on better than you can general agricultural re-

search or agricultural extension. So we are projecting we ought to be able to complete this project in ——— years.

Mr. PASSMAN. But certain projects in this field will go on indefinitely?

Mr. HUTCHINSON. Certainly some projects in the agricultural field I would expect to go on indefinitely, sir.

Mr. PASSMAN. Would it follow that you just had more money possibly set aside for Sudan than you could prudently obligate, and you started these three projects for a brief time?

Mr. HUTCHINSON. No, sir.

Mr. PASSMAN. We have had that happen in a lot of other programs.

Mr. MOSSLER. These are not really new projects, sir.

Mr. PASSMAN. That is exactly it.

You requested so much money this year it is generally understood there is at least $1 billion of "fat" in the request.

Mr. HUTCHINSON. We certainly did not testify to that and we do not agree.

Mr. PASSMAN. I would not expect you to testify to it, but it is understood that there is a lot of "fat" in this program.

Mr. HUTCHINSON. I did not testify to that either, sir.

Mr. PASSMAN. No, you would not have your job long if you did.

COST OF STAFF HOUSING IN SUDAN

Could you give us an idea of the number of houses you will be building for the staff in Sudan, and the cost?

Mr. HUTCHINSON. I could not, sir. We would have to get that figure for you.

Mr. PASSMAN. Could you give us an idea of the type of housing? Is it permanent housing, semipermanent, or what?

Mr. HUTCHINSON. Any houses built would be permanent, sir.

Mr. PASSMAN. Could you give us an idea of the cost of the houses?

Mr. HUTCHINSON. No, sir.

Mr. PASSMAN. You do not know the number of houses or the cost.

Mr. RHODES. Mr. Chairman, may I ask a question?

Mr. PASSMAN. Yes.

FOREIGN CURRENCY USES

Mr. RHODES. I notice in the justification book you have estimated foreign currency requirements—I am looking at page 551, project 650–N–61–AA—and you show obligations of U.S.-owned foreign currency, none; commitments of country-owned foreign currency through June 30, 1962, 4,162. I presume that means dollar equivalent?

Mr. HUTCHINSON. That is correct.

Mr. RHODES. Do we actually buy the foreign currency for dollars or is this a measure of the participation of the country in this project?

Mr. HUTCHINSON. This is a measure of their participation in the program.

Mr. MOSSLER. I might point out this currency is counterpart. It is country owned.

Mr. RHODES. How does it get to be country owned if it is counterpart? I assume we have some control over counterpart?

Mr. MOSSLER. We have some control over it, but of course the distinction between counterpart and foreign currency generated under Public Law 480 is that foreign currency generated under Public Law 480 is U.S owned. Counterpart is owned by the country and is not kept in the U.S. Treasury account except that part of the counterpart, in some cases 5 or 10 percent, which is set aside for U.S. uses.

Mr. RHODES. But this item could represent foreign currency which we acquire for dollars, could it not?

Mr. MOSSLER. In this instance——

Mr. RHODES. I am talking about other instances where it would appear under commitments.

Mr. MOSSLER. Normally——

Mr. RHODES. Let us pin it down a little more than "normally."

Mr. MOSSLER. To the extent we buy foreign currency we include it in the dollar cost of the project. This table you are looking at has two types of currencies, either U.S.-owned local currency or U.S.-controlled local currency.

Mr. RHODES. But in all instances they are in dollar equivalent and they do represent an increase in the cost of the project over the estimate under the heading "U.S. Dollar Contribution"?

Mr. MOSSLER. Yes, sir.

TECHNICAL SUPPORT

Mr. PASSMAN. On page 569, which deals with technical support, you have U.S. technicians, $148,000; commodities, $194,000, and other costs, $465,000.

Would you give us whatever information you have available on the commodity component of the total and whatever information you have available on other costs?

RENT AND UTILITY COSTS

Mr. HUTCHINSON. The other costs, sir, is for rents and utilities.

Mr. PASSMAN. Rents and utilities?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. For how many personnel?

Mr. HUTCHINSON. We do not have the exact number, sir.

Mr. PASSMAN. How many technicians will utilize the $465,000? You have an item here of $148,000 for U.S. technicians.

Mr. HUTCHINSON. Sir, the book shows that there will be 102 tech nicians in the field in fiscal 1963, 52 U.S.-employed and 50 contract

Mr. PASSMAN. Is it not true that we were told earlier that, under some of the other arrangements, when you gave us the cost of technicians it included everything, rent, salary, transportation, and so forth?

Mr. HUTCHINSON. It does not include their local transportation, sir.

Mr. PASSMAN. When you give the average cost it usually includes the rental allowance, does it not?

Mr. HUTCHINSON. If the technician is given the rental allowance himself it does, but this does not include only rent for housing, but also office space and that sort of thing.

RENTAL COST PER TECHNICIAN

Mr. PASSMAN. You have 102 technicians out there, and you have $465,000 for rents and utilities. It would appear to me they really will have some lavish living quarters. Would you like to make a little closer check and supplement that information for the record?

Mr. HUTCHINSON. We shall be glad to, but I should point out again that this includes rents and utilities on office space, warehouses, and that type of thing.

Mr. PASSMAN. But there is just a certain amount of money you can spend on 102 people.

How do you get the offices and all of that into this item. Does the Embassy usually provide office space?

Mr. HUTCHINSON. We pay for our office space, sir.

Mr. PASSMAN. Does that come in this Other costs?

Mr. HUTCHINSON. Yes, sir. That is what I testified.

Mr. PASSMAN. Can you give us a breakdown, because this Other costs item is about 53 percent of the total cost here.

Mr. HUTCHINSON. We will be glad to give it to you.

(The information follows:)

Breakdown of "other costs," technical support project—Sudan, fiscal year 1963 estimate

	Thousands
Wages, local AID employees	$69
Business travel within Sudan	68
Transportation of things	20
Rent, communications and utilities [1]	116
Printing and reproduction	6
Other services	65
Supplies and materials	40
Office furnishings and equipment	81
Total	465

[1] Includes rental and public utilities for office space.

Mr. PASSMAN. Do you have any other information on it?

Mr. HUTCHINSON. No, sir.

Mr. PASSMAN. Would the same answer be applicable to the commodities item of $194,000? Do you have anything on that?

Mr. HUTCHINSON. I do not have an item-by-item break, sir.

Mr. Andrews?

HOUSING FOR AID EMPLOYEES

Mr. ANDREWS. Did I understand you to say we are going to build some permanent homes over there for employees?

Mr. HUTCHINSON. Yes, sir, we will be building some homes over there in Africa and they will be permanent homes.

Mr. ANDREWS. Do you know how many?

Mr. HUTCHINSON. I cannot tell you this morning. I can find out.

Mr. ANDREWS. Or what the cost will be?

Mr. HUTCHINSON. No, sir, I do not know.

Mr. ANDREWS. That indicates that we plan to be there for a long time, I assume?

Mr. HUTCHINSON. Yes, sir.

Mr. ANDREWS. Building permanent-type homes for employees.

Mr. HUTCHINSON. Yes, sir. We find that in many of these countries, in fact most of them, that it is frequently cheaper to build a house than to rent, rentals are so extremely high. The landlord gets rentals which will amortize his entire construction cost in 3 to 5 years, not unusually, and frequently it is a matter of economy to to build rather than to rent. It will vary but that is not an unusual circumstance. However, it is our policy to build or buy houses for our staff only as a last resort, in spite of high rentals in many places.

Mr. PASSMAN. That fact alone indicates those people are rather clever.

Mr. HUTCHINSON. Sir, housing of the type Americans live in is extremely short. This is a common practice in housing in countries of this sort.

Mr. PASSMAN. If they are that expert in the housing field, would they not be that expert in other fields?

Mr. HUTCHINSON. Sir, just because it is a commercial practice to amortize the cost of housing over a very short time does not lead to the conclusion they are competent to run banking institutions and that sort of thing. A very small number of people are engaged in the housing industry.

Mr. ANDREWS. I believe you said Sudan became independent in 1956?

Mr. HUTCHINSON. Yes, sir.

TYPE AND LEVEL OF ASSISTANCE TO SUDAN

Mr. ANDREWS. Did we start giving them aid very shortly thereafter or before that time?

Mr. MOSSLER. The first year was 1958, sir.

Mr. ANDREWS. How did they get by in 1956 when they were born, so to speak, without any aid?

Mr. HUTCHINSON. Sir, I am not sure. I am not familiar with that.

Mr. ANDREWS. Are you sure we did not give them aid until 1958?

Mr. HUTCHINSON. According to the record they got $400,000 in 1958.

Mr. ANDREWS. That is fiscal 1958, calendar 1957?

Mr. HUTCHINSON. Yes, sir.

Mr. ANDREWS. Well, they were not denied too long. We gave them $400,000 in fiscal 1958?

Mr. HUTCHINSON. Yes, sir.

Mr. ANDREWS. What about 1959?

Mr. HUTCHINSON. The grant assistance——

Mr. ANDREWS. All types.

Mr. HUTCHINSON. $25.8 million in 1959. They got $19.5 million development loans.

Mr. ANDREWS. $25.8 million?

Mr. HUTCHINSON. No; I beg your pardon. It is $30.8 million.

Mr. ANDREWS. What about 1960?

Mr. HUTCHINSON. 1960 it was $13 million.

Mr. ANDREWS. All forms?

Mr. HUTCHINSON. All forms, that is right.

Mr. ANDREWS. And the book shows 1961 a total of $9.4 million.

Mr. HUTCHINSON. Yes, sir.

Mr. ANDREWS. And fiscal 1962, $10.8 million?

Mr. HUTCHINSON. I believe we testified it was a little less than $10.8 million. This is what we planned. For 1962 it was $10.3 million, $500,000 less. This book does show $10.8 million. The final approval was only $10.3 million.

Mr. ANDREWS. And for 1963 you propose $——— development grants and you have set aside from $——— for development loans?

KHARTOUM-PORT SUDAN ROAD COST ESTIMATE

Mr. HUTCHINSON. Yes, sir. This is in consideration of the fact there is a particular project that is under consideration in Sudan. This is a road which could get quite expensive if it is financed.

Mr. ANDREWS. I am sure it will. They all are.

Mr. HUTCHINSON. They certainly do, sir.

Mr. FORD. Will you yield?

Mr. ANDREWS. Yes.

Mr. FORD. A road from where to where?

Mr. HUTCHINSON. From Khartoum to Port Sudan.

Mr. FORD. How many miles?

Mr. HUTCHINSON. About 400 kilometers, if my memory serves me right. I would want to check the record. It must be a good bit more than that.

Mr. TROXEL. It may be miles.

Mr. HUTCHINSON. I think it is about 600 miles. I would have to check that.

Mr. FORD. That is all.

Mr. ANDREWS. What type road is it?

Mr. HUTCHINSON. That would remain to be determined as to the extent to which it would be hard surface. This is one of the things we will be studying, as to whether or not it will have a macadam surface. It depends on the uses and that sort of thing.

Mr. ANDREWS. Has work started on the road?

Mr. HUTCHINSON. No, sir. There has only been a survey made.

Mr. ANDREWS. Do you have an estimate of the total cost?

Mr. HUTCHINSON. The estimate that has come in at the moment is $67 million. We are looking hard at the possibility of both cutting down the type of road and the cost and we are thinking of doing a significant sector rather than the whole thing.

Mr. ANDREWS. But your preliminary estimate of the cost is $67 million?

Mr. HUTCHINSON. That is the preliminary estimate the engineers made.

Mr. ANDREWS. What part of the $67 million will we finance?

Mr. HUTCHINSON. That we have not decided. We are hoping we might be able to cut the cost somewhat and finance only a part of it rather than the whole thing, but we have not received an application from the Sudan.

ROAD PROJECT NOT REQUESTED BY SUDAN

Mr. ANDREWS. You mean they have not requested the road?

Mr. HUTCHINSON. They have not requested it formally. We have discussed it with them in some detail.

Mr. ANDREWS. Was it our suggestion that we construct the road?

Mr. HUTCHINSON. No, it was proposed by a special Sudanese mission last fall. That was before I came on the job. I am reasonably sure it was last fall.

Mr. ANDREWS. Is any other country planning to participate in the financing of this road?

Mr. HUTCHINSON. We have not begun discussions with any other country. If possible, we would like to get some participation.

Mr. ANDREWS. Is the Sudan Government able to participate in the cost of this road?

Mr. HUTCHINSON. Yes, there will be participation by the Sudan Government, the extent of which is undetermined.

Mr. ANDREWS. When will you know definitely as to when this road contract will be let?

Mr. HUTCHINSON. I would say it would be 8 months or longer before we would know, sir.

Mr. ANDREWS. Is the road responsible for the anticipated $——— development loan?

Mr. HUTCHINSON. Yes, sir. That is the one project we had in mind.

Mr. ANDREWS. If you do not go forward with the road project, what else do you propose to make loans for?

SCHOOL CONSTRUCTION

Mr. HUTCHINSON. There might be some small amounts for school construction.

Mr. ANDREWS. School construction?

Mr. HUTCHINSON. Yes, sir.

Mr. ANDREWS. What type of buildings do we construct over there?

Mr. HUTCHINSON. They are quite functional-type buildings, sir. We try to keep the cost down to a reasonable figure. They are not the type buildings we would be building in the United States. On the other hand, they are not just earth- or mud-type construction. They are functional-type buildings.

Mr. ANDREWS. Do you use brick or block?

Mr. HUTCHINSON. Primarily they would be blocks.

Mr. ANDREWS. What we call a permanent-type construction?

Mr. HUTCHINSON. Yes, they would be permanent-type construction.

Mr. ANDREWS. Have you seen any of the buildings?

Mr. HUTCHINSON. No, sir, I have not seen any.

Mr. ANDREWS. That is all, Mr. Chairman.

GAMBIA

Mr. PASSMAN. Is there a country called Gambia?

Mr. HUTCHINSON. There is a political area called Gambia.

Mr. PASSMAN. It looks like about 1,000 acres. Am I overestimating the size?

Mr. HUTCHINSON. It is not a large area.

Mr. PASSMAN. Do you have an AID program there?

Mr. HUTCHINSON. No.

Mr. PASSMAN. Is it a territory?

Mr. HUTCHINSON. It is a British colony.

Mr. PASSMAN. How did we leave them out?

Mr. HUTCHINSON. Sir, we do not go into every British colony.

Mr. PASSMAN. That is the only one we missed that I know of.

HOUSING IN AFRICA REGION

Could you give us a general idea as to the cost of the housing program for your region? I am speaking now of housing for your staff.

Mr. HUTCHINSON. I would have to get the figure, sir.

Mr. PASSMAN. When did you allocate the first funds for staff housing?

Mr. HUTCHINSON. I am sure this must have been begun quite a number of years ago.

AMERICAN-OWNED HOUSING

Mr. PASSMAN. Some of these nations have not had their independence very long; some are only 2 or 3 years old. Would you try to put together for us the total cost of the housing program to date, the amount of funds allocated for housing in your entire region, the amount of credit, the cost projected to completion, the total cost, and what disposition you will make of the American-owned housing? Will the houses be on American-owned property or on property of the local people?

Mr. HUTCHINSON. I am sure this will vary in accordance with the system in various countries. I know we own land in some places.

Mr. PASSMAN. We do buy land in the name of the U.S. Government in which to build houses?

Mr. HUTCHINSON. I am sure we do in Nigeria, for example.

Mr. PASSMAN. Do you get the same protection there as you do on embassy soil?

Mr. HUTCHINSON. I do not know.

Mr. PASSMAN. Is that true in other countries, that you are buying the land and putting the title in the United States and building houses on it? In how many countries is that the practice?

Mr. HUTCHINSON. I do not know, sir.

Mr. PASSMAN. Is this a new program?

Mr. HUTCHINSON. I am sure the land I am talking of was bought before I came on. I do not mean to disclaim responsibility by saying this, but I am sure this has been going on for some time.

Mr. PASSMAN. I never knew before we were going into these countries and buying land and getting title to the land in the U.S. Government and building houses on it.

Mr. TROXEL. Mr. Chairman, in some cases we have received contributions from the local government. I happened to serve in Ethiopia and I know the Emperor gave some land and houses were built on it in 1955 or 1956.

Mr. PASSMAN. Any recapture clauses?

Mr. TROXEL. No, sir; this was an outright gift.

Mr. PASSMAN. We actually own land in these countries?

Mr. TROXEL. We own land, in this case being used in part by AID, which is contiguous to the Embassy property and it is given the same tax exemption that the Embassy has.

Mr. PASSMAN. How about the protection to nationals? Would it be the same as if you went in an embassy?

Mr. TROXEL. The same in this case as the Embassy because there happens to be a good-sized wall around the whole property.

Mr. ANDREWS. You lived in one of the houses?

Mr. TROXEL. I have lived in one of the houses.

Mr. ANDREWS. Are they nice?

Mr. TROXEL. They are quite nice. They are constructed on a permanent basis. They have really saved us a great deal in rent.

Mr. PASSMAN. If you paid rent, that would be plowed back into the economy of the country?

Mr. TROXEL. That is true.

Mr. HUTCHINSON. I think you will recognize the provision of housing in countries such as these can become a very serious problem because the supply is extremely limited. We have to seize upon various devices to provide it. It is an expensive proposition.

We do use both rental and owned housing. There are many cases where the owned housing will end up with a net savings to the United States over the rental housing.

Off the record.

(Off the record.)

Mr. PASSMAN. In all probability, if you put it on that basis, a lot of personnel you have now would not want to transfer over.

Mr. HUTCHINSON. That is correct, I am sure.

AID HOUSING—WORLDWIDE

Mr. ANDREWS. Mr. Hutchinson, could you put in the record at this point, if the chairman permits it, the number of houses that AID and its predecessors have built overseas?

Mr. HUTCHINSON. I do not know the answer to the question.

Mr. ANDREWS. Could you get it and put it in the record?

Mr. HUTCHINSON. Yes.

Mr. ANDREWS. Be sure and do that.

Mr. PASSMAN. I want to supplement that request, and make it on a worldwide basis.

Mr. ANDREWS. That is what I have in mind.

Mr. PASSMAN. He was thinking about his area.

Mr. HUTCHINSON. I was thinking about my area, but we will get it for the entire world.

Mr. ANDREWS. And the cost?

Mr. HUTCHINSON. Yes.

(The information may be found in the appendix, p. 988.)

Mr. PASSMAN. Off the record.

(Off the record.)

Mr. PASSMAN. Mr. Ford?

SUDAN

ROAD PROJECT

Mr. FORD. I would like a little more information about the road project in Sudan.

What is the status of the report, or the proposal?

Mr. HUTCHINSON. A survey was prepared. It was completed 6 weeks ago approximately. The Sudanese Government has that report. They are studying it. We would be anticipating over the coming months they will make up their mind whether they want to make application for all or a part of it. Whenever that process is finished, we will then address ourselves to it in a very active manner.

Mr. FORD. Who prepared the report?

Mr. HUTCHINSON. This was the firm I mentioned earlier, Daniel, Mann, Johnson & Mendenhall.

Mr. FORD. As I recall, you said it was proposed from Khartoum to Port Sudan.

Mr. HUTCHINSON. Right.

Mr. FORD. That is about 400 miles or thereabouts?

Mr. HUTCHINSON. That is what I was saying earlier. My guess now is it is longer than that. I have a copy of the report on my desk. I just do not remember.

Mr. FORD. Is Port Sudan on the Red Sea?

Mr. HUTCHINSON. Yes, sir.

(Off the record.)

Mr. FORD. Khartoum is where in the Sudan?

Mr. TROXEL. At the confluence of the White and Blue Nile toward the center of the country.

Mr. FORD. How many automobiles are there in Sudan?

Mr. HUTCHINSON. I do not know, sir. They do use truck transportation to a very considerable extent. One of the major considerations is the trucking from the port into Khartoum.

Mr. FORD. Will you supply from the report the number of automobiles, or trucks, wheel vehicles, that would likely use this highway?

Mr. MILLER. If I might comment there, Sudan has one of the lowest miles of improved road in all of Africa. I think it figures at about 2 miles of road per 1,000 square miles. It is a large country that has a considerable potential. The transportation system is extremely weak. We have several projects that are calculated to help in the transportation industry, specifically the highway development. It is an important part of the program.

Mr. FORD. I suppose it becomes a question which comes first, the chicken or the egg. I do not think it makes much sense to build a $67 million highway if the number of wheel vehicles is very low. I think it might be very helpful for the committee to see a copy of the report to justify or not justify this sizable project.

Has the project, based on this report, received the blessing of AID?

Mr. HUTCHINSON. No, sir. It was specifically stated that the report had not received the blessing of AID, and its position is reserved to examine it.

Mr. FORD. It is still just a working paper rather than a proposal?

Mr. HUTCHINSON. It has not been made a proposal by the Sudanese Government. The report itself does lay out the elements of a proposal.

Mr. FORD. How large a city is Khartoum, populationwise?

Mr. HUTCHINSON. About 400,000, at a guess.

Mr. FORD. How large a city is Port Sudan?

Mr. HUTCHINSON. I could not even guess, sir.

Mr. FORD. If the Sudanese decided to submit a proposal based on this engineering report and we accepted it, could it be signed by the end of this fiscal year?

Mr. HUTCHINSON. Yes, sir; it could be. Whether it would be, only time will tell.

I would guess it would be relatively late in the fiscal year. As I say, we do not have the application. We do have the report. When we get the application, we will not just be struck with it completely anew.

Mr. ANDREWS. It looks like they are contemplating a contract will be signed and the project will be started because this $——— here is earmarked for that highway.

Mr. HUTCHINSON. We contemplate it as a very real possibility. I would not want to testify firmly we know it will be signed within this fiscal year.

Mr. FORD. And this $——— is out of $1,250 million in the Development Loan Fund?

Mr. HUTCHINSON. What was the request for appropriation?

Mr. FORD. $1,250 million.

Mr. HUTCHINSON. Right, for 1963.

Mr. FORD. That is all.

TEXTILE INDUSTRY IN SUDAN

Mr. RHODES. Tell me about the textile mill in Sudan. Where is it to be built? What is it supposed to do? Why will it not compete with American industry?

Mr. HUTCHINSON. I will have to speak basically from memory on this. I do not have a formal report in that connection.

First, it has been built just outside of Khartoum, sir.

The total cost of the mill is something in excess of $15 million. The capacity, as indicated in the book, is 55,000 spindles and 1,680 looms and an annual production, maximum, of 75 million yards.

It is a private mill. There may be some small amount of Sudanese capital in it. Most of the private capital, however, is being provided by an American citizen, a naturalized American of Greek extraction who has had considerable experience in textile production in Greece, in mills he apparently lost during the Communist-guerrilla activities following the war.

Mr. FORD. He is the principal stockholder of the corporation?

Mr. HUTCHINSON. Yes.

This mill is being built out of first-class equipment, as a matter of fact. In this case, practically all British equipment. This was done before the "buy America" policy was put into effect. English Electric is the contractor on the job, or was the contractor on the job, and they did provide financing themselves also for about 10 years in connection with the project.

Now, the mill has just about started a small amount of production. There is a management contract with a Greek textile firm to train the Sudanese to manage the plant. This extends over a considerable period of time. My recollection is 8 years. It is a very long management contract. They thought it was a real necessity for training the Sudanese to operate the plant.

Mr. FORD. This mill only uses the long staple cotton?

Mr. HUTCHINSON. It uses short to middling staple cotton, and it caters only to the domestic market.

Mr. FORD. That is what you say, and that is what you say here. How can you be sure?

Mr. HUTCHINSON. The type of textiles being made in the mill are the type that are used only in countries of this sort. Actually, we have an understanding that he will limit himself to the domestic market. How enforceable this is, I do not know.

Mr. FORD. What will be the sanctions in the event he does not?

Mr. HUTCHINSON. I would have to check the loan agreement and see the specific sanctions involved.

Mr. FORD. If you do not have some means——

Mr. HUTCHINSON. There are definite reservations in the loan agreement which permit you to accelerate repayment under certain conditions. I am not sure exactly what the relation is of acceleration procedures to the sanction problem.

Mr. FORD. Will you provide any sanctions that have been provided to insure the products of this mill are to be used within the Sudan?

Mr. HUTCHINSON. Right.

(The information requested follows:)

RELATIONSHIP OF THE ACCELERATION PROVISIONS IN THE LOAN AGREEMENT TO SANCTIONS THAT WOULD INSURE THAT PRODUCTS OF THE TEXTILE MILL ARE TO BE USED WITHIN THE SUDAN

There are no such sanctions.

COMPETITIVE POSITION OF SUDAN MILL

Mr. HUTCHINSON. I would emphasize the point the type of textile being produced is not the type that we produce. It is a low-quality type of material.

Mr. FORD. Neither you nor I are capable of telling how much trouble it would be to change the mill to produce something that could be sent out of the country.

Mr. HUTCHINSON. I am not competent to speak to that.

Mr. TROXEL. The shipping cost of sending textiles out of the Sudan would introduce another element in your cost. Throughout that part of the world, Japanese and Indian textiles are largely those being sold.

Mr. FORD. If we build this road from Khartoum to Port Sudan and get them to the Red Sea, perhaps the cost would go down rather precipitously.

Mr. TROXEL. Yes. That is a good point.

Mr. ANDREWS. Will the gentleman yield?

Did any other country put up money, or make any loans, for the construction of this mill?

Mr. HUTCHINSON. The English Electric put up about $5 million, if my memory serves me correctly.

Mr. ANDREWS. We loaned $10 million?

Mr. HUTCHINSON. Yes, sir. There was some considerable amount of money put up by English Electric in financing the machinery. They got an export guarantee out of the British Government on this and, from memory, I am reasonably sure this financing runs about 12 years.

The amount they put in on that basis was considerably less than the $10 million we put in, however.

Mr. RHODES. Do you have a 202(b) type of agreement in process with the Sudan?

Mr. HUTCHINSON. No, sir; we do not.

Mr. RHODES. That is all, Mr. Chairman.

TANGANYIKA

Mr. PASSMAN. When did Tanganyika gain independence?

Mr. TROXEL. December 9, 1961.

Mr. PASSMAN. Did you have a program in this country prior to 1961?

Mr. MOSSLER. We had $100,000 in fiscal year 1960.

In 1961, we had a program of $2.5 million.

Mr. PASSMAN. How about fiscal 1962?

Mr. HUTCHINSON. Our program approval is $2,260,000. That is an increase of $260,000 over the earlier estimate.

Mr. PASSMAN. You have a program planned for $ ——— for fiscal year 1963?

Mr. HUTCHINSON. Yes, sir. This is a country where we would be making some development loans. We have in fact made a section 202(b) commitment of $10 million in support of their development plan.

UNLIQUIDATED BALANCES FOR TANGANYIKA

Mr. PASSMAN. What amount do you have unliquidated to the credit of Tanganyika as of June 30, 1962?

Mr. MOSSLER. Our estimate, including both the loans and grants, $3,113,000.

Mr. PASSMAN. Give us grants only?

Mr. MOSSLER. $1,413,000.

Mr. PASSMAN. You have for this country the equivalent of 75 percent of the 1962 allocation available for subsequent years' expenditures?

Mr. HUTCHINSON. That is about right.

Mr. PASSMAN. I want to say that I have not gone into these development credits, because originally you had a spread there to which, if you would apply miles, it would be a long walk from the bottom figure to the top figure. Knowing that, unless these nations declare war, they are all eligible for these development credits, I have stayed out of them, because time will not permit us to go into all of them.

Mr. HUTCHINSON. May I make a comment?

We use the lower figure of our range in the estimates of the amounts that will actually be required.

Mr. PASSMAN. Would you substitute the amount desired for the amount required?

Mr. HUTCHINSON. I think we would say the amount we consider to be required.

Mr. PASSMAN. I would say, if I were arguing the case, the amount you desire.

COMMUNITY DEVELOPMENT

What are the other costs of $90,000 under the community development project?

Mr. HUTCHINSON. These are costs, sir, that will be incurred in connection with getting people on the project in this self-help sort of program. We will have to be paying some of the costs of the people associated with the project.

As you know, we are trying to bring some people in from the villages and teach them special skills, have them work on particular projects.

While the labor will be contributed fundamentally, there will be some local costs associated with getting those people on the project.

CONTRACT TECHNICIAN COSTS

Mr. PASSMAN. What services will be provided for the $420,000 requested for contract services under the development of secondary industries project?

Mr. HUTCHINSON. The $420,000, sir, is for a contract which will cover five contract technicians.

Mr. PASSMAN. $105,000 each?

Mr. HUTCHINSON. This involves 2-year contracts. I also find the contract does provide—I better not say this——

Mr. PASSMAN. Let me help you out, if I may.

According to your testimony so far, and according to the request, and according to the justifications on page 580, the project will be implemented through a contract with a U.S. firm to provide approximately five persons for the Ministry. That leaves $420,000 for the five personnel. Do you employ them for the rest of their lives, or is there a limitation on their services?

Mr. HUTCHINSON. There is a limitation.

Mr. PASSMAN. How long will this cover them?

Mr. HUTCHINSON. For a 2-year period.

Mr. PASSMAN. That means $42,000 per technician per year; is that correct?

Mr. HUTCHINSON. That is what it would average.

I agree this estimate for contract services for five contract technicians is a bit high.

Mr. PASSMAN. This is just one of many places where this thing is going up.

There is a project here, on page 580, Development of Secondary Industries. Contract services to provide approximately five persons at a cost of $420,000 for 2 years, which would be $42,000 each, per year.

However, yesterday we established that one other country had personnel that costs $54,000 a year.

Mr. HUTCHINSON. With respect to the project you mentioned yesterday, we indicated the figures in connection with the detail on that project were just plain incorrect.

Mr. RHODES. I have nothing on Tanganyika.

Togo

Mr. PASSMAN. When did Togo gain independence?
Mr. HUTCHINSON. April 27, 1960.

PIPELINE OF AID PROGRAM TO TOGO

Mr. PASSMAN. Did you have any program there—prior to their independence?
Mr. HUTCHINSON. Yes, sir; there seems to have been $100,000 provided in fiscal year 1959.
Mr. PASSMAN. You increased that to about $1 million in fiscal year 1962. Is that figure holding firm?
Mr. HUTCHINSON. $929,000 in development grants. Around $1 million is a good figure; $929,000 is the actual figure.
Mr. PASSMAN. Do you have any program for 1963?
Mr. HUTCHINSON. $———.
Mr. PASSMAN. That is up $———?
Mr. HUTCHINSON. Yes.
Mr. PASSMAN. Could you tell us your estimate of the unliquidated funds to the credit of this country in fiscal year 1962?
Mr. MOSSLER. We estimated the unliquidated balance at the end of 1962 to total $944,000.
Mr. PASSMAN. That should be enough to run you for 2 or 3 years, at the rate of expenditures you are making now.
Mr. MOSSLER. No, sir. This is about 1 year's pipeline.
Mr. PASSMAN. You actually spent less than you obligated, did you not? You programed $929,000, but you have, out of the $929,000 and the previous $100,000, $944,000; is that correct?
Mr. MOSSLER. Our pipeline is estimated to be $944,000.
Mr. PASSMAN. So, in reality, have you spent only $85,000 in the country since you started the program?
Mr. MOSSLER. No, sir. You have skipped a couple of years there.
Mr. PASSMAN. I am using your figures.

TOTAL FUNDS AVAILABLE TO TOGO

Mr. MOSSLER. We have cumulative obligations through the close of 1961 of $1.147 million, and then in 1962, $929,000.
Mr. HUTCHINSON. So that gives you a total availability of something in excess of $2.076.
Mr. PASSMAN. Over how many years now?
Mr. MOSSLER. The first year was $100,000——
Mr. PASSMAN. How many years for the program; 4 years?
Mr. MOSSLER. It started in 1959 with $100,000.
Mr. PASSMAN. 1959, 1960, 1961, and 1962, 4 years. Then your expenditures have been slightly over $1 million?
Mr. HUTCHINSON. Over the first 4 years.
Mr. PASSMAN. And you have unliquidated, to the credit of the country, $944,000?
Mr. HUTCHINSON. That is correct, sir, but the program only reached this $1 million level quite late in this period. You cannot average it over the 4 years.

Mr. PASSMAN. I was not trying to average it. I was just indicating that covering a period of 4 years, your actual expenditures have been slightly over $1 million in the country, and you have slightly under $1 million in the pipeline to the credit of Togo for subsequent years.

Mr. HUTCHINSON. That is correct.

Mr. PASSMAN. And you are requesting an additional $——— for fiscal year 1963.

Mr. HUTCHINSON. The program was $100,000 in 1959, $400,000 in 1960, and $1.1 million in 1961, so we really have less than 1 year's pipeline on hand.

Mr. PASSMAN. How much in 1962?

Mr. HUTCHINSON. $929,000.

Mr. PASSMAN. Am I not correct in saying that since the inception of the program you had varying amounts programed for the 4 years, reaching in excess of $1 million? It follows, nevertheless, that your expenditures have been slightly over $1 million, and the unliquidated funds to the credit of the country are slightly under $1 million.

Mr. HUTCHINSON. That is correct, sir, but it also follows from this, when you look at the year-by-year break, that the pipeline is something less than $1 million at the rate which we have actually been obligating funds.

Mr. PASSMAN. Since you insist on discussing the point further, if you should average it out, it would be far less, would it not?

Mr. HUTCHINSON. It certainly would. It is certainly inappropriate to average it when you have $100,000——

Mr. PASSMAN. It would be just as inappropriate for you to take your last year and let that be a yardstick by which you are going to request funds for subsequent years.

Mr. HUTCHINSON. No, it would not, sir, because the last year is the larger, and that is the reason you have to use the last year.

EXPENDITURES FROM 1962 FUNDS

Mr. PASSMAN. How much did you obligate out of last year's funds, specifically, if we must pursue it?

Mr. HUTCHINSON. $929,000 was programed. We do not have the obligation figure.

Mr. PASSMAN. Can you tell us the amount of expenditures you made out of your 1962 program?

Mr. HUTCHINSON. We do not have their expenditures yet through June.

Mr. PASSMAN. Out of your 1962 program what amount did you spend as of the last available accounting date?

Mr. TENNANT. I have an expenditure figure for 1962 through April, $388,000.

Mr. PASSMAN. I rest my case on that.

Mr. HUTCHINSON. You are making my point for me again.

Mr. PASSMAN. I am always glad to help you make your point.

Mr. HUTCHINSON. The reason for the unliquidated amount is the fact in 1961, and in 1962, the figure went up to over $1 million, so the expenditures were made basically in 1962 against 1961 funds. That is my point.

Mr. PASSMAN. Is that figure correct?

That expenditures covers all expenditures, does it not, Mr. Tennant?

Mr. TENNANT. All expenditures made in 1962.

Mr. PASSMAN. It could be that you made no expenditures in 1962 out of 1962 funds as such?

Mr. TENNANT. I would assume it is possible, but I assume some of these expenditures would apply against 1962.

Mr. PASSMAN. If you actually have on hand, unliquidated, more funds to the credit of Togo than you programed for 1962, how could you spend any of the 1962 funds?

Mr. HUTCHINSON. You could not have.

Mr. PASSMAN. Thank you. Let the record speak for itself.

Are these people "restive"?

Mr. HUTCHINSON. Not in the sense that Mr. Miller testified in connection with the Congo, sir.

Mr. PASSMAN. Mr. Andrews?

Mr. ANDREWS. I notice Togo has an area of about 22,000 square square miles.

Mr. HUTCHINSON. Yes, sir. It is a very small country.

Mr. ANDREWS. Would you compare that to some State?

Mr. TROXEL. I could not. I am afraid I got caught yesterday trying to make a comparison with a State.

Mr. HUTCHINSON. It is an extremely small country. It is a sliver that sticks up into the western part of Africa there.

RELATIONS BETWEEN TOGO AND GHANA

Mr. ANDREWS. I notice Togo's basic foreign policy concerns its quarrel with Ghana, its next-door neighbor.

Mr. HUTCHINSON. It has had difficulties with Ghana.

Mr. ANDREWS. Is it a serious quarrel?

Mr. HUTCHINSON. It has loomed serious in the eyes of the Togolese. I have some feeling that it has not been quite as imminent a threat to them as they have probably thought. This is a personal opinion.

I also have a definite impression that there is the beginning of some cooling off in the seriousness with which the Togolese view the problem. I would like some more expert opinion on this subject from Mr. Troxel.

Mr. TROXEL. I am not sure that I have much to add. The number of refugees from Ghana in Togo is certainly important to the Togolese. There are tribes that are the same on both sides of the border, and it has made for a good deal of friction.

Mr. ANDREWS. There is not much difference between the people of Togo and Ghana?

Mr. HUTCHINSON. There is a historic difference going back some time when Togo was under French rule, whereas Ghana was under British. If you go further back, their tribal connections are not much different.

Mr. ANDREWS. Does either country guard the border, or do they cross at will?

Mr. TROXEL. There are border patrols. There have been some arrangements, as I understand it, for the local tribes' right on the border to pass back and forth without a great deal of redtape. The Togolese do not have a large military establishment trying to guard the border.

Mr. ANDREWS. The neighbor on the other side is Dahomey. Is there any difference between the people of Togo and Dahomey?

Mr. HUTCHINSON. Some of the tribes are very similar. There has not been any major friction between Togo and Dahomey.

Mr. ANDREWS. They have a population of 1.5 million?

Mr. HUTCHINSON. Yes, sir.

AID TO TOGO FROM OTHER SOURCES

Mr. ANDREWS. I notice the United Nations has a program of some 55 technicians in Togo; is that correct?

Mr. HUTCHINSON. I believe that is correct, sir.

Mr. ANDREWS. And that the European Executive Council is expected to contribute in 1963 the same amount that they did in 1962, which was $9 million.

Mr. TROXEL. Sir, that is a misprint in the book. It is the European Economic Community. Someone tried to explain what the EEC was, and gave the wrong explanation.

Mr. ANDREWS. In other words, they have contributed to the support of the Government $9 million in 1962 and plan to contribute $9 million in 1963; is that correct?

Mr. TROXEL. That is our best estimate, sir.

Mr. ANDREWS. Further, Germany will aid the country, or did aid the country in 1962 to the tune of $12.3 million. Is this another one of these countries that could not exist without assistance financially from outside?

Mr. HUTCHINSON. I think that is correct, sir.

Mr. ANDREWS. That is all. They, too, are a member of the United Nations and have a vote in the General Assembly?

Mr. HUTCHINSON. That is right, sir.

Mr. TROXEL. I would just add, they have been very helpful in the U.N. The positions they have taken are moderate and certainly part of the general free world posture.

Mr. ANDREWS. That is all.

Mr. RHODES. No questions.

Mr. PASSMAN. Mr. Rooney?

Mr. ROONEY. I have no questions at this point.

TUNISIA

Mr. PASSMAN. The next item will be Tunisia. When did Tunisia gain independence?

Mr. TROXEL. March 20, 1956, Mr. Chairman.

Mr. PASSMAN. Will you give us the amount of the aid program from its inception through fiscal 1961?

Mr. MOSSLER. $137,400,000, sir.

Mr. PASSMAN. You had a program of $13.5 million in fiscal year 1962. Did that hold firm?

Mr. HUTCHINSON. That changed. It went up to $16.3 million in total.

Mr. PASSMAN. Your original program called for $13.5 million. The latest estimate is that you will program $16.3 million?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. Is any of that money out of the contingency fund?

Mr. HUTCHINSON. No, sir.

Mr. PASSMAN. You are requesting an additional $——— for grant aid for this country in fiscal year 1963?

Mr. HUTCHINSON. Yes. We are trying to get this country off of the large amount of supporting assistance which it has been receiving in the past years, and to get it into a developmental type program.

Mr. PASSMAN. What do you mean, developmental type program?

Mr. HUTCHINSON. One where we concentrate on more specific things which in themselves make a direct contribution to their development, rather than concentrating so heavily on a commodity import program which has been justified primarily on political grounds.

Mr. PASSMAN. Did you not testify that we had put over $100 million into Tunisia?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. We did not have the same objectives that you just enumerated in mind when we started spending the $100 million?

Mr. HUTCHINSON. The objectives were much more specific and directly political in the past. The Tunisians have now developed a development plan, spreading over a number of years. People have reviewed it and concluded it is a good plan. We are very hopeful we can now get the assistance steered in a more directly developmental direction than it has been in the past.

Mr. PASSMAN. You have testified to the $100 million program prior to 1962. Under your original allocation, you allocated $13.5 million. Then at a later date you increased that program to $16.3 million. Now, did you by chance dip over into the President's contingency fund for $10 million for Tunisia?

Mr. HUTCHINSON. For Tunisia; no, sir.

Mr. PASSMAN. Do you so list it on the sheet here?

Mr. HUTCHINSON. No, sir.

Mr. MOSSLER. That is under supporting assistance, not the contingency fund.

Mr. PASSMAN. What are the unliquiated funds to the credit of Tunisia for the fiscal year 1962?

Mr. MOSSLER. The total of grant assistance, both development grants and supporting assistance, is $9.7 million.

Mr. PASSMAN. That is the total?

Mr. MOSSLER. Yes.

Mr. PASSMAN. Of grant aid to their credit to be expended in subsequent years?

Mr. MOSSLER. Yes, sir.

EDUCATION PROGRAM

Mr. PASSMAN. For the education sector, the estimate is $3,776,000 for fiscal year 1963?

Mr. HUTCHINSON. That is correct; yes, sir.

Mr. PASSMAN. Could you project that to completion, and tell us the total cost in this sector?

Mr. HUTCHINSON. Sir, we do not make any attempt to project sectors forward on a——

Mr. PASSMAN. Let us take the individual programs. We shall go to page 593. Last year you obligated $307,000 for education?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. That is on project 664?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. But you had unliquidated to the credit of the project $600,000 at the end of fiscal year 1962?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. You have a planned program of $3,589,000 for fiscal year 1963?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Which is about 12 to 14 times the amount that you obligated for the same project in fiscal year 1962?

Mr. HUTCHINSON. About 12 times; yes, sir.

This is for a specific purpose.

Mr. PASSMAN. I would think so.

Mr. HUTCHINSON. Three million dollars of this is for school construction, sir.

SCHOOL CONSTRUCTION

Mr. PASSMAN. Could you give us the cost to completion?

Mr. HUTCHINSON. Since this is a project that has a large element of construction in it, we are anticipating a completion date in 1968, and we are estimating $——— as the cost to completion.

Mr. PASSMAN. You add all the previous years and you take fiscal 1963 and then you go beyond that with an additional $———?

Mr. HUTCHINSON. That is correct.

TUNISIAN FILM PRODUCTION PROJECT

Mr. PASSMAN. On page 595, you have another project, strengthening Tunisia's film-producing facilities. You obligated $7,000, and you had unliquidated the same $7,000 in fiscal year 1962?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. There have been no expenditures on this project?

Mr. HUTCHINSON. None were estimated; no, sir.

Mr. PASSMAN. But you have an estimate for fiscal year 1963 of an additional $128,000.

Mr. HUTCHINSON. That is correct.

Mr. PASSMAN. Which would be about a 2,200-percent increase, if we are using that basis.

Mr. HUTCHINSON. If you use the very small base of $7,000; yes, sir.

Mr. PASSMAN. I use that simply because that is all you estimate you would obligate, and since it is all on hand, I think——

Mr. RHODES. What is so vital about film production? Why do we do that?

Mr. HUTCHINSON. Sir, this is to assist the Tunisian Government in trying to get a service which can assist in mobilizing support for its whole governmental plan. We feel this is pretty important, since they are just coming into the period of a real development plan which is going to require considerable sacrifice and investment, considerable tightening of belts and that sort of thing. It seems to us at the beginning of the plan it would be important to assist them in this field.

Mr. RHODES. Could this not have been done by using the facilities in some other country? In other words, it seems to me this is the only country in your area where we are setting up this kind of installation? Why is it so important to do it in Tunisia?

Mr. HUTCHINSON. I think we are doing it in one other country, in Nigeria, where you will remember the program for TV and radio education.

Mr. RHODES. That is somewhat different from film production. It looks to me like you are trying to subsidize a movie industry here.

Mr. HUTCHINSON. No, sir. This is not a movie industry.

Mr. RHODES. Are you going to build a Hollywood over there?

Mr. HUTCHINSON. No. This will be working with the Information Service in Tunisia. We do not anticipate it costing a tremendous amount of money, sir. We expect to complete the project in ———. Our estimate to completion is $———.

Mr. RHODES. Who will keep it up afterward?

Mr. HUTCHINSON. We would expect they would be able to keep it up afterward.

Mr. PASSMAN. That would be the $——— plus the 1963 estimate, plus the 1962 estimate?

Mr. HUTCHINSON. Yes, sir; that is correct, sir.

GOVERNMENT MANAGEMENT PROJECT

Mr. PASSMAN. On page 596, for Government management your obligation estimate for fiscal year 1962 is $419,000. Your unliquidated credit to the project to the end of 1962 is $450,000. Is that correct?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Notwithstanding the large unliquidated balance to the account, you are estimating requirements of $556,000 for 1963?

Mr. HUTCHINSON. Yes, sir.

FOOD AND AGRICULTURE PROJECT

Mr. PASSMAN. For food and agriculture you obligated $212,000 in fiscal year 1962?

Mr. HUTCHINSON. That was our estimate.

Mr. PASSMAN. Unliquidated, $150,000?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. You are asking for $528,000 for the same project for fiscal year 1963?

Mr. HUTCHINSON. Yes, sir. A large element in this is shop and farm equipment to equip the college; $310,000 of that is for that particular purpose.

Mr. PASSMAN. Another large element would be participants, $175,000?

Mr. HUTCHINSON. That is correct, sir.

Mr. PASSMAN. Food and agriculture, page 598, soil conservation and land use. Obligations, $130,000?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Unliquidated, to the credit of the project at the end of 1962, $140,000?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. You are asking for $232,000 for fiscal year 1963?

Mr. HUTCHINSON. That is right.

WATER RESOURCES DEVELOPMENT

Mr. PASSMAN. Food and agriculture, page 599, water resources development. You have a project where you obligated $649,000 in fiscal year 1962, but you have an unliquidated credit to the project at the end of fiscal year 1962 of $1.5 million?

Mr. HUTCHINSON. That is right, sir.

The reason this jumps up so is because this is a project that has the procurement of well-drilling equipment and that sort of thing in it. You will also notice the pipeline was chiefly the well-drilling equipment for the Ministry of Agriculture.

Mr. PASSMAN. Nevertheless, you have unliquidated an amount of about two and a half times the fiscal 1962 obligation.

Mr. HUTCHINSON. That is correct, sir, but as the book indicates, we expect those deliveries will be completed in the very near future, and this amount will fall sharply.

Mr. PASSMAN. Notwithstanding the large unliquidated balance, you are asking for $877,000 for fiscal year 1963?

Mr. HUTCHINSON. Yes. That is for the advisers and technicians and so on required in connection with the well drilling itself, the equipment for which has been ordered.

Mr. PASSMAN. The completion of this project will generate applications for development credits, the construction of dams and urban water and sewage systems, and so on, will it not?

Mr. HUTCHINSON. There could be some that would develop from this, sir, although I would not anticipate from this project they would develop in very great volume. There could be some for the individual city sewage systems.

Mr. PASSMAN. I was reading from your book. Another one of its inaccuracies?

Mr. HUTCHINSON. No, sir. I testified——

Mr. PASSMAN. You went over it very lightly, as though it would not be a development, where experience has been that where you indicate it would generate applications for loans, we find it naturally follows that it does.

Mr. HUTCHINSON. I said we would expect some, but not necessarily in large volume from this project.

Mr. PASSMAN. I did not mention the volume.

Page 600. You obligated $198,000 to the food and agricultural project. You had unliquidated $135,000 at June 30, 1962?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. But you are requesting an additional $254,000 for fiscal year 1963?

Mr. HUTCHINSON. Yes.

CONSTRUCTION OF RURAL HOMES

Mr. PASSMAN. I believe you would include the construction of 308 rural homes?

Mr. HUTCHINSON. Sir, this is what has already been completed; 7,810 hectares of land development work has been completed, and 308 rural homes have been constructed.

Mr. PASSMAN. Out of what funds?

Mr. HUTCHINSON. Out of funds previously made available for the project, and out of Tunisian funds, sir.

Mr. PASSMAN. How much did we contribute to the building of the 308 rural homes?

Mr. HUTCHINSON. I am sure that our contribution to this home-building was very, very small, sir, but I would get the exact figure for you. We are basically not financing housing as such, sir.

MANUFACTURING PROJECTS

Mr. PASSMAN. Page 602, manufacturing, obligations, $377,000, fiscal year 1962. Unliquidated to the credit of the project, June 30, 1962, $260,000; is that correct?

Mr. HUTCHINSON. That is the estimate, sir.

Mr. PASSMAN. And you are requesting an additional $385,000 for fiscal year 1963?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. This is like most of the other projects. They open up avenues into the development credit accounts?

Mr. HUTCHINSON. Yes, sir; they might very well.

In this connection, as I indicated earlier, the Tunisians are now embarking upon a development plan which will spread over a period of 3 or 4 years, and we do anticipate there will be a significant volume of lending made in this country.

Mr. PASSMAN. When you talk about lending, we are referring to the same account, development credits?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. That is where you make a 40-year loan, no interest, 10-year grace period?

Mr. HUTCHINSON. At three-quarters of 1 percent financing charge.

Mr. PASSMAN. That is the service charge for handling the account?

Mr. HUTCHINSON. We call it a financing charge.

Mr. PASSMAN. I have heard it called a lot of things.

TOURISM PROJECT

Under manufacturing, "tourism," the tourism project is 664–5–24–AA. Have I identified the project correctly, tourism under a sector of manufacturing?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. I will bet that is going to be a pretty plant.

Mr. HUTCHINSON. A pretty what, sir?

Mr. PASSMAN. Plant.

Mr. HUTCHINSON. There is no plant.

Mr. PASSMAN. This says "manufacturing."

Mr. HUTCHINSON. Well——

Mr. PASSMAN. I did not know. I would not think it would make sense, but a lot of this other stuff does not, either.

Mr. HUTCHINSON. This is a sector break, sir, and tourism seemed to fall better under that.

Mr. PASSMAN. Under manufacturing?

Mr. HUTCHINSON. Than under public safety, or forestry, or any of the others. I agree it is not a very descriptive functional classification.

We feel the tourist trade is a very real potential in the Tunisian economy, as a matter of fact. It would seem to us that some training in connection with the stimulation of hotel operation might very well turn out to be a very worthwhile foreign exchange earner for the country.

Mr. PASSMAN. I do not think we have run into this in any of the other African countries?

Mr. HUTCHINSON. No, sir.

Mr. PASSMAN. Could it be you had some money to dispose of and you set up a tourism project under "Manufacturing"?

Mr. HUTCHINSON. No, sir. Tunisia is different from quite a number of the other African countries in terms of its climate, in terms of its history, and in terms of the attractions there for tourists.

Mr. PASSMAN. On this tourism project, under "Manufacturing," you obligated $13,000 in fiscal 1962?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. And you had unliquidated $5,000 at the end of fiscal year 1962?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. You estimate obligations of $167,000 in fiscal 1963?

Mr. HUTCHINSON. Yes, sir.

CONTRACT SERVICES

Mr. PASSMAN. Under "Contract services" you have $160,000?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Who has the contract?

Mr. HUTCHINSON. This is a 1963 contract we are talking about here, sir, so I am sure it has not been let.

Mr. PASSMAN. How many individuals will be involved?

Mr. HUTCHINSON. We are indicating the possibility of four technicians and they will also be bringing some people to the States to train.

Mr. PASSMAN. How many?

Mr. HUTCHINSON. We anticipate there will be 20 brought to the States for training.

Mr. PASSMAN. When will this plant be completed? Can you project the completion date and the cost?

Mr. HUTCHINSON. This is not a plant, sir.

Mr. PASSMAN. I am trying to identify it with your caption of "Manufacturing." When will this project end and at what cost?

Mr. HUTCHINSON. I do not know when it will end, sir.

Mr. PASSMAN. Can you project any figure into the future?

Mr. HUTCHINSON. We would expect not to spend more than another $———.

Mr. PASSMAN. That is not too definite.

Mr. HUTCHINSON. When you project completion costs you cannot be too definite, sir.

Mr. PASSMAN. This is an increase of some 1,200 percent over your 1962 program?

Mr. HUTCHINSON. It goes up from $13,000 to $167,000, sir.

TECHNICAL SUPPORT

Mr. PASSMAN. On page 604, under "Technical support," you estimate obligations of $381,000 for fiscal year 1962, and unliquidated as of June 30, 1962, $105,000. You are asking for an additional $441,000 for fiscal 1963.

Mr. HUTCHINSON. Yes, sir. As I testified earlier, we are expecting some extensive support of the Tunisian development plan. As a result, we will be increasing the staff in Tunisia and the estimated obligations for 1963 represent this fact.

COST PER TECHNICIAN

Mr. PASSMAN. Let us see if this is in keeping with the record. In 1961 you requested $400,000 for 32 U.S. technicians and short-term contract technicians.

Mr. HUTCHINSON. This I do not know, sir. I do not have the 1961 record.

Mr. PASSMAN. In 1962 you requested $450,000 for approximately the same staff and support.

Mr. HUTCHINSON. Again, sir, our estimate was $381,000 in the book here. The 1962 request I do not have before me.

Mr. PASSMAN. I am looking at last year's book, page 261.

Mr. MOSSLER. $450,000.

Mr. PASSMAN. I stated it correctly, did I not?

Mr. MOSSLER. Yes, sir.

Mr. PASSMAN. For fiscal 1963 you are requesting $441,000 for 28 technicians.

Mr. HUTCHINSON. The book says we are requesting $395,000 for 28 U.S. technicians and 2 local program technicians. About $6,000 is for contract services of two agricultural consultants and two public administration consultants, short-term. And the $25,000 request for commodities will finance office equipment, office supplies, and so on.

So we are not asking for the full $441,000 for technicians.

Mr. PASSMAN. Mr. Rhodes?

COMMUNIST BLOC AID TO TUNISIA

Mr. RHODES. How much bloc aid is there to Tunisia?

Mr. MOSSLER. The estimate for 1962 is $38 million.

Mr. RHODES. Of what type of aid does this consist?

Mr. MOSSLER. I do not have a breakdown of what this does consist. Perhaps Mr. Troxel knows.

Mr. TROXEL. I can reply only by memory that there was a general credit—the drawing down will have to be off the record.

(Discussion off the record.)

Mr. RHODES. The $38 million is for long-term credits?

Mr. TROXEL. I do not know how long, sir. Do you have the number of years?

Mr. MOSSLER. I do not have the number of years either.

Mr. RHODES. You do not know, then, for what the bloc aid will be expended, or what products or services will be purchased?

Mr. TROXEL. My recollection is that it was subject to reaching an agreement on individual projects, but I would prefer to supply you with a statement, Mr. Rhodes.

Mr. RHODES. I wish you would be as complete as you can.

(The following was submitted for the record:)

COMMUNIST BLOC AID TO TUNISIA

The bloc countries have extended over $46 million in aid to Tunisia, in the form of loans tied-in with technical assistance and/or sale of capital goods. Bloc aid is composed of a $28,360,000 technical agreement with the U.S.S.R., a $10 million loan agreement with Czechoslovakia for the sale of capital goods, an $8 million line of credit from Poland, and a technical assistance agreement (for an undisclosed amount) with Bulgaria. There are no bloc military programs in Tunisia.

On August 30, 1961, Tunisia signed an agreement with the U.S.S.R. for a loan of $28,360,000 in technical aid to be used in the erection of six irrigation dams. The Soviet loan has an annual interest rate of 3 percent, with repayment in 12 years to be made either in Tunisian products designated by the Russians or in convertible currencies. On January 27, 1962, contracts were signed with the U.S.S.R. for construction of a dam on Oued Kassels.

On May 11, 1961, an unspecified amount of aid was obtained from Czechoslovakia in a technical and scientific agreement for Tunisian students and trainees to receive instruction in Czech colleges and industrial entities. Additionally, on October 30, 1961, a long-term loan agreement was concluded for $10 million worth of Czech industrial equipment to be sold at a yearly interest rate of 2.5 percent against later repayment in Tunisian products, mainly agricultural goods. On April 25, 1962, agreement was reached on the type of capital goods to be supplied; i.e., industrial installations, such as cement factories, refrigerating plants, and sugar refineries.

In late 1960, Poland extended an $8 million line of credit to Tunisia with repayment of the loan reportedly to be made by Tunisia over a 9-year period in Tunisian products. On February 7, 1962, agreement was reached on specified projects to be carried out:

Sugarbeet plant	$3,600,000
Fishing boat shipyard	1,200,000
Concrete block factory	1,200,000
Phosphate enrichment plant	1,000,000

Other projects to be considered for construction under the credit are a spinning and weaving factory, a slaughterhouse, a mechanical tool and implement factory, and an insecticide plant.

A 3-year agreement was signed with Bulgaria on November 30, 1961, which provided for scientific and technical cooperation, and 20 Bulgarian technicians have already been sent to Tunisia (primarily architects for low-cost housing development and city planning engineers; also some agronomists).

LONG-TERM SECTION 220(b) COMMITMENT TO TUNISIA

Mr. RHODES. Mr. Hutchinson, I note on page 191 of the brown book, in the right-hand column, there are these words:

To be completed early in 1962 is a detailed 3-year plan of implementation, which probably will call for $100 million of external resources annually.

How much of this do we propose to furnish and how will it be furnished?

Mr. HUTCHINSON. Sir, there is now under consideration a long-term section 202(b) commitment to Tunisia. We actually expect that the program will stretch over more than 3 years. The amount that we are considering now as a commitment is $180 million in support of the plan, sir.

Mr. RHODES. $180 million out of about $300 million?

Mr. HUTCHINSON. Yes, that is about right, sir.

Mr. RHODES. Do you know where the rest of the $300 million will come from?

Mr. HUTCHINSON. Not explicitly, sir, but, as in the case of Nigeria, there is also an IBRD consultative group at work in Tunisia and we hope out of that the remainder of the assistance can be provided. We do not anticipate the entire $180 million will be derived from appropriated funds. We expect to provide a good part of this from Public Law 480.

Mr. RHODES. I note also that the plan may be reduced in size if serious inflationary pressures develop.

Mr. HUTCHINSON. We have a formal undertaking from them in this case that if their foreign exchange reserves begin to run down and internal pressures begin to go up, that they will cut down the size of the program.

Mr. RHODES. And that could come only from the expenditure of local currency?

Mr. HUTCHINSON. That is correct.

Mr. RHODES. And not from dollars?

Mr. HUTCHINSON. Of course if a plant is built there, local labor and so on is involved.

Mr. RHODES. So you do intend to complete a section 202(b) agreement with Tunisia at some time?

Mr. HUTCHINSON. Yes, sir.

Mr. RHODES. That is all.

Mr. ROONEY. I have been requested by the chairman to announce that this hearing stands recessed at 11:40 a.m. until 8 o'clock this evening. I assure you I shall not be here because by that time I shall have put in an 11-hour day, at 7 p.m. when I leave for dinner.

Mr. HUTCHINSON. Very well, sir. It will be a long day for us but we will be here.

EVENING SESSION

Mr. PASSMAN. The committee will come to order.

AID TO NATIONS PARTICIPATING IN BELGRADE CONFERENCE

Many people remember the Belgrade Conference of September 1961 which 24 nations attended.

Under the Appropriations Act of 1961 we did insert language in section 112 expressing the sense of Congress that in the administration of these funds, great attention and consideration should be given to those nations which share the view of the United States on the world crises.

I think the President had made a similar statement.

We find now, totaling up the nations which attended that conference, that there is a very substantial increase in the request for funds for fiscal 1963.

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How do we go about getting some explanation as to how that came about, when it is altogether different than what we thought it would be? Certainly a lot of them appear to be less friendly now than when we had that conference.

Mr. TROXEL. I think we would say that a number of the countries that participated in the Belgrade Conference are not unfriendly countries at all.

Mr. PASSMAN. I did not say all are unfriendly. I merely stated that a lot of them are less friendly than at the time of the Belgrade Conference. If we wanted to pick out one, I think we could pick out India. We shall not get into who is friendly or not friendly, but certainly some of them have made a lot of harsh statements since that time.

We know that at least several of them, such as Afghanistan, are turning to Russia. Every piece of military equipment now in that nation is Russian, and they are buying from them.

My comment had to do with why, on account of the actions of some of them and the President's statement, as well as the intent of Congress, the request for funds is higher than last year.

Mr. MILLER. Mr. Chairman, in connection with the President's statement, I think you may recall that the President went on to state that, concerning those who share our view of the world's crises, at least in his opinion—and these are his words—these countries should be independent no matter what occurs and that their views and their desires and their hopes and their goals should be their own independence.

It was not our desire to undercut that, and these nations should be independent—that was the most important thing in our view.

SOVIET INFUENCE IN AFGHANISTAN

Mr. PASSMAN. Here is a paragraph from an item in the U.S. News & World Report:

> Soviet influence is reported to be rising sharply in remote but strategic Afghanistan. The nation's armed forces now are equipped exclusively with Soviet arms and Soviet military advisers are reported to have tripled in recent months.

When we look at the amount of money you have there, there is a substantial increase for fiscal year 1963 over 1962.

Mr. TROXEL. If I could mention——

Mr. PASSMAN. Please do.

Mr. TROXEL. As far as Africa is concerned, we feel that we are in——

Mr. PASSMAN. Afghanistan?

Mr. TROXEL. No. I will have to defer to you on Afghanistan and speak only to Africa.

We feel that we are better off now than we were a couple of years ago as far as our relationships with Africa are concerned.

MILITARY ASSISTANCE FOR NIGERIA

Mr. PASSMAN. We discussed that briefly this afternoon. There is one country there, Nigeria, with about 38 million people. Do you have any military program at all?

Mr. TROXEL. Nothing of significance.

Mr. PASSMAN. But, then, when you move two nations away, you get into a little country with only 3 million people, and you have a military program there approaching $36 million this year. It is hard for me to unscramble this.

Mr. TROXEL. Which country was it that had the $36 million?

Mr. PASSMAN. We shall give it to you.

The inconsistencies on this thing, Mr. Troxel, just about run some of us crazy.

Nigeria has a population of 35.8 million, and in that country I believe we have total military aid of $———.

No doubt that is for training; but, then, if you move down here to a little country you have $——— for military.

This year alone you have $——— for military aid.

Mr. TROXEL. Is this for Senegal?

Mr. PASSMAN. Yes.

Mr. TROXEL. Thank you.

Mr. PASSMAN. Help us to understand it.

Mr. TROXEL. We will be glad to give you something for the record.

(The information supplied follows:)

U.S. MILITARY ASSISTANCE TO NIGERIA AND SENEGAL IS CONTRASTED

Nigeria has not submitted a request to the United States for military assistance, other than for a limited amount of training. Nigeria is a member of the British Commonwealth and has so far relied primarily on the United Kingdom and other Commonwealth countries for assistance in the military field.

Senegal is developing an engineering battalion with the capability of engaging in road construction and other civil tasks under its development plan. While Senegal looks primarily to France for military assistance, the French were not in a position to meet its needs for heavy equipment for this battalion. We have undertaken to make available the equipment required.

Inasmuch as U.S. military assistance in tropical Africa is for the most part supplemental to that provided by the former colonial powers rather than being based on national military requirements as a whole, there is little relationship between population and the assistance we are furnishing.

UGANDA

Mr. PASSMAN. Is Uganda one of the small nations that gained its independence on July 1?

Mr. TROXEL. No, sir; it has not gained independence yet. It will gain its independence on October 9 of this year.

Mr. PASSMAN. We discussed two new nations jointly the other day.

Mr. TROXEL. Urundi and Rwanda did become independent on July 1.

Mr. PASSMAN. This is another one?

Mr. TROXEL. Yes, sir; not really independent yet.

Mr. PASSMAN. I thought it was the same.

Mr. TROXEL. It is right next door.

Mr. PASSMAN. This is Uganda?

Mr. TROXEL. Yes, sir. It is expected to gain independence on October 9 of this year.

Mr. PASSMAN. At this time, is it a possession of a certain country?

Mr. TROXEL. It is a protectorate of the United Kingdom.

Mr. PASSMAN. You had a program of $3.1 million in fiscal year 1962; is that correct?

Mr. MOSSLER. Yes, sir.

Mr. PASSMAN. Has this $3.1 million program for fiscal year 1962 held firm?

Mr. MOSSLER. It has not held firm.

Mr. PASSMAN. How much is it down?

Mr. MOSSLER. The figure is $3,634,000.

Mr. PASSMAN. You upped it by more than a half million dollars?

Mr. MOSSLER. About $500,000; yes, sir.

Mr. PASSMAN. Will you tell us what accounted for the reprograming upward?

Mr. MOSSLER. Yes, sir.

Mr. PASSMAN. New projects?

Mr. MOSSLER. The comprehensive school for girls went up $10,000; the expansion of secondary schools went down $10,000; agricultural development held the same.

Mr. PASSMAN. What did you say concerning the comprehensive school?

Mr. MOSSLER. The comprehensive secondary school was $1,595,000 compared to $1,585,000. Practically the entire difference for all the projects was for some nonproject wheat which was shipped over for this program, with the local currency proceeds to be used on all of these projects. That amounted to $534,000.

Mr. PASSMAN. You are actually programing dollars here, are you not?

Mr. MOSSLER. Yes, sir.

Mr. PASSMAN. It is up to $3,624,000?

Mr. MOSSLER. Almost the entire $534,000 is for the freight and handling costs.

Mr. PASSMAN. That was a new program?

Mr. MOSSLER. Yes, sir. It was not in here.

Mr. PASSMAN. You are asking for $——— for fiscal year 1963?

Mr. HUTCHINSON. Yes, sir.

UNLIQUIDATED BALANCES AVAILABLE

Mr. PASSMAN. Could you tell us the amount of the unliquidated funds to the credit of this country as of June 30?

Mr. MOSSLER. We estimate them to be $2,375,000.

Mr. PASSMAN. About 75 percent of the funds you obligated in fiscal 1962 will be available for subsequent year expenditures?

Mr. MOSSLER. $2,375,000.

Mr. PASSMAN. Against what amount?

Mr. MOSSLER. Against $3.6 million.

Mr. HUTCHINSON. About 65 percent.

SECONDARY SCHOOL FOR GIRLS

Mr. PASSMAN. With respect to the construction of the secondary school for girls, what sum did you actually obligate out of $1,585,000?

Mr. HUTCHINSON. We do not have the actual obligations by projects as yet. Our actual program figure was $1,595,000 rather than $1,585,000.

Mr. PASSMAN. You do not have the obligations as of this time?

Mr. HUTCHINSON. No, sir. They should be coming in in just a few days now by project.

Mr. PASSMAN. Could you tell us the cost of the project to completion?

Mr. HUTCHINSON. We estimate that it might cost another $——— to complete it after fiscal 1963.

PUBLIC ADMINISTRATION TRAINING

Mr. PASSMAN. You are requesting $——— for a project of public administration training?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Is that a new project?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. It was not justified in the hearings last year?

Mr. HUTCHINSON. No, sir. This is a new project in 1963.

UPPER VOLTA

Mr. PASSMAN. When did the Upper Volta gain its independence?

Mr. HUTCHINSON. 1960. I do not have the exact date.

Mr. TROXEL. August 5, 1960.

Mr. PASSMAN. When did you start the aid program in this country?

Mr. MOSSLER. The first year was 1961.

Mr. PASSMAN. What amount did you allocate in 1961?

Mr. MOSSLER. $1,953,000.

Mr. HUTCHINSON. It was rounded to $2 million here in the book.

Mr. PASSMAN. You had a program in 1962 of $1 million, and has that held firm?

Mr. HUTCHINSON. Yes, sir; $1,034,000.

Mr. PASSMAN. It is up a little bit?

Mr. HUTCHINSON. The rounded figure——

Mr. PASSMAN. You are asking for $——— for fiscal year 1963?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. What is the amount of unliquidated funds to the credit of this country?

Mr. MOSSLER. They are estimated to amount to $1,559,000 at the end of 1962.

Mr. PASSMAN. You have all of the 1962 allocation on hand and half of 1961?

Mr. MOSSLER. That was the estimate; yes, sir.

Mr. PASSMAN. Why would you request $——— for 1963?

Mr. HUTCHINSON. Sir, because the fact is, as we have indicated, when these programs are getting started this way, the program was heavy in 1961 in relation to 1962, but you do build up a pipeline in the first part.

Mr. PASSMAN. You do build up a pipeline, but it follows that you had a program in fiscal year 1961 where you obligated $2 million and in 1962, $1 million, and that you still have a total of 75 percent of the previously appropriated funds unexpended?

Mr. MOSSLER. Yes, sir.

Mr. PASSMAN. I note that the U.S. interest in the Upper Volta (off the record).

Mr. TROXEL. Yes, sir; I would amend that——

Mr. PASSMAN. Do you have any aid at all for Ghana-Mali-Guinea?

Mr. TROXEL. Yes, sir.

Mr. PASSMAN. You have substantial aid in all three of these countries?

Mr. HUTCHINSON. Yes, sir.

AFRICAN REGIONAL FUNDS

Mr. PASSMAN. When you speak of African regional, you are speaking of the entire 32 nations in this region, are you not?

Mr. HUTCHINSON. We are speaking of a program that could be carried on in any one of those countries with an implication with regard to other countries.

Mr. PASSMAN. It is not earmarked for any one project in any one country, is it?

Mr. HUTCHINSON. It is not earmarked for a particular country; no, sir. But a project might in fact be carried on within the country but have regional implications with these regional funds.

We have to carry on the projects within a country.

Mr. PASSMAN. Is this a fund which you could draw out of to supplement other projects and start new projects in a country where you have projects running?

Mr. HUTCHINSON. No, sir.

Mr. PASSMAN. You could not draw out of this for any country where you have a project?

Mr. HUTCHINSON. No, sir; I did not say that.

Mr. PASSMAN. Is it true that you may take out of your regional funds money to start a project in a country where you have other projects going?

Mr. HUTCHINSON. Sir, we do not have a separate appropriation for regional projects. This is included within the total development grant program so that the funds can be shifted back.

Mr. PASSMAN. Is the amount of money you have here for African regional plowed into the funds you have itemized in the pages throughout this book?

Mr. HUTCHINSON. No, sir.

THE 1963 REQUEST FOR AFRICAN REGIONAL PROGRAM

Mr. PASSMAN. You are asking for $9,085,000 for the African regional program for fiscal year 1963?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. It may well be that you would take funds out of this regional total to start a project in any one of the African countries?

Mr. HUTCHINSON. If we used the fund on a regional project, it would have implications for the countries. For example, we might use it for a school in one of the east African countries but we might be bringing students from other African countries into an east African country.

Mr. PASSMAN. You would make a permanent installation in the country where you already had a school program?

Mr. HUTCHINSON. Yes, sir; this is quite possible.

Mr. PASSMAN. That is what we are trying to find out, whether or not you would start a program in a country even though you may

have people coming in from other countries to utilize the facilities, and then it becomes a permanent installation in that country; does it not?

Mr. HUTCHINSON. Sir, there is no geographic area where you can carry on a program except within a country. We could use the example of Pope Pius University. If we started a program there, this would be used for bringing students from other African countries and it would be funded out of the regional funds.

Mr. PASSMAN. If it is a structure it is constructed, we shall say, in Nigeria. You build a brick educational building in Nigeria but it has served its purpose for bringing students from other countries, and then it becomes the property of Nigeria; does it not?

Mr. HUTCHINSON. It might very well, sir.

TOTAL FOR REGIONAL PROGRAMS

Mr. PASSMAN. What has been the total for the African regional programs prior to 1960?

Mr. MOSSLER. $258,000 prior to 1961.

Mr. PASSMAN. In fiscal year 1961, what amount did you have?

Mr. HUTCHINSON. $2.7 million.

Mr. PASSMAN. Our book shows $2,754,000.

Mr. HUTCHINSON. This might be. I was just looking at the chart on the front.

Mr. PASSMAN. Is that correct?

Mr. HUTCHINSON. This might well be correct.

Mr. PASSMAN. You had that increased up to $6,410,000 in fiscal 1962?

Mr. HUTCHINSON. That was our estimate. It actually ran $6,205,000 in the program approved.

Mr. PASSMAN. You are asking for $9,085,000 for fiscal 1963?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Can you tell us the amount of the unliquidated funds in the African regional category?

Mr. MOSSLER. We estimate the unliquidated balance to be as of June 30, 1962, $5,501,000.

Mr. PASSMAN. You have heavy equipment operator mechanic school, Togo, $135,000; is that correct?

Mr. HUTCHINSON. Yes, sir. I think that is correct.

That is 1963, sir.

EDUCATION PROGRAM, AFRICAN REGIONAL

Mr. PASSMAN. Will the $350,000 obligation complete the construction of the classrooms and dormitories in Togo?

Mr. HUTCHINSON. Yes, sir, we expect that it will.

The 1963 funds are for technicians and for some additional equipment and some additional storage space.

Mr. PASSMAN. Are these classrooms and dormitories going to be built on any campus where you already have educational buildings?

Mr. HUTCHINSON. These are buildings that are already in existence, sir, that are being renovated and changed to meet the requirements for this school. This is not an educational establishment in the usual sense of the word in that we are going to teach people how to operate

heavy roadbuilding equipment and how to maintain it and this sort of thing.

Mr. PASSMAN. You have courses similar to certain types of engineering courses in universities and colleges?

Mr. HUTCHINSON. There will be classrooms certainly, and there will be courses taught, although they are not courses such as you would get in ordinary universities.

They will not be engineering courses and so on. These are actually to teach people how to operate these machines and how to maintain them and that sort of thing. They are not engineering courses.

Mr. PASSMAN. Would you say that with the exception of $30,000 for U.S. technicians, the balance of the request of $105,000 may not be needed?

Mr. HUTCHINSON. No, sir.

Mr. PASSMAN. I will quote the last sentence in the paragraph on the right-hand side of the page:

* * * Some additional storage and office space may also have to be constructed in fiscal 1963.

Mr. HUTCHINSON. Yes, sir. As I indicated, we may have to add some storage and office space and similar facilities. We do not expect to have to increase the classrooms and that sort of thing.

Mr. PASSMAN. There is still a question as to whether you would need it? You say you may need some additional storage and office space, which may also have to be constructed? Are you including $105,000 for that purpose?

Mr. HUTCHINSON. We are including $55,000 for that item, sir.

Mr. PASSMAN. That is under "Other costs." I had to pick up the total.

The secondary teacher project began in fiscal 1961 and through 1962 obligations amounted to $2,850,000; is that correct?

Mr. HUTCHINSON. I did not get that figure.

Mr. PASSMAN. $2,850,000.

Mr. HUTCHINSON. For obligations through the end of fiscal 1962?

Mr. PASSMAN. That is right.

Mr. HUTCHINSON. Yes, sir, that is the estimate.

Mr. PASSMAN. You are requesting $750,000 for fiscal 1963?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Is that for contract services?

Mr. HUTCHINSON. For fiscal 1963 it is contract services.

Mr. PASSMAN. Can you tell us the university, school, or organization with which you entered into this contract?

Mr. HUTCHINSON. Columbia University is the contractor for this project, sir.

Mr. PASSMAN. It would appear that you are heavy on this project. You obligated $1,650,000 for fiscal year 1962. You are going to have unliquidated $2.2 million?

Mr. HUTCHINSON. Yes, sir. As is indicated in the book, sir, the entire amount of fiscal year 1961 obligation was unliquidated as of the end of the fiscal year. The reason for this very heavy unliquidated balance is that we entered into the project agreement late in fiscal year 1961 for the first group of teachers who were to report in September of 1962. So, there would have been none of that unliqui-

dated in fiscal year 1961 because they were reporting about September of 1962.

Now, so you have the entire amount of the teachers' salaries for the full year unliquidated, this could, for 150, run something under $750,000. In addition, we obligated at the same time the round-trip transportation costs for those teachers. There were, in addition, some unliquidated amounts for the work that had been done in connection with the technicians that are going to be working with Makerere University, in connection with the training these teachers would receive before they go into the schools.

This is the reason for the large unliquidated amount carried forward into fiscal year 1962.

Then when we come into fiscal year 1962, it was necessary again to obligate the salaries for the school year beginning in September of 1962 for those same 150 teachers.

This, again, gets you up somewhere in the order of $750,000 for just those 150 teachers.

At the same time, in that fiscal year we arranged for an expansion of the contract to bring another 100 teachers over in this same year to begin teaching in September of 1962. So, you then had another year's salary for this second group of teachers which would have been unliquidated in fiscal year 1962 and, in addition, you had all the round-trip fares for these teachers, the second group of 100 teachers, coming over in fiscal 1962.

This is the reason you get these enormous unliquidated obligations in fiscal year 1962. You see, you have advance funding each year, first for the first group of teachers, coming over for their first year of work, and in the second year for the same group of teachers for their second year of work.

In addition, you have in the second year, for the first year, of the second group of teachers that are coming over, plus their round-trip transportation costs——

Mr. PASSMAN. This is appropriated on the basis of single-year funds?

Mr. HUTCHINSON. The funds are made available on an annual basis.

Mr. PASSMAN. How far in advance are you obligated?

Mr. HUTCHINSON. We are obligating 1 year at a time and we are obligating it in the fiscal year ending June 30. We are obligating for those teachers coming over and reporting for work in September.

Mr. PASSMAN. You are limiting your obligation just to 1 year ahead?

Mr. HUTCHINSON. This is on this project; yes, sir. This is 1-year-at-a-time financing; yes, sir.

CONTRACT WITH COLUMBIA UNIVERSITY

Mr. PASSMAN. What does Columbia University do for its three-quarters of a million dollars?

Mr. HUTCHINSON. Sir, this three-quarters of a million dollars covers all of the costs we have been talking about. It covers the teachers' salaries, it covers the transportation expenses, and it covers Columbia University's costs in connection with the administration of the project. They recruit the teachers, they train them, and also work with

the orientation program with Makerer University that the teachers go through before they are actually put out into the schools.

Mr. PASSMAN. This is for teachers' salaries? This goes to Columbia University for recruitment work and incidentals in connection with that?

Mr. HUTCHINSON. Plus the teachers' salaries. This is included in the contract service. Columbia University has a contract to provide the teachers, and this $750,000 does include teachers' salaries.

Mr. PASSMAN. The salaries are paid out of this amount?

Mr. HUTCHINSON. Yes, sir.

CONTRACTOR FEES

Mr. PASSMAN. Did you testify earlier in connection with some other item under "Education," or under "Contract services," that you were paying a fee of about 80 percent to the contractor?

Mr. HUTCHINSON. In the breakdown we submitted to you in connection with a particular contract, which was in the process of being considered, this was a private contract, not a teacher contract. We had a factor of 80 percent to take care of the contractor's fee, overhead, and that sort of thing.

Mr. PASSMAN. These teachers' salaries, all of the transportation costs, incidentals, Columbia University's fees, and everything, is paid out of the $750,000?

Mr. HUTCHINSON. That is correct, sir.

Mr. PASSMAN. How much is the transportation?

Mr. HUTCHINSON. They are taking them over and bringing them back on charter flights, so the transportation costs are quite cheap. The teachers' salaries are quite low. They run well under $3,000 a year, sir. We think we are getting a very real bargain in this program.

Mr. PASSMAN. If we are getting all of that bargain out of $750,000, what are you going to do with the $2.2 million you have put aside?

Mr. HUTCHINSON. I testified to that. That is to cover the 1 year's salary for the first group of teachers who were brought over, the first 150, who will be starting their second teaching term after the end of this fiscal year. It is to cover the first year's salary of the second 100 teachers that are being brought over, plus the round-trip transportation costs of the second 100 teachers, plus the overhead that Colombia is entitled to under the contract.

Mr. PASSMAN. It certainly is not clear to me, but I am not going to prolong the examination.

You get 250 teachers and you pay Columbia University for all its incidentals and the cost of chartering transportation for 1 year for $750,000, and that you have $2.2 million for 150 teachers? I just do not understand it.

Mr. HUTCHINSON. Sir, I tried to explain.

In fiscal year 1963 we will only be funding the salaries for the 250 teachers, plus Columbia University's administration costs.

Mr. GARY. Will the gentleman yield?

Mr. PASSMAN. Yes.

Mr. GARY. Is the $750,000 included in the $2.2 million?

Mr. PASSMAN. No.

Mr. HUTCHINSON. No; that is in addition.

Mr. PASSMAN. What do you have in total for those projects?

Mr. HUTCHINSON. $1.2 million, plus $1,650,000, plus $750,000. It looks like $3.6 million.

Mr. PASSMAN. How many teachers are you going to employ on an average, and for how long?

Mr. HUTCHINSON. You are likely to have 150 teachers for 3 years, and that is the best I can make out here. You are going to have 150 teachers for 3 years, and then 100 teachers for 2 years. That is the way it works out.

That averages out at 130 teachers for a period of——

Mr. GARY. As I understand it, this is not a 1-year program?

Mr. HUTCHINSON. No, sir.

Mr. GARY. It is not funded on a 1-year basis? The appropriation covers the program for 3 years; is that right?

Mr. HUTCHINSON. The $3.6 million covers it; yes, sir.

Mr. GARY. Covers the program for 3 years instead of 1 year?

Mr. HUTCHINSON. Right.

Maybe if you went over it this way——

Mr. PASSMAN. We follow you. We are not trying to confuse you.

Mr. HUTCHINSON. I know you are not.

Let us start the first year. In fiscal year 1961 we funded the salaries of 150 teachers for the year beginning about September 1961. In addition, we funded the complete round-trip transportation costs of those people, and in addition we funded the startup costs of getting some Columbia technicians over there working with Makerere University, setting up orientation courses, and that sort of thing. The entire amount of this funding was carried over because, as you can see, since the teachers were not beginning their work until about September of 1961, none of their salaries, none of their transportation costs, and so on, would have been liquidated in fiscal year 1961; right?

Mr. MOSSLER. Yes, sir.

Mr. HUTCHINSON. In the following fiscal year, we likewise had to fund the first 150 teachers salaries for the school year, beginning about September 1962. The 1 year's salaries for those teachers would be unliquidated in fiscal year 1962.

Mr. PASSMAN. No.

Mr. HUTCHINSON. Surely, it is bound to be.

Mr. PASSMAN. Go ahead.

Mr. HUTCHINSON. At the same time we expanded the program by contracting with Columbia for an additional 100 teachers, likewise to begin work about September of 1962. Their total salaries likewise would have been unliquidated in fiscal year 1962, and in addition we funded their round-trip transportation costs since they were not arriving until after the end of fiscal year 1962. Those entire transportation costs would likewise have been unliquidated in fiscal year 1962.

Now, we are coming into fiscal year 1963 and are proposing we fund only the salaries and administrative costs of all 250 of those teachers who will be beginning their work after June 30 of 1963. Their work will be running over into fiscal year 1963, and the reason for the very large unliquidated balance in fiscal 1962 is the unliquidated sal-

aries and transportation costs of the first complement of teachers for their second year of work and the total salaries and round-trip transportation costs of the second contingent of teachers for their first year's work.

The average is 218.

Mr. PASSMAN. 218 what?

Mr. HUTCHINSON. 218 teachers per year.

Mr. PASSMAN. What are you paying these teachers per year in salary, if you have it? If you do not, put it in the record.

Mr. HUTCHINSON. I do not have it with me.

Mr. PASSMAN. How long a contract do you give the teachers? What percentage of the contract hire do you pay Columbia University for recruiting? Will you get that information for us?

Mr. HUTCHINSON. Yes, we will be glad to. But I can testify now that the salary per teacher is well under $3,000 a year.

(The information supplied follows:)

CONTRACT WITH TEACHERS COLLEGE, COLUMBIA UNIVERSITY

Following completion of a short course of training in the United States, conducted by Teachers College, Columbia University, and in east Africa, a teacher signs a contract with one of the east African cooperating countries. The standard contract varies slightly from country to country ranging from 21 to 27 months.

As an employee of an east African government, the teacher receives the same salary which an expatriate teacher from England would receive. That salary is paid by the respective east African governments, and includes an "oversea inducement." The U.S. Government, through teachers college, reimburses the African government for the oversea inducement paid by the latter to the American teachers.

The salary scales vary slightly in the four African countries. The total beginning salary, including oversea addition, averages approximately £1,143 or $3,200. Of this amount, $1,109 (£396) is oversea inducement, paid by the U.S. Government. The African governments pay approximately $2,091 per year.

In addition to salary, each teacher receives a terminal leave and a "gratuity" payment at the end of his tour of service, in accordance with the regulations of the country which employs him. The U.S. Government pays a proportionate share of this, or about $1,000 per teacher.

Approximately 2 percent of the cost of the teacher supply project is expended for Columbia University's recruitment activities.

Mr. PASSMAN. I want to be sure this thing is properly documented. I am looking now at a contract which you told us was about the average and it met the criteria established for contract personnel. This is July 11 on the highway development and training project for Cameroun. It states the average of $30,000 per man-year is based on the following factors:

(1) Average salary, $12,000 per year.

(2) Twenty-five percent post differential, $3,000 a year.

(3) Contractor's overhead, 80 percent of average salary, $9,600 a year.

(4) Personnel costs, OASI, health insurance, leave, et cetera, 20 percent of average salary, $2,400 per year.

(5) Sickness, $3,000 per year.

Total, $30,000.

I think you told us at the time that the average fee paid to firms recruiting the technicians was about 80 percent of their salaries. Is that correct?

Mr. HUTCHINSON. We testified we used the factor of 80 percent for the contractor's fee and overhead.

Mr. PASSMAN. You said 80 percent. What the contractor does with it, what his overhead is, it may be all or none for rent and lights, but nevertheless the contractor gets 80 percent for recruiting, et cetera, and how he breaks that up is his business?

Mr. HUTCHINSON. We testified we used the factor of 80 percent for the contractor's fee and overhead and we testified his fee was subject to negotiation and his overhead was subject to audit.

Mr. PASSMAN. I shall read again what you said. It says contractor's overhead, 80 percent of average salary, $9,600 a year. That is his fee. What goes for lights, rent, gasoline, booze, I do not know. I do not know how the contractor breaks it up. You said it was the average.

Mr. HUTCHINSON. First, we will stand on the record as to what we testified with respect to this particular estimate, and I am sure it will bear out the testimony I just gave in connection with it.

Second, that is a totally different situation from what we have here where we have a commercial firm recruiting technicians from where we have Columbia University recruiting young secondary schoolteachers who are going into this program in part out of their conviction of the necessity of the program, and under these circumstances you have motives approximating the Peace Corps type motives.

Mr. GARY. Will the Chairman yield?

Mr. PASSMAN. Yes, in just a moment. I am trying to get for the record that back of many of your contract personnel, the contractor's fee, which would include his overhead, is about 80 percent of the salary you pay to the technician they recruit.

Mr. HUTCHINSON. Sir, I am testifying that is not correct insofar as this type of contract is concerned.

Mr. PASSMAN. I was not trying to apply the formula to this matter.

Mr. HUTCHINSON. Then, sir, what was the purpose of bringing it up?

Mr. PASSMAN. Because the next item we shall bring up will be technicians, and I was trying to find out the difference between teachers and technicians.

I yield to Mr. Gary.

PAYMENT OF TEACHER SALARIES

Mr. GARY. On this particular contract we are discussing now with Columbia University, who pays the teachers? Do you pay them or does Columbia University pay them?

Mr. HUTCHINSON. Columbia University pays them.

Mr. GARY. The Government enters into a contract with Columbia University?

Mr. HUTCHINSON. Yes.

Mr. GARY. And they recruit and pay the teachers?

Mr. HUTCHINSON. Yes.

Mr. GARY. And pay all the expenses of the project and you pay Columbia University. Is that correct?

Mr. HUTCHINSON. That is correct. I would have to be absolutely sure that there is no local cost associated with the contract that we

do not pay outside of that, but it is my understanding we do not. We pay them on a contract basis and it is their responsibility.

Mr. GARY. Who signs the contract with the teachers?

Mr. HUTCHINSON. Columbia University, as I understand it.

Mr. GARY. They are under contract to Columbia University?

Mr. HUTCHINSON. Yes, sir, who is a contractor to AID.

Mr. GARY. That is all.

UNIVERSITY OF EAST AFRICA VETERINARY SCHOOL

Mr. PASSMAN. For the project "Veterinary School (University of East Africa)" you show obligations for fiscal year 1962 of $210,000; unliquidated as of June 30, 1962, $170,000. Is that correct?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. You are requesting $650,000 for fiscal 1963?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. You have contract services, $250,000?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. For what purpose is this item of contract services?

Mr. HUTCHINSON. Sir, this will provide for the provision of two professors who will be working in the field and for the taking of participants to the United States for degree courses.

Mr. PASSMAN. How many participants are in this program?

Mr. HUTCHINSON. We predict five, sir.

Mr. PASSMAN. You have five participants and two professors for how long a time?

Mr. HUTCHINSON. Well, the participants would be for a 4-year course, sir, and the professors would be funded on a 2-year basis.

PARTICIPANT AND TECHNICIAN COSTS

Mr. PASSMAN. What is the average cost per participant?

Mr. HUTCHINSON. It runs from $5,000 to $7,000 per year, depending on where they go.

Mr. PASSMAN. What is the salary of the professors?

Mr. HUTCHINSON. I do not have that figure, sir.

Mr. PASSMAN. You have a quarter of a million dollars for two professors for 2 years and for five participants?

Mr. HUTCHINSON. Five participants for 4 years. Even an average of $6,000 per year each would be $120,000, so you see it could not be running up that high.

Mr. PASSMAN. That is $120,000 for the professors, divided by 2 years?

Mr. HUTCHINSON. There is something wrong with that. Two years at $30,000 would not be unreasonable; it would not be out of line.

Mr. PASSMAN. You have an item of $400,000 for other costs. Can you tell us what that is?

Mr. HUTCHINSON. This will include construction of additional classrooms and some staff housing at the veterinary school.

Mr. PASSMAN. Do you know what type housing you are building for the staff?

Mr. HUTCHINSON. I do not know.

Mr. PASSMAN. Who is the staff?

Mr. HUTCHINSON. There will be local staff associated with the professors.

Mr. PASSMAN. That is, people of the country?

Mr. HUTCHINSON. Yes.

HOUSING OF LOCAL EMPLOYEES

Mr. PASSMAN. You are building houses for natives of the country?

Mr. HUTCHINSON. When we go into institutions, sir, we do provide housing for staff on occasion because these people always live at the institution. This is the custom throughout the country.

Mr. PASSMAN. You could not tell us the amount of housing and the cost of the housing, out of the $400,000?

Mr. HUTCHINSON. No. I do not have the break between the housing and the classrooms.

Mr. PASSMAN. I believe you gave us that same kind of answer on other housing, that you did not know the cost of the housing per unit?

Mr. HUTCHINSON. That is correct.

Mr. PASSMAN. Do you expect to supply the committee with that information later?

Mr. HUTCHINSON. You have asked for a detailed breakdown and exhibit, sir, and we will prepare it.

Mr. PASSMAN. How many students have enrolled for the first class which begins in July?

Mr. HUTCHINSON. Sir, we expect to train 30 a year. I do not know how many have enrolled in the first class in July. We expect to graduate 30 per year.

AFRICAN SCHOLARSHIP PROGRAM OF AMERICAN UNIVERSITIES

Mr. PASSMAN. You have an African scholarship program of American universities, $1,750,000.

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. In 1961 you had obligations of $416,000; at the end of the year you had unliquidated $416,000. So, you had not spent any of the funds.

In 1962 you obligated $1,200,000 and at the end of 1962 you have $1,100,000 unliquidated.

Could you tell us how you expect to utilize this $1,750,000 in fiscal 1963?

Mr. HUTCHINSON. Sir, this will be for the living expenses of the additional 300 Africans who, by this period, should be up to about 850, or 838.

Mr. PASSMAN. How many?

Mr. HUTCHINSON. 838.

Mr. PASSMAN. Does your book show 244?

Mr. HUTCHINSON. No, sir, the book says:

Fiscal year 1963 funds will be used to pay the living expenses for an additional 300 Africans who will receive 4-year scholarships and enter American colleges in the fall of 1963.

Mr. PASSMAN. Are you bringing these people to America?

Mr. HUTCHINSON. Yes, sir.

I think we should indicate this has been an extremely successful program in a number of aspects. First, we have been able to get a number of institutions or agencies involved in the program.

Mr. PASSMAN. What do you mean by institutions and agencies involved in the program?

Mr. HUTCHINSON. I meant the countries concerned, the universities, the foundations, and AID. The country pays all the transportation cost associated with the project, bringing them here and taking them back. The foundations pay a part of the administrative cost. The universities make no tuition charges for the education provided; and we provide for the living expenses.

AFRICAN AMERICAN INSTITUTE

Mr. PASSMAN. This African American Institute, who are they?

Mr. HUTCHINSON. This an an American foundation that is engaged in work of this sort throughout Africa.

Mr. PASSMAN. Where are they domiciled?

Mr. HUTCHINSON. They are domiciled in New York, sir.

Mr. PASSMAN. What do they do for their money?

Mr. HUTCHINSON. What do they do for their money?

Mr. PASSMAN. Yes.

Mr. HUTCHINSON. Sir, they take care of the entire administration of the program. There are selection panels established in the countries and they take care of getting these panels established; they take care of the transportation; they pay the students, and take care of special problems in the event of sickness, see that appropriate insurance is provided; and administer the contract.

Mr. PASSMAN. What do they get out of the $1,750,000, or are they paid out of some other fund?

Mr. HUTCHINSON. They are paid out of this fund. I do not know that we have the administrative expense that we can break out.

Mr. PASSMAN. Let us try to break it out, because this is substantial.

COST-SHARING PARTICIPANTS

Mr. HUTCHINSON. Ford and Carnegie Foundations pay a part of the administrative expenses. They do not pay it all.

Mr. PASSMAN. You do not have that information with you?

Mr. HUTCHINSON. No, but it is easy to get it.

Mr. PASSMAN. They handle all the details of getting them in and out?

Mr. HUTCHINSON. Yes, and while they are here.

Mr. PASSMAN. Do you have other similar projects?

Mr. HUTCHINSON. Yes. In one sense the Columbia University project is similar.

Mr. PASSMAN. I thought you said you had people there going in from the standpoint of patriotism, who were willing to work cheaply. Here you are bringing participants in.

Mr. HUTCHINSON. I meant in terms of turning the entire administration over to contractors.

Mr. PASSMAN. We are trying to find out what these people get out of it, because I find that at least some of these organizations pay fabulous salaries; and when you say they are nonprofit, they would be nonprofit when they pay these big salaries. I would like to know what they get for their services.

Mr. HUTCHINSON. We will get it but I want to make the point we do not pay the entire administration cost even here. Ford, Carnegie, and others are paying part of the cost.

Mr. PASSMAN. I want to know whether or not we are being taken for a ride.

Mr. HUTCHINSON. I will be glad to get the information. I am sure we are not being taken for a ride, sir.

(The information supplied follows:)

DETAILS OF AFRICAN SCHOLARSHIP PROGRAM OF AMERICAN UNIVERSITIES—CONTRACT WITH THE AFRICAN-AMERICAN INSTITUTE

The African scholarship program of American universities is a cooperative effort on the part of nearly 200 leading American colleges and universities, private foundations, the Agency for International Development, and some 20 African governments to provide 4-year undergraduate educations in U.S. schools to well-qualified African students. The colleges contribute tuition and fees; the foundations contribute administrative funds; the AID provides maintenance expenses (board, room, etc.); and the sponsoring governments pay international travel costs. AID deals directly with its contractor, the African-American Institute, a nonprofit corporation supported by private foundation and philanthropic grants. AID does not disburse any funds directly to any ASPAU student nor to any college or university.

The African-American Institute has no present or former AID or ICA employees on its staff. It pays professional and clerical salaries which are not out of line with comparable positions in education or government.

In fiscal year 1961 and fiscal year 1962, the first years of this project, AAI's administrative expenses were met out of a $100,000 grant from the Carnegie Foundation and other private sources.

Mr. HUTCHINSON. I would also like to say that the experience with these students has been very, very good as a general rule.

Mr. PASSMAN. That is right, and you have a lot of fine Americans in very high places, high up in the clergy and elsewhere, who would tell you that these people should be trained in their own environment. They come here and are rarely happy when you get them back in their own environment.

Mr. HUTCHINSON. As a general principle we want to educate as many of the Africans in Africa as is possible, and when you go over this list of projects you will see there is a considerable effort in this direction, but there are circumstances where you can get the type of training here you cannot get in Africa and there are circumstances where it seems to us it is wise to bring some Africans to America to have contact with Americans and with methods here.

Mr. GARY. Will the Chairman yield?

Mr. PASSMAN. Yes.

PROFESSIONAL TRAINING

Mr. GARY. Is any of this for professional training?

Mr. HUTCHINSON. Yes. This covers the gamut, professional training, academic training, and so on.

Mr. GARY. Do they have doctors?

Mr. HUTCHINSON. I do not think there would be medical students involved because most of them are at the undergraduate level.

Mr. GARY. What do you call professional training?

Mr. HUTCHINSON. I was thinking in terms of an economist or something of this sort as opposed to someone being in the law school after his baccalaureate was obtained.

Mr. PASSMAN. It says on the same page:

This program is designed to help overcome the shortage of African administrators and technicians necessary for adequate leadership and the advancement of agriculture and industry.

Is that not basically why they are here?

COLLEGES PARTICIPATING IN PROGRAM

Mr. HUTCHINSON. Basically that is what they are here for; yes, sir. Some 190 colleges are participating in this program, sir.

Mr. PASSMAN. 190?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. It has got to the point that nearly every town, every university, and almost every shop is involved. It is very broad.

Mr. HUTCHINSON. But, sir, this is an expense to these 190 colleges. They are providing scholarships covering their entire cost.

Mr. PASSMAN. Who is doing that?

Mr. HUTCHINSON. The 190 colleges I mentioned.

Mr. PASSMAN. Are they doing it gratis, or are they getting paid for it?

Mr. HUTCHINSON. They are doing it gratis. We have the colleges, the country, the foundations and ourselves associated in the project.

Mr. PASSMAN. You were talking about grants the Rockefellers and others may make?

Mr. HUTCHINSON. Sir, they are not making grants to the colleges. The colleges are providing free scholarships covering the entire tuition for the students coming here. They are not making any money.

Mr. PASSMAN. Johns Hopkins is just a stone's throw from here. They brought them down to Washington and they opened up something similar to this, and if you will read the hearings on that you wil be just as shocked as the committee was.

Mr. HUTCHINSON. I am not familiar with that.

Mr. PASSMAN. The committee is familiar with it, and that is why the committee wants to know about these things.

Mr. HUTCHINSON. You are speaking of a program for training ICA personnel?

Mr. PASSMAN. Yes, it was to train ICA personnel but they were supposed to have college people lecturing them.

Mr. HUTCHINSON. My whole point is that the colleges participating in this program are providing free tuition to all the people coming in under this program.

Mr. GARY. Will the chairman yield?

Mr. PASSMAN. Yes.

Mr. GARY. These students who come to the United States, do they enter the colleges and take the regular courses just as do other students?

Mr. HUTCHINSON. Yes, they do.

Mr. GARY. The colleges do not have special courses for these students?

Mr. HUTCHINSON. No, sir.

Mr. GARY. They enter the colleges and take the regular courses and the colleges give them a scholarship?

Mr. HUTCHINSON. To cover their entire tuition cost; yes.

Mr. PASSMAN. You do have many contracts with colleges where they get substantial money for recruiting and assigning technicians to countries, do you not?

Mr. HUTCHINSON. Yes, indeed.

Mr. PASSMAN. I want to say I recognize this as a different type of contract.

AGRICULTURAL TRAINING

You have an agricultural training project for which you are requesting $190,000. That is a new project?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. Since this is a new project in 1963, what is the cost to complete?

Mr. HUTCHINSON. Sir, we do not know when this project will end. This is a part of our program for trying to develop a real east Africa university.

Mr. PASSMAN. You do not know yet with whom the contract will be?

Mr. HUTCHINSON. No, sir.

Mr. PASSMAN. Some of them you do know?

Mr. HUTCHINSON. Some we do; this one we do not. This is a part of the program for developing this university in east Africa and it arises out of the concerns you have that we do need institutions in Africa to train people in.

EDUCATIONAL GRANTS

Mr. PASSMAN. You have an "Educational grants" project, $1,600,000. It would appear that in fiscal 1961 you had obligations of $407,000, and at the end of 1961 you had, unliquidated, $407,000.

In fiscal 1962 you had obligations of $505,000 and unliquidated at the end of fiscal year 1962, $500,000.

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. You are asking $1,600,000 for the project for fiscal 1963, and the entire amount falls under "Other costs." Could you give us some information on this "Other costs"?

Mr. HUTCHINSON. This, sir, is the cost of these people going to school within Africa and this is why it appears under the "Other costs" item.

This is a program somewhat similar to the program we mentioned earlier for bringing African students to the United States. This is a program to train Africans in African institutions. We usually have to fund 1 full year in advance in this kind of program because we have to make arrangements to get the students and this sort of thing. So we tend to have the 1-year carryover shown in the book.

SCHOLARSHIPS FOR STUDY IN AFRICA

Mr. PASSMAN. May I read from the justifications, the closing sentence on page 640:

> Funds in fiscal year 1963 may be used to provide scholarships for schools in Liberia, Sierra Leone, Tunisia, Ivory Coast, Ethiopia, Uganda, Congo, and Tanganyika.

Could you remove the uncertainty that they "may be used"?

Mr. HUTCHINSON. They will be, sir; yes, sir.

Mr. PASSMAN. You would not know that by reading this, would you?

Mr. HUTCHINSON. No, sir; you would not, but the project has progressed much further since this was written and we now have the universities we are planning to use and the number of students and the cost of each student.

SELECTION OF CONTRACTOR FOR EDUCATION PROJECT

Mr. PASSMAN. Have you reached any conclusion as to a contractor in connection with the project on page 640?

Mr. HUTCHINSON. No, sir. We do not have our appropriation yet.

Mr. PASSMAN. It may be well to state that what we are discussing here is in addition to the educational program we have already discussed in the 32 African nations. This is plus?

Mr. HUTCHINSON. Yes. This is an effort to build up educational institutions in Africa to cut down the number coming to the United States.

Mr. PASSMAN. You have a large number of educational programs in Africa?

Mr. HUTCHINSON. We have a number of educational programs in Africa.

Mr. PASSMAN. It would appear that in this sector of education, putting it all together, you would have a total of $6,555,000. Is that correct?

Mr. HUTCHINSON. I am not sure of the figure you are referring to.

Mr. PASSMAN. I am taking the one sector of education.

Mr. HUTCHINSON. Yes, you are right, on page 634.

MANPOWER SELECTION TECHNIQUES

Mr. PASSMAN. You have a manpower selection techniques project, $155,000?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. You have unliquidated as of June 30, 1962, $250,000?

Mr. HUTCHINSON. That is our estimate, yes.

Mr. PASSMAN. And you are asking for $155,000 for 1963 for contract services?

Mr. HUTCHINSON. Yes, sir. What we are planning to do in fiscal 1963 is to take the results of the study that has been made in Nigeria on the techniques of assessing manpower and the selection of people with particular qualifications to go in particular skills, and try to get these techniques applied in a number of other countries. This is really the second phase of the project. We will be completing with the 1962 funds the regional studies in connection with the Nigeria project to determine the most appropriate means in the African scheme to test the various skills and how to utilize the various skills.

UNIVERSITY COLLEGE OF TANGANYIKA

Mr. PASSMAN. You have a project, University College of Tanganyika, for which you are requesting $250,000?

Mr. HUTCHINSON. Yes, sir. This, again, is a part of the University of East Africa complex we are trying to assist in building up.

Mr. PASSMAN. Do you have construction in this?

Mr. HUTCHINSON. No, there is no construction involved in this.

Mr. PASSMAN. You have "Contract services," $175,000.

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Do you have any tentative contract or do you know who the contractor will be?

Mr. HUTCHINSON. No, sir. It is a new program in 1963.

Mr. PASSMAN. Are we still dealing with illustrative programs all the way through?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. Subject to transfer from one country to another and from one program to another?

Mr. HUTCHINSON. Certainly there will be changes.

Mr. PASSMAN. Changes we understand, but it is an illustrative program, and it may be carried out 80 percent, 70 percent, or 50 percent; that depends on future circumstances?

Mr. HUTCHINSON. It depends on a number of factors. It depends first on how much money we get from the Congress; and on what progress we are able to make in getting the projects underway.

Mr. PASSMAN. Last year we were told you could not tell us what projects, what programs, or what countries, because they were illustrative programs. I wanted to know if we were dealing with the same elements this year.

Mr. HUTCHINSON. We are much further ahead this year than last year in this respect.

Mr. PASSMAN. But you still have the flexibility, if you desire to use it?

Mr. HUTCHINSON. Yes, sir.

AIRLINES TRAINING

Mr. PASSMAN. Do you have an airlines training project, $185,000, for Tanganyika?

Mr. HUTCHINSON. No, sir.

Mr. PASSMAN. This could be anywhere?

Mr. HUTCHINSON. Yes, sir. We do.

Mr. PASSMAN. You do what?

Mr. HUTCHINSON. We do have such a project for 1963. This is an airline that would be internal to Africa and one we would hope would be effective in getting some cooperation among the countries in having a single airline rather than each having its own individual airline.

Mr. PASSMAN. Let me quote this item:

The French Government has indicated it would perceive no objection to U.S. assistance to the airline and has proposed several activities in which the United States and France might actively cooperate.

VOCATIONAL TEACHER TRAINING CENTER PROJECT

You have a vocational teacher training center project. That is a new project, is it not?

Mr. HUTCHINSON. Yes, sir; it is.

Mr. PASSMAN. And you have a request for $750,000?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Have you reached an agreement as to where it would be located?

Mr. HUTCHINSON. No, sir.

Mr. MOSSLER. We think it probably will be located in ——— but the exact site has not been determined.

Mr. PASSMAN. You are going up heavily on commodities. Can you give us any information of the type of commodities included in this item of $500,000?

Mr. HUTCHINSON. Sir, this will be equipment for equipping the school and there will be training aids also in the schools.

Mr. PASSMAN. You have other costs of $170,000. What is involved?

Mr. HUTCHINSON. Construction costs.

Mr. PASSMAN. For the construction of what?

Mr. HUTCHINSON. Associated with the buildings for the center.

Mr. PASSMAN. What will you construct?

Mr. HUTCHINSON. We will construct some dormitories.

Mr. PASSMAN. They will become permanent fixtures?

Mr. HUTCHINSON. Yes, sir. But this, again, is an attempt to get a vocational teacher training center established in Africa that can be used for students all over west Africa rather than each country establishing its own.

Mr. PASSMAN. These countries being what we call sovereign countries, if we build buildings there they can do what they want to with them?

Mr. HUTCHINSON. They certainly can but we feel we must make some attempt to get some cooperation among these countries and not have each country do everything on its own initiative. These countries are in no position economically to provide all their own facilities.

Mr. PASSMAN. The record indicates that you have projects of every kind in all these countries, and everything is on an illustrative basis.

Mr. HUTCHINSON. It certainly seems to us to make sense to try to establish a regional center to train people in the vocations.

Mr. PASSMAN. This is a new project?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. And you are starting it off at three-quarters of a million dollars?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. Can you project it to completion and give us an estimate of the cost?

Mr. HUTCHINSON. Sir, a projection has been made but, again, this is a very, very long-term projection that I do not have too much confidence in. It is estimated it will take another $1 million to complete the project.

Mr. PASSMAN. When?

Mr. HUTCHINSON. It is projected through as far as 1971. Personally I think this is too far to make a projection and I would not have much confidence in a projection over that number of years.

DEVELOPMENT OF AGRICULTURAL COOPERATIVE LEADERSHIP

Mr. PASSMAN. You have another project here, development of agricultural cooperative leadership, $120,000.

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Measured by the way you do things and spend money, what could you expect to get on a regional basis for $120,000?

Mr. HUTCHINSON. Sir, this is a project out of which we expect to get some training of cooperative leaders in Africa. As you know, the Africans are very much interested in the cooperative approach to their problems and we feel it is very much to our interest, in view of that interest on their part, to be able to influence the direction of their thinking and organization in the cooperative field. This is a field in which some of the Eastern countries also have an interest and we do not think such an interest on our part ought to be precluded.

Mr. PASSMAN. Do you mean by the word "cooperative"—farming cooperatives?

Mr. HUTCHINSON. That is what we mean, and we have entered into a contract with the National Farmers Union to furnish leadership in this field.

Mr. PASSMAN. What was the cost of that contract?

Mr. HUTCHINSON. I do not recall the cost of the contract. I just recall it was actually signed.

Mr. RHODES. What kind of training is this?

Mr. HUTCHINSON. In the organization and management of cooperatives.

Mr. PASSMAN. Would it be teaching them how to set up cooperatives?

Mr. HUTCHINSON. It would be teaching them how to set up cooperatives.

Mr. PASSMAN. It would be cooperatives in the agricultural field?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. Where they would be setting up commissaries and other cooperatives associated with agricultural development?

Mr. HUTCHINSON. That is right.

Mr. RHODES. If the National Farmers Union is running it, in my own opinion you have a group running it that are greater politicians than they are agriculturists.

Mr. GARY. Off the record.

(Discussion off the record.)

FINANCIAL STATUS OF AGRICULTURAL COOPERATIVE PROJECT

Mr. PASSMAN. Let us consider a contract here, on page 647, on agricultural cooperative leadership.

Did you obligate $120,000 in fiscal year 1962?

Mr. MOSSLER. No, sir. This was the original estimate for that project. Our records show we approved a program of $180,000.

Mr. PASSMAN. Why did you want an additional $120,000, which will give you $240,000, when the completed project will only be $180,000?

Mr. HUTCHINSON. Where do you get $180,000 for the completed project?

Mr. PASSMAN. According to this book you obligated $120,000 last year. You are asking for an additional $120,000 for fiscal year 1963. If you put together the two, that is $240,000.

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. You awarded the contract for 18 months for $180,000.

Mr. MOSSLER. Our estimates at the time we put the books together were $120,000. As we indicated earlier, some of these projects have changed, and we ended up with a program approval, I think, of $180,000.

Mr. PASSMAN. You obligated in May of this year for 1962. You obligated for 18 months?

Mr. MOSSLER. Yes.

Mr. PASSMAN. And it covers all of 1963?

Mr. HUTCHINSON. If we are going to continue the project after the end of the year, we would have to be carrying the project forward.

Mr. PASSMAN. It is an 18-month contract out of a 1-year fund?

Mr. MOSSLER. Yes. Sometimes we finance them 2 years.

Mr. PASSMAN. Off the record.

OBLIGATIONS UNDER SECTION 625(f)

Mr. PASSMAN. We stopped the one in Spain?

Mr. HUTCHINSON. I would be glad to testify to that.

Mr. PASSMAN. You have already testified to it twice.

Mr. HUTCHINSON. I said twice I would be glad to testify to that.

Mr. PASSMAN. We stopped up that loophole?

Mr. HUTCHINSON. We do not consider it a loophole.

Mr. PASSMAN. The committee did and stopped it up.

Mr. HUTCHINSON. I asked the same kind of questions that I am sure are in your mind before I approved going forward, and we had good reasons for having done it.

Mr. PASSMAN. The legislation has already passed. The amendment is in there precluding you from doing it in the future.

Mr. HUTCHINSON. That is correct. I would be glad to testify as to the reason it was done in fiscal year 1962, which we think was perfectly reasonable.

Mr. PASSMAN. It is not limited to your one section. It is on a worldwide basis. I do not know how many millions we are going to save by it.

Mr. HUTCHINSON. So far as Africa is concerned, you are not going to save anything by it. As a matter of fact, it could end up costing you money.

What we did in this particular case was to force into fiscal year 1962 a charge against an item for which we had no alternative but to provide, rather than providing for it in 1963, so the result of this was to reduce the $15 million that was set up in Spain for fiscal year 1962 rather than having a 1963 program for them. If it had not been for that, we would have had to spend the $15 million in 1962, plus the money in 1963.

Mr. PASSMAN. You were taking funds appropriated on a 1-year basis, and you were obligating for technicians in subsequent years. You merely tacked them on.

Mr. HUTCHINSON. I am not in any sense questioning the judgment of Congress for putting the amendment in.

In the instance in which we used the authority we were advised by counsel that we had the authority, and the results were to save the program money.

LEGAL OPINION ON SECTION 202(b) COMMITMENTS

Mr. PASSMAN. Did you ever get that legal ruling for us about 202(b)?

Mr. MILLER. I discussed this with the Acting General Counsel just before we came up this evening.

You are referring to the question whether projects may be financed under section 202(b)?

Mr. PASSMAN. Let me say specifically what I had in mind.

You have a project for $300 million. It is going to require 7 years to complete the project. If you had obligated $100 million of the $300 million out of 1962 funds and committed our Government, would you have used the interpretation of the hearings last year to say the Congress has a moral obligation to provide the additional $200 million? That was my question.

You said that you would have to get an opinion. What is the opinion?

Mr. HUTCHINSON. I was told very explicitly this is a quite complicated question that requires some analysis of the legislative history, and it is going to take some time to give it to you.

Mr. MILLER. I might add to that, Mr. Chairman, that the language of the statute speaks in terms of plans and programs, and the reason that it takes considerable analysis of the congressional history is because the terms "plans and programs" were used. It is not clear whether or not "projects" fit within those terms.

Secondly, we have not applied section 202(b) to any projects as such at the present time, and——

Mr. PASSMAN. We do have this one project. It is in Ghana. The completion cost is $362 million, made up of the different funds.

Mr. HUTCHINSON. I can testify——

Mr. PASSMAN. Let me finish.

FUNDING OF SMELTER PLANT IN GHANA

You have the aluminum smelter plant there, which is $110 million. You have the development grant part, and when you get it all together, it is $362 million. Even though the smelter has not yet been started, and it is going to take 7 years to complete that smelter, you have, nevertheless, funded both sections of the project to completion; is that correct?

Mr. HUTCHINSON. That is correct.

Mr. PASSMAN. You can visualize what will happen. If you have funded the project, you need no additional funds. The first thing you know, this thing could just pyramid. You could wind up with $15 billion worth of projects that may run 10, 12, or 15 years, for which you need no additional funds because they have been completely funded, and they lose their identity as far as an examination is concerned when you fund to completion. We just want to know whether or not——

Mr. RHODES. Off the record.

(Off the record.)

Mr. MILLER. Could I say two things? It is my understanding that the U.S. portion of the projects in Ghana is not $360 million.

Mr. PASSMAN. I did not say that. I said all parts of it amounted to $362 million, including the $88 million that Ghana would provide.

Mr. HUTCHINSON. $98 million.

Mr. PASSMAN. And the Export-Import Bank is coming in, and AID is putting up money, and you move over to your development credit section. I use that $362 million. You have funded it to completion.

Mr. HUTCHINSON. It is the second point that I think would be pertinent.

This is the method of funding that has been used as far as development lending is concerned since development lending began. We have always, it is my understanding, fully funded projects which the development loans have been used to fund. Therefore, this project is the same as any other project that has been financed in the past, and it would be a severe departure from both what we have told the Congress and custom for us to have funded it in any other fashion.

Mr. PASSMAN. Why do you not get us an answer as quickly as you can?

Mr. HUTCHINSON. You asked for a possibility.

Mr. PASSMAN. We are going to keep asking the question until you tell us what the legal department says.

Mr. RHODES. It seems to me Mr. Hutchinson answered that question this morning, or perhaps yesterday. If you will recall, there was some controversy about moral obligations.

CLARIFICATION OF "MORAL OBLIGATION"

Mr. PASSMAN. That is right.

Mr. RHODES. This testimony came down to the fact that Mr. Hutchinson was talking about a moral obligation on the executive department in one instance and a moral obligation on the legislative in the instance of section 202(b).

It seems to me this probably answers the question, though I think it would be well to get an opinion from your Solicitor. I also want it understood that I do not agree with Mr. Hutchinson's interpretation.

Mr. HUTCHINSON. I think we should get an opinion, too.

Mr. GARY. A moral obligation is not a legal question. I am a lawyer, and I have never been called upon in my many years of practice to determine a moral obligation on a legal basis. A moral obligation means there is no legal obligation but if your conscience tells you that you have morally obligated yourself, then it is your decision as to whether you will respect the moral obligation. No one can force you legally to respect a mere moral obligation.

Mr. RHODES. We enacted a brandnew law last year. Do we now have a "legal moral" obligation?

Mr. PASSMAN. And we are trying to get an interpretation.

Mr. RHODES. The thing we have been trying to do is to define 202(b) and circumscribe it so it will not splash over onto something else.

Mr. HUTCHINSON. Let me say one thing about why this is a difficult question to answer.

First, the statute in 202(b) speaks in terms of long-term commitments in support of country development plans and programs. It does not say anything about projects.

Secondly, it would be drastic departure from previous practice, as Mr. Miller has indicated, not to fund through under a development loan to project completion, but to only finance particular stages of a project. We feel we have to do some careful examination into the statute and the legislative history surrounding it before we come to a conclusion on the question.

DISPOSITION OF LOCAL CURRENCY REPAYMENTS

Mr. PASSMAN. Let us not forget you are doing business altogether with a different type of document. In the past you called this thing a loan. Even though it was in local currency, some of it came back into the U.S. Treasury, and occasionally you could convert some of it into dollars. But this is something that never comes back.

Mr. HUTCHINSON. Under the past provision of law, the local currency was also available for relending. It did not come back into the Treasury.

Mr. PASSMAN. It could come back into the Treasury, if it was so intended at the time you entered the contract; but under this new interpretation, all this money goes back into a revolving fund. There is no provision for any of this to get back into the Treasury.

Mr. HUTCHINSON. The original Development Loan Fund was a revolving fund.

DANGER OF LONG-TERM COMMITMENTS

Mr. RHODES. May I say something?

It seems to me the main danger here, and the danger I am sure the chairman has in mind, is this: You could conceivably obligate funds for a rather large loan this year, but it might be years before those funds are ever truly and firmly obligated and more years before they are disbursed. However, an appropriation has been made, and under the rules of Congress, at least, it cannot be deappropriated. We fear that a lot of these items will be "swept under the rug." We never seem to have enough time in these hearings to analyze the current status of the funds that were appropriated in previous years.

Mr. HUTCHINSON. I can well understand your concern there.

Let me point out, if you do it the other way, you run the very real danger of two things: You run the very real danger you are not going to be able to get other people to come in and finance with you because you have no absolute firm assurance of being able to fund the project through to completion. That is a very serious problem.

Mr. PASSMAN. I asked you a specific question, and you could not give me a specific answer, but said you would have to take it up with your legal department; and the legal department is still pondering whether or not the answer would be in the affirmative, or negative; is that correct?

Mr. HUTCHINSON. That is correct.

Mr. PASSMAN. After all, this is not as open and closed and tried out as you would indicate. There is some question?

Mr. HUTCHINSON. The question you asked us is a very complex question. There is no clear answer to it.

Mr. GARY. I certainly was not trying to keep you from getting an answer to that question, but I still insist if we are legally bound it

is more than a moral obligation, it is a legal obligation. You may have a legal moral obligation, but we are not bound unless it is legal, and I am serving notice I will not consider myself bound by obligations that are not legal.

Mr. RHODES. I think you are absolutely right.

Mr. PASSMAN. It is not binding on me.

Mr. RHODES. Unfortunately, the Congress enacted into law some of the most amazing words in the authorization bill of last year that have ever been known to man.

Mr. PASSMAN. That is right.

Mr. RHODES. That is what we are struggling with right now.

Mr. PASSMAN. It will break out in another few years.

TRANSLATION CENTER, AFRICA REGIONAL

You have the translation center, $200,000. Last year you had $60,000. You have unliquidated $35,000. Why would you need an additional $200,000?

Mr. HUTCHINSON. This project is just getting started. It is a project for translating African technical publications into French, utilizing local personnel. This is so much more efficient than trying to get translation done here, or in France. We put a translation center into a French-speaking area in Morocco in order to be able to get translation of technical materials that can be used throughout ex-French Africa.

Mr. PASSMAN. They are going to translate to each other?

Mr. HUTCHINSON. They are going to be translating technical publications into French so they can use them throughout French Africa.

Mr. PASSMAN. You have other costs, $139,000. What does that include?

Mr. HUTCHINSON. This is the local cost for translating service and that sort of thing.

AFRICA REGIONAL TECHNICAL ADVISORY SERVICE

Mr. PASSMAN. Regional technical advisory service, $550,000. Could you tell us how much you obligated in that program last year?

Mr. HUTCHINSON. In fiscal year 1961, $218,000.

Mr. PASSMAN. You obligated an additional $545,000 in fiscal year 1962. You had unliquidated $350,000?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Why should that be so high?

Mr. HUTCHINSON. We are having to get these centers established in a number of locations here in fiscal 1962 and in 1963 so the unliquidated obligation will jump up in the first part of the program.

Mr. PASSMAN. You are requesting $550,000 in fiscal year 1963?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Other than the other cost part, you have $300,000 for U.S. technicians?

Mr. HUTCHINSON. That is correct, sir.

Mr. PASSMAN. In addition, a liaison office was established in London in order to coordinate more closely the United States-African programs with the United Kingdom Government?

Mr. HUTCHINSON. That is correct. This has been in existence for some time.

Mr. PASSMAN. What do you mean by "more closely"? Have there been any estrangements?

Mr. HUTCHINSON. No estrangements. There has been considerable lack of information between us and the British as to what they were doing and what we were doing and the reasons each of us are doing the things we are. We feel there is a very great need for closer coordination between the two countries. In fact, we just sent a group over to London within the last month to explain in some detail the nature of the programs we are carrying on.

Mr. PASSMAN. Explain to the British?

Mr. HUTCHINSON. Yes, and in particular to explain to them we do not want to be involved in the financing of budget support costs.

Mr. PASSMAN. We do not want to, but we are doing a great deal of it around the world; are we not?

Mr. HUTCHINSON. Certainly; we want to keep it to the absolute minimum in Africa. We do not want to get involved in supplanting the British and French.

Mr. PASSMAN. When did you open the office in London?

Mr. MOSSLER. Some years back.

Mr. HUTCHINSON. I do not know the exact date, sir.

SUPPORTING ASSISTANCE TO GUINEA

Mr. RHODES. Why are we giving supporting assistance to Guinea? (Discussion off the record.)

Mr. HUTCHINSON. It is a commodity import program that we do not think has a real developmental thrust so we are not financing it out of development assistance. We did not feel in the beginning we could meet developmental criteria.

Mr. RHODES. Is it not oriented toward the Sino-Soviet bloc?

Mr. HUTCHINSON. There had been some considerable indication of their orientation in that direction. There have been indications in recent months of some definite desire to improve relations with the West after the rather traumatic experience they had when they became independent and a number of actions were taken that made them feel they had been rather affronted and abandoned. We feel we have an opportunity here to get some fairly significant improvement in relations, and that is the reason for supporting assistance.

Mr. RHODES. Are they breaking away from their previous alinement with Ghana?

Mr. TROXEL. Off the record.

FISCAL YEAR 1962 FUNDS FOR DEVELOPMENT GRANTS

Mr. PASSMAN. Last year there was a combination of technical aid and grants, all in the same package. You had the illustrative programs for $259 million; is that correct?

Mr. MILLER. My recollection is that $259 million was the continuing cost.

Mr. PASSMAN. You had $37,600,000 completely free and loose in there with which to start new projects—that was the amount we appropriated, $37,600,000, over the $259 million; is that correct?

Mr. TENNANT. You appropriated $296.5 million.

Mr. PASSMAN. I am talking strictly about the new appropriation. We appropriated $296.6 million.

Mr. TENNANT. That is right.

Mr. PASSMAN. You had continuing projects, $259 million, and you had $37,600,000 that you used to start new projects with on a world-wide basis.

Mr. MILLER. My recollection was that we stated, even as to the $259 million in development grant projects, we were going to subject those to a deep review as well—and some of those might be augmented, some might be reduced, and some might remain the same.

Mr. PASSMAN. And that some might even be discontinued?

Mr. MILLER. Yes.

Mr. PASSMAN. Am I making a statement of fact, there was a $259 million amount for continuing costs?

Mr. MILLER. That was the estimate.

Mr. PASSMAN. But we appropriated $296.6 million, which gave you $37.6 million out of this appropriation for new projects, new programs; is that correct?

Mr. MILLER. During the presentation last year, you will recall we said we would start some new projects.

Mr. PASSMAN. I am just asking a question.

Did you have $37.6 million to initiate new projects and programs out of the development grant fund? All I am trying to do is to see if the total of the two add up.

Mr. MILLER. It is my understanding that $37.5 million——

Mr. PASSMAN. I would have compromised on that, even though you were wrong, 10 minutes ago.

Mr. MILLER. We did have $37.5 million for new projects with the qualification, as I stated, about the continuing cost portions, that some of that might be reduced or some projects would be augmented to meet the new criteria.

Mr. PASSMAN. All of the $37 million could have been used to start new projects, or part of it could have been applied to one of the continuing projects in the $259 million allocation, where you did not have sufficient money?

Mr. MILLER. That is my understanding.

Mr. PASSMAN. Thank you, Mr. Chief Counsel.

NUMBER OF PROJECTS

Mr. MILLER. You used the figure of 2,964 projects. I wonder if that was the figure that I heard correctly.

Mr. PASSMAN. Why do you not count them and see if you get the same number?

Mr. MILLER. We indicated earlier we had for fiscal year 1963 about 900 projects.

Mr. PASSMAN. You count the projects.

Mr. TENNANT. As of June 30, 1961, we had 1,945 grant projects. Mr. Miller was saying projects for 1963.

Mr. PASSMAN. I know how many projects are in there. I am going to rest on my figures. You take one of these pages here—agriculture sector. When you finish dissecting, you have a lot of projects. You canceled 1,000. You did not give us an explanation.

For Spain, since you have no program and you do not need any money, I suppose there would be no need to discuss it.

Mr. HUTCHINSON. I would be perfectly happy not to discuss it. I would be perfectly happy to discuss further that particular item you referred to if you wish.

Mr. PASSMAN. There are so many items I referred to that we are still waiting on, and I hope the information will be submitted.

There are the $54,000 technicians and the $44,000 technicians, for example. So give us some information as soon as possible.

Mr. HUTCHINSON. We will be glad to provide you with information.

DEVELOPMENT LOANS TO YUGOSLAVIA

Mr. RHODES. Is Yugoslavia in there?

Mr. PASSMAN. Do you have development credits in Yugoslavia?

Mr. RHODES. Loans.

Mr. PASSMAN. I did not know you had a loan program. I know Secretary Dillon referred to them as development credits.

Mr. RHODES. I stand corrected.

Yugoslavia has $——— in development credits.

DEVELOPMENT LENDING RANGE FIGURES

Mr. PASSMAN. I want the record to show the hearings have been centered around the grant aid program. Our examination has been principally concerning grant aid, because you indicated in the beginning that you had a fantastically high figure. There is a vast range between your high and low figure for development credits.

Mr. HUTCHINSON. I testified in that connection, sir, we had possible project listings which could be in excess of even the high range. However, we know they will not all come to fruition, so we have used in the estimate of what we would require for this region as a part of the total, the low figure.

Mr. PASSMAN. What is the low figure on development credits for your region?

Mr. HUTCHINSON. $200 million.

Mr. PASSMAN. What is the high figure?

Mr. HUTCHINSON. $280 million, including Europe.

Mr. PASSMAN. What is the imaginary figure you mentioned a moment ago?

Mr. HUTCHINSON. Something over $300 million that our list adds up to.

Mr. PASSMAN. I expect that if you did not get a dime of it, you still would have enough working in the grant-aid category to keep the program going.

A good part of the program we have discussed will educate these people in fields of manufacturing and in the fields of industry and in the fields of banking, and cooperatives, so we will be called upon for capital investment at a subsequent date?

Mr. HUTCHINSON. There is a significant amount, but when you say a "good part" in relation to a request for $117 million, I am afraid someone might think we are talking about 40 or 50 or——

Mr. PASSMAN. I shall say, then, "a significant amount."

Mr. HUTCHINSON. There is money in here for those purposes; yes, sir.

Mr. PASSMAN. Sizable amounts; considerable amounts?

Mr. HUTCHINSON. For all of them.

ATTITUDE TOWARD YUGOSLAVIA

Mr. RHODES. I want to ask about Yugoslavia.

How much money will be in development credits for the follow-along for these projects which are listed in the book here?

Mr. HUTCHINSON. For the follow-along on the projects listed in the books?

Mr. RHODES. How much more will be obligated in this fiscal year for the projects that you have listed?

Mr. HUTCHINSON. None, sir. This is in accordance with the practice we have testified to and they have already been obligated.

Mr. GARY. The $——— for Yugoslavia has been obligated?

Mr. RHODES. The $——— is new money if it is used.

Mr. GARY. What effect will the language of the bill we passed today have on that $———?

Mr. HUTCHINSON. Very frankly, sir, I am not sure. When this $——— estimate was put in, it was a figure to show the Congress that we might make some loans, or a loan, in Yugoslavia, but also to show the Congress it was our intention under present circumstances that the volume of assistance we had been providing to Yugoslavia would be very substantially reduced over what the previous levels had been.

It is not a figure which relates to any particular project, or anything of the sort. But we thought that we should at least put some figure in, so the Congress would have an idea that there was at least the possibility of a loan or two in some such order of magnitude being made to Yugoslavia.

Mr. GARY. Let me say this, my people have been very lenient in their views on foreign aid. A newspaper just a few days ago made a survey check, not a poll, but spot checked various areas and reported 119 of these checked in favor of foreign aid and 29 opposed, which showed a very favorable attitude. But the paper reported that they were very bitterly opposed to any aid to a Communist country.

I think that sentiment is growing very rapidly throughout the United States. Frankly, I agree with it. I do not think we should give any aid to a Communist nation unless the national defense of the United States is definitely and obviously involved.

Mr. PASSMAN. Off the record.

(Off the record.)

Mr. PASSMAN. I do not know what other members' correspondence indicates, but every time I get one letter now endorsing foreign aid, there will be perhaps 18 to 35 against foreign aid. I will let any group from AID come to my office any day you select and open the mail, and if my mail is not running at least 10 to 1 against foreign aid, I will recommend every penny that you have asked for and fight for it on the floor.

You come any day you want to, pick the day. You can open the mail from the first mail that comes in the morning. I will even give

you a key. You let someone stay in the office to be sure I have not gone and taken any of the mail out. This mail is from throughout the Nation.

CREDITS AVAILABLE TO YUGOSLAVIA

What is the amount of unliquidated credits to Yugoslavia, in all categories?

Mr. MOSSLER. We estimate it to be, at the close of fiscal year 1962, $48,102,000.

Mr. PASSMAN. Is that the total?

Mr. MOSSLER. That is the total.

Mr. PASSMAN. How much?

Mr. MOSSLER. $48,102,000, of which loans are $41,473,000.

Mr. PASSMAN. Is that the same type of so-called loan that Mr. Dillon referred to as development credits?

Mr. HUTCHINSON. You will find the terms on these Yugoslav loans were usually quite different from the terms of a number of other loans. The periods are shorter, and in some cases the interest rates run up to 5.5 percent.

Mr. RHODES. Mostly payable in dinars?

Mr. MOSSLER. Most of them, but——

Mr. RHODES. Two of the loans, a fourth repayable in dollars?

Mr. MOSSLER. Yes, sir.

The point I am making is that at the time these loans were made, the basic policy was to have the loans repayable in local currencies.

TOTAL AID TO YUGOSLAVIA

Mr. PASSMAN. What is the amount of aid we have given to Yugoslavia, in all categories?

Mr. HUTCHINSON. It is something in excess of $2 billion. If my memory serves me right, it is $2,189 million.

Mr. PASSMAN. We have given to that country $2,278 million.

Have you planned a program of development credits for Yugoslavia?

Mr. HUTCHINSON. No.

Mr. PASSMAN. That was to fill up some space, and you stuck in $——— for them; is that right?

Mr. HUTCHINSON. Not to fill up some space.

Mr. PASSMAN. Whatever it is, you put in $——— that could be considered for Yugoslavia?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. How many of the other countries do you have a similar figure for, that could be used but may not be used?

Mr. HUTCHINSON. We have no other country in which we put a figure in on the same basis for Yugoslavia, so we would indicate there was a possibility we might make loans in Yugoslavia. This was to indicate we were thinking of them in quite small amounts. This was put in purely and simply so that we could indicate in advance that this was a possibility rather than showing zero in here now, and then making a loan later and having the Congress quite legitimately say, "You showed zero in your book because you did not want to face the music of indicating you might be making a loan."

LEVEL OF AID TO EUROPE-AFRICA REGION

Mr. PASSMAN. You run a range there from $200 million to $280 million to an envisioned $300 million.

What category does that $——— fit into, in the imaginary figure, the high-range figure, or the low-range figure?

Mr. HUTCHINSON. Sir, it is included in the $280 million. We got a figure $——— for Africa, and we put the $——— in for Yugoslavia to get us up to the $280 million. That is the way we got to the figure.

We do have projects actually for which we have applications that could run greatly in excess of this amount. As a matter of fact, we thought in all fairness and honesty we ought to indicate to the Congress that under the prevailing policy it was possible that a small amount of loans might be made to Yugoslavia.

Mr. PASSMAN. It could well be that, in going through all of these projects, we may be able to strike yours from $280 million down to $200 million, and hit that low range without causing any great damage.

Mr. HUTCHINSON. We do think that $200 million is a good estimate of what will, in fact, eventuate out of the program, sir. We do have projects which total up to the figures considerably in excess of this.

Mr. PASSMAN. Let me say very respectfully, do not let your enthusiasm get you too committed.

Mr. HUTCHINSON. Let me say one thing off the record?

Mr. PASSMAN. Surely.

(Discussion off the record.)

Mr. PASSMAN. The committee stands adjourned until 10 a.m., tomorrow.

APPENDIX

(The following information was supplied in response to the discussion on p. 937:)

Staff housing built overseas by AID and predecessor agencies from July 1, 1952, to June 30, 1962

Region	Number of units [1]	Cost
Far East	473	$7,938,670
Africa/Europe	84	1,554,290
Near East/south Asia	30	558,250
Latin America	25	435,350
Total, worldwide	612	10,486,560

[1] Includes living units in apartment buildings as well as houses.

Report by Hon. Silvio O. Conte on Trip to Africa, October to December 1961

During the past recess of the Congress, from October to December 1961, Representative Robert H. Michel and I, accompanied by a staff member, Mr. Ross Pope, all of the House Appropriations Committee, visited a variety of African nations, representative of the countries of that continent which are daily in the focus of American and world attention. These nations included Morocco, Liberia, Nigeria, Republic of the Congo (Léopoldville), Republic of South Africa, Rhodesia, Kenya, and Ethiopia. The report of the delegation which went to these nations can be found on pages 1508 through 1522 of part 3 of the hearings on the Department of Agriculture appropriations for 1963. This supplementary report contains certain observations of those nations which we visited, with particular reference to the form which I believe our foreign aid efforts should take in the future.

Quite naturally, I will be interested in discussing the internal and international political views of the present governments, especially in regard to the question of neutrality in international affairs. In opposition to much of the current political thought in the United States, I came away from Africa convinced that though a nation on that continent declares itself an international neutral, our assistance and interest in that nation must be determined by inspection of the facts that probes deeper than the views of that nation on neutrality. The question of neutrality is complicated by a multitude of additional factors. For instance, on the one hand, the Republic of South Africa is closely alined with the West, though its internal racial problems and policies make our relations most delicate and difficult. On the other hand, Nigeria, a self-declared neutral, has the potential to exemplify for the other newly independent nations of Africa the processes of social, political, and economic development. Close cooperation between our two Governments could be one of the greatest factors in progress toward independence with strength throughout all of Africa.

I shall also examine, briefly and without expertness, the economies of these various nations in the light of how both the private and public sectors of the United States can assist in bringing the large masses of people of these countries a higher standard of living and, thereby, a stronger independent status with the ability to resist encroachment by any foreign way of life.

My greatest interest, then, is in improving our foreign aid program in these nations. Quite obviously since the initiation of the Marshall plan in the late forties, we have been successful in those areas where we have assisted in rejuvenating an already established economic system, complete with modern social institutions, a stable political system, and technological knowledge. However, we are no longer dealing with nations which have this kind of a headstart. We are now working with countries which, as in the cases of southeast Asia and Africa, are newly independent or countries which as in the cases of the Middle East and South America, have not moved into the modern age under the institutions they have had for several centuries. Therefore, our job is substantially different and more difficult. Today, however, we have the beginnings of an outline of how to go about aiding these nations and thereby accomplish the goals of our foreign aid program which has, since its beginning, been twofold. First, in the interest of peoples throughout the world, we seek to bring a partial end to unnecessary poverty, disease, death, and disrespect for the natural rights of every human being. Second, in our own national interest, we seek to be secure from aggressive communism.

This outline for success of our revised foreign aid program includes several criteria which I shall attempt to measure as I discuss individual nations. These criteria include the willingness of each country to help itself, to plan for its own future, to install into its social structure the institutions necessary to increase social justice, and to adopt the policies which will improve the lot of all the people, not just a chosen few.

Most of the characteristics and many of the most flagrant needs of all African nations are well known to every American. I cannot emphasize enough how very correct our impressions are of certain of these needs. They stand out so violently that any schoolboy would recognize them on first contact. They are the need for primary, secondary, and higher education, the need for professional medical care and commonsense personal and public hygiene, the need for a higher standard of living among the masses, and the need for systems of communications within the nation, with the continent, and the rest of the world. The knowledge which we have of the many very basic mistakes which were made in the unnatural territorial divisions by the colonizing nations was confirmed by my visit. Borderlines are drawn with little regard to economic or natural divisions

of people. Therefore, situations are created which render nations unable to support themselves economically or to unify themselves politically. This balkanization of Africa is a fact, and the question that stands before the African nations and those interested in their future is what to do about it now.

There are, of course, many fascinating and interacting forces present in these countries which have frustrated many of our efforts in Africa. One, alleged to be the most crucial and certainly the most publicized, is nationalism. It is a logical projection of the feelings of these people about colonialism and independence. Their hatred of foreign domination and desire to determine their own destiny have led them, not unexpectedly, to attempt to prove to the world that they are as sovereign as any other nation with characteristics of individuality that set them apart from all others. Also, quite logically in this materialistic world, the feeling of nationalism has led many of these nations to ostentatious extremes which are misguided and totally unwise. The underlying thought, of course, comes from a great impatience to emerge from an underdeveloped state into this modern era. Too often, much needed resources have been spent on projects with lots of glamour and little value to the masses of people. Great and beautiful buildings have been built, yet there are no skilled workers to make the most minor of repairs in them should they be needed. National pride is often buttressed at great and unnecessary expense to the national treasury. It is in this regard that the United States, in dispensing its own valuable financial resources in the form of foreign aid, must convince these nations that a program for sanitizing a national water supply is more valuable than providing its head of state with a palace comparable to Versailles.

Similarly, we often find a nation with no comprehensive primary educational system but a vast university beautifully designed and built, though faced with a very small number of prospective students. As a corrective measure to such waste, it is my deep conviction that our assistance to African higher education should be, in part, based upon the goal of developing regional institutions rather than national institutions.

If, for instance, we could build and staff one agricultural school near the common boundary of three or four African nations, this would be more desirable than attempting to build four agricultural schools, one in each nation. Obviously, such a system should be conceived out of the absolute necessity for educating the greatest number of people in the shortest possible time, both in advanced technology and philosophy and in the very basic skills necessary to produce a labor force to facilitate economic growth throughout Africa. Very simply a system of higher education in Africa which would teach technical skills, the professions and most of the liberal arts should be instituted on a regional basis serving more than one nation. These and other proposals are made in the following report.

MOROCCO

Morocco, strategically located on the northwest coast of the African Continent at the gateway to the Mediterranean Sea, is plagued by economic and political problems which are dissimilar to those hindering the development of the other newly independent nations of Africa. In the case of Morocco, these problems can largely be attributed to the political history of the country and the present structure of the Government. Until 1912, when Morocco became a French protectorate, the Moroccan people had successfully turned back numerous foreign invasions, primarily those of the Turks. Although the French wisely perpetuated the Moroccan monarchy, which has been in existence for 300 years, they attempted to maintain complete control of the Government by enthroning Mohammed V, whom they thought would be a perfect puppet. For several years this belief was justified. However, eventually an independence movement led by a group of young nationalists appeared, and the King began to lend his efforts to their cause. The strength of this movement gradually grew, and in 1953, when the French exiled Mohammed V, it became an insurmountable force. As a result, in 1956, the French granted Morocco its independence.

After independence, Morocco's absolute monarchy was restored. Upon the death of King Mohammed V, his son, Hassan II, began his reign in February 1961. Although the structure of the Moroccan Government appears to be a modern one, its Ministers and Cabinet officials are under the complete control of the King and the people have no representative voice in their National Government. A reform movement appeared which advocated that the Moroccan people be granted a constitution, the right to elect members of the Parliament, and the right to create an assembly. This movement, composed of labor unions, students, intellectuals, middle and low level Government employees, and small merchants, does not severely threaten the power of the King, since he still

maintains the support of the Moroccan Army. The King has told his people that the Government's structure would be reformed to give the people a representative voice, but his promise has not yet materialized. This failure to instrument his promise is undoubtedly out of a fear that a transfer of political power would leave him a mere figurehead.

However, hope for reform still exists since just recently the King gave complete freedom to the press, which favors reform. Although the press is not Communist, there are many writers of the press who sound enthralled by communism. In their attempt to penetrate the country, the Communists have found the Moroccans, primarily because they fear that a change in their Islamic religious systems and an isolationist suspicion of foreigners, unreceptive to Communist ideology.

The 44-year period of French rule has created two basic problems, magnified since independence, which today stand in the way of her economic development. The first is a weak economy characterized by a concentration of agricultural land in the hands of a few, not many significant industries, and an inequitable distribution of wealth.

The instability of the present economy is to a large extent the result of the French rule. During this period of domination the French drained from Morocco much of the country's resources, making it impossible for the Moroccans to develop a self-sufficient economy. Following independence the French population decreased from 340,000 to 170,000, and much of the French private investment was withdrawn, creating a great deal of unemployment. This mass exodus of expatriates and capital left the country without sufficient skilled technicians, farmers, and French capital upon which their economy was almost completely based.

Agriculture, the basic livelihood of 75 to 80 percent of the Moroccan people, is the foundation of Morocco's economy. The development of a strong agricultural system, one of the keys to Morocco's economic development, is hindered by two factors. The first is the present concentration of large holdings of the most productive farming land in the hands of the Moroccan Government and the French. The second is the great aridity of much of the Moroccan land and a serious shortage of water for irrigation. Morocco's industrial development, the second key to the strengthening of Morocco's economy, has been anything but extensive, and the withdrawal of French capital after independence, made industrial progress more difficult. At the moment a part of its traditional industry is based on small leather tanning shops, copper shops, mining and flour mills. The productivity of the tanning industry has declined because of the primitive processing methods which it employs. However, in an attempt to make this industry more productive, two mobile tanning units which employ the most modern processing methods, have been introduced. In addition a group of Belgian-educated Moroccans are presently training their compatriots in the most modern tanning methods. It is anticipated that these efforts will revolutionize this Moroccan industry, making it possible for it to regain its former well-known reputation and making a significant contribution to Morocco's economic growth.

In addition to its attempts to revitalize the tanning industry, the Moroccan Government is trying to encourage new capital and industry to enter the country by offering tax incentives and cash bonuses. However, these efforts have not been successful. Prospective investors are reluctant since the present political situation is so dubious. Even the French, who have a considerable amount of money banked in Morocco, are hesitant. Because so little new capital is entering the country, its economic progress since 1956, has been almost nonexistent. In developing industry in Morocco the development grant projects of the United States are devoted to assisting their economy in (1) establishing special institutions for the promotion of private development, (2) evaluating the economic and technical feasibility of selected new industries, (3) training personnel for capacities in management, engineering, technological, and skilled labor.

The second basic problem which faces Morocco is that of educating its people so that they may assume a prominent role in their country's economic, social, and political development. During their rule, the French made almost no attempt to train the Moroccan people to assume the responsibility of running their government and economy. The seriousness of this problem is obvious since 82 to 85 percent of the country's people are illiterate and Morocco's educational system is inadequate for its present needs. Although the Moroccan Government now administers the system, so many of its teachers are still French that the French more or less maintain the educational control which they had before Morocco became independent. This has resulted in an inflexible curriculum which places too little emphasis on vocational education.

The signing of a bilateral agreement between the Governments of Morocco and the United States in April 1957, initiated a program of U.S. assistance to Morocco. Our country's basic objective in granting this aid was to provide the Moroccan people with a higher standard of living, to be achieved through an improved educational system and an accelerated development of its agricultural, mineral, and industrial resources.

A substantial part of the U.S. participation in Morocco's development is based on AID's Food for Peace program. This program includes supplying Morocco with 150,000 tons of surplus wheat which are used for the partial payment of the wages of those Moroccans working on agricultural and public works projects. In addition, this program has provided 50,000 tons of wheat which, when sold on the Moroccan market, generated the equivalent of $3,300,000 in Moroccan currency. These additional funds enabled the purchase of tools and equipment necessary for the implementation of these projects.

The Moroccan Government, with the financial assistance of the Food for Peace program, initiated Rural Promotion, a program of rural development. The aim of this program was to eradicate the unemployment caused by the withdrawal of French capital and the seasonal unemployment characteristic of the agricultural sector of the Moroccan economy, as well as initiating irrigation and reclamation projects, made necessary by frequent droughts. More recently, this program has been incorporated into the Moroccan Government's more inclusive development program, National Promotion, including the initiation of educational and public works projects.

At the moment, these projects are providing work for 80,000 Moroccans. These laborers are paid the equivalent of $0.40 in cash and $0.40 in wheat and farina daily, which is provided by the Food for Peace program. In order that the success of these projects be assured, these peasants had to be reminded that this salary, although small, was still an increase over that which they had previously been able to earn. In addition, the laborers had to be convinced that these projects were in the collective, rather than the individual, interest and that their success could only be achieved through their cooperative efforts.

Originally this program was geared toward the development of those areas of the country with the greatest potential. At the moment, however, the Moroccan Government has changed the emphasis of the program, and in order that the money be utilized to its greatest potential, priority is now being given to projects in the poorest areas of the country.

While in Morocco I inspected several of the projects which have resulted from this development program. The first was the construction of a 50-mile highway from Fez into the Rif Valley, which, like so many of the projects, is made possible by the U.S. Food-for-Peace program. The 300 Moroccan laborers constructing this road are working without the aid of mechanical equipment. This project will be one of great agricultural significance since it will provide access to 200,000 acres of rich agricultural land located in an interior valley.

Soil conservation is another integral part of National Promotion. When it does rain in Morocco, the rain is so torrential in character that it erodes much of the valuable fertile soil. Therefore, hillsides are being terraced and planted with shrubbery and crops in an effort to prevent further erosion.

Since one of Morocco's greatest needs is water for irrigation, numerous catchment basins are being constructed to retain the large quantities of water which fall during the short rainy season. Before the initiation of this project, this valuable water was allowed to run off, rather than retained for irrigation purposes.

The educational, as well as the agricultural, needs of Morocco are not being ignored. The King has initiated a school construction program in which the community involved is cooperating in the construction of these schools. Many of the schools, being built under this program are financed by the Food for Peace program. As a result, 1,200 additional classrooms have been built, and since 1956, the enrollment of Moroccan schools has risen from 200,000 to about 1 million students. However, in spite of these tremendous improvements, education remains the primary problem with which Morocco must deal, since the system is still hampered by a great shortage of teachers and equipment.

In order to improve the quality of Moroccan education, the United States is giving the country financial and technical assistance in this sphere of its development. The mechanical equipment and four teachers we have provided for the Cité Mohammedia Vocational School in Casablanca are an example of this interest. The estimated 250 high school age students attending this vocational school have all had previous general education and are studying to become skilled machinists, tinsmiths, auto mechanics, sheetmetal workers, welders, and electricians. Presently, the Moroccans, themselves, are administering the

school with the aid of an American adviser who is serving as its director, and significant progress is being made. The need for vocational schools, training those with aptitude for basic skills, cannot be overemphasized. In every country, such as Morocco, where the settlers from Europe have left since independence, there is a great void in skilled labor. If any industrial progress is to be seen, if any foreign capital is to be attracted, a labor force capable of filling the jobs created will have to be available. The stress upon traditional education cannot overshadow the immediate demand for an able labor force.

I was extremely impressed by the progress being made by the Moroccans who receive their training at this school. It is encouraging that the foreign aid funds, on which the operation of this school is based, are indeed well spent and are providing the kind of help that will make it possible for the people of Morocco to train the greatly needed skilled workers for their country.

In addition to this exceptionally fine vocational school, three other important educational projects have been started. The first is a student exchange program which is sending Moroccan students to the United States and to the University of Beirut in Lebanon. There, they are receiving technical educations so that they can return to their country and teach other Moroccans their recently acquired skills. The second is a program similar to our 4–H program in the United States, while the third is a program of extension courses in agriculture.

In spite of these commendable educational achievements, the present Moroccan educational system can be improved. In my opinion Morocco would be an ideal location for the construction of an institution of higher learning similar to the University of Beirut in Lebanon which has been so terrifically successful in the Middle East. Of course, as in the case of the University of Beirut, any such institution should serve all of the surrounding area which would logically be all of north Africa. Such a project would be even more feasible since the counterpart funds for its construction are presently in Morocco.

These agricultural and educational projects which I have mentioned, and other similar projects which, initiated with the financial and technical assistance of the United States, are concrete evidence that the frequent criticism—that the people of the country do not benefit from our foreign aid—is not true in the case of Morocco. These agricultural and educational projects are enabling the Moroccan people to participate in their country's economic development and will enable them to benefit directly from a rising standard of living.

Because of Morocco's strategic geographic position on the African Continent the United States has had three bases of the Strategic Air Command, a naval air base and communications centers within that country. In 1959, however, we agreed to vacate these bases in 1963. The effect of the spending of the American personnel manning these bases and the money which has consequently been put into the Moroccan economy will all be lost as we pull out. There have been various predictions that the loss of these resources will be a significant step backwards for Morocco. In this I would completely concur. As a result of my visit to these bases I enthusiastically congratulate our military personnel for their conduct in Morocco and for the mutual understanding which has been generated by their presence.

American military support to Morocco is motivated by our desire to prevent that country from becoming solely dependent upon the Soviet Union for her military equipment. Already the Soviets have moved into Morocco, providing them with Mig aircraft, small arms and ammunition, artillery and heavy equipment. Our supporting assistance program to Morocco has been in return for their grant of military bases.

As the presently fluid situation in North Africa, revolving primarily around the establishment of an Algerian Government, stabilizes itself, our future relationships with Morocco will become more predictable. The future relations between the Algerian rebel leaders and the Moroccan Government, as well as the settlement of any disputes between the two groups, will be of vital concern to the United States in coming months. We cannot afford to ignore in any way the potential leadership role of Morocco in north African affairs.

LIBERIA

Liberia, independent since its establishment as a state in 1847, is located at the western bulge of the African Continent and was founded in 1822 by a group of freed Negro slaves from the United States. In spite of its long period of independence, Liberia's economic growth has been almost nonexistent. The static nature of the economy can be attributed to several causes.

First, although the fact that Liberia has always been an independent nation creates great patriotic satisfaction, it is because of this lengthy independence

that Liberia, today, lacks some of the material advantages which several of her African neighbors accrued as colonies. Specifically, Liberia's systems of communication, transportation, and education are noticeably inferior to those of other African countries which are today, or were in the past, controlled by European powers.

In the second place Liberia's acute shortage of labor has seriously retarded her economic growth. Although no reliable census has ever been taken, only 85,000 of her estimated population of 1 million people comprise the country's labor force. This small population and small labor force is a direct reflection of Liberia's extremely poor health conditions and inadequate health facilities. The Liberian people suffer from a high incidence of infectious diseases, the lack of sanitation, medical care, and a protein deficient diet. Although our AID program, missionary groups, and foreign industries have brought doctors and medical services into the country, an acute shortage of trained doctors, nurses, and midwives still exists. The combination of these factors causes a tragically high infant mortality rate and the low productivity of the Liberian labor force. At least half of the children born are dead before they reach the age of 3. This high infant mortality rate is the major factor determining the country's underpopulation and labor shortage and one which must be eradicated if Liberia is to attain a high degree of economic growth and development.

For many years Liberia has been divided into two social groups: the indigenous tribal groups which inhabit the rural interior, and the Americo-Liberians, descendants of the original American Negro settlers, who inhabit the coastal regions. Before President Tubman's election in 1943, the Americo-Liberians, at the expense of the inland tribal peoples, ran the Government according to their own selfish aims. However, President Tubman established and is currently carrying out a unification policy aimed at the integration of the indigenous population into all phases of national life. Presently, the Secretary of State, the Chief Justice, the Director of Public Health, the Under Secretary of the Interior, and 11 out of the 39 members of the House of Representatives are of tribal origin. However, the inadequate system of transportation and communication is impeding the present Government's worthy aim of integrating the rural interior with the coastal elite.

The lack of a strong educational system is another factor affecting Liberia's economic development. It is estimated that about 95 percent of Liberia's populace is illiterate, that only 20 percent of the population knows enough English—the official language of the country—for effective communication, and that only 27 percent of school age children actually attend school. As a result, foreigners comprise almost 95 percent of all the high level manpower employed in the country. In addition, there is a shortage of qualified teachers, classrooms, and equipment.

Several political problems also hinder Liberia's economic development. Uncontrolled and misallocated spending has resulted in unnecessarily lavish projects such as the President's new combined residence and executive office building in Monrovia, which is being constructed at the estimated cost of $9 million. In addition, cases of graft and corruption have occurred in Government operation. Instead of being spent on unnecessarily lavish Government buildings in an attempt to raise the country's prestige, these funds should be directed toward the construction of schools, hospitals, and irrigation projects which are desperately needed if Liberia is to progress economically.

Finally, if a country is to develop economically, its people must desire this development and work toward its achievement. Until recently the Liberian people lacked this incentive. Now, however, the Liberians have become aware of the great strides being made by their African neighbors and are concerned about the development problems of their own country.

Between 1870 and World War II, the United States did not give economic aid to Liberia. However, following the war we initiated an aid program which was reassessed in 1960. It is apparent that in the fields of health and education, the aid we have given Liberia has done much to mitigate the problems which are blocking Liberia's progress.

The focal point of the present health program is a group of mobile health clinics, which move from village to village treating about 500 people per month. This system of health treatment is relatively ineffective, because though some progress has been made in the construction of roads, the lack of a comprehensive highway system restricts the area in which such a program can be administered. Also part of the American sponsored health program included a campaign against the protein-deficient diet and infectious diseases such as malaria and dysentery.

In an attempt to augment the national world school program six schools have been constructed under the cooperative efforts of AID and the Liberian Govern-

ment. I visited one of these schools located in the village of Sucrono in the Zorzor district of Liberia. This school was constructed with the help of the Liberians in the community. Women and young girls carried sand and gravel long distances, totalling 12,000 miles, and men and boys made cement blocks and assisted in the actual construction. I also visited the teacher training institute in Zorzor where I addressed its student body and was quite impressed with the program. The Liberian Government donated 1,100 acres of land while the United States contributed $350,000 for the institute's construction. Now, in cooperation with Cornell University, San Francisco State College, and Tuskegee Institute, the U.S. Government is helping Liberia plan a 10-year education program.

Since 1950, as the result of this American financial and technical assistance, significant progress has been made toward the improvement of the Liberian educational system. At this time there were 684 teachers and 810 classrooms. Now, there are 1,800 teachers and 2,580 classrooms, and it is hoped that by 1972 50 percent of the populace will be literate.

American funds can also be validly utilized in the development of a strong agricultural system which is extremely important because of the protein deficiency in the Liberian diet. The present state of Liberia's agricultural system is quite primitive, and at the moment, the two principal food crops are rice and cassava. The low productivity of the land is caused by the Liberian practice of shifting cultivation which removes most of the soil's fertility.

Some steps toward the development of a stronger agricultural system have been taken. In an attempt to diversify the agricultural base and improve the Liberian diet, vegetables suitable to the Liberian climate are being introduced. Also research is being conducted on the selection of various coffee strains and fiber products in order to develop more productive export commodities. Finally, in the last 2 years, small rubber farms have been started, and the latex grown there is sold to the Firestone Co. in Liberia.

Since foreign private investment in Liberian agricultural and mineral resources provides the country with export commodities such as rubber, palm oil, coffee, cocoa, and agricultural fibers, these investments play a large role in the development of her economy. When President Tubman took office, Firestone was the only large enterprise in Liberia. It employs between 20,000 and 25,000 people of the country's labor force and has made rubber one of Liberia's principal export commodities. Firestone has also done a great deal to raise the educational and health standards of the country by constructing schools and hospitals and by bringing teachers, doctors, and nurses into the country. However, realizing that Liberian economy was becoming too dependent on rubber production and that additional foreign investment was necessary, President Tubman has been attempting to obtain additional foreign capital to develop the vast timber resources and iron ore deposits, which are among the largest in the world.

As a result of Tubman's efforts and the wealth of Liberia's resources, Lamco, a company whose capital is comprised of 40 percent American and 60 percent Swedish, is investing $20 million for the exploration of a newly discovered iron ore deposit at Mount Nimba. Besides developing this Liberian resource, this investment will give work to 25,000 Liberians. Lamco will also construct a port at Buchanan capable of handling 80,000-ton iron ore ships, and therefore, the port will be much larger than the Monrovia free port. This resource will provide an important source of revenue needed for the development of a modern state. Thus, in the past decode, the country's national budget has grown from $750,000 to almost $30 million. In addition, the success of free enterprise in this state, dependent to such a great extent on investment, will demonstrate to neighboring countries such as Guinea, that economic strength and an increase in the standard of living, is possible without a Communist instigated, state-controlled economy.

The United States is also involved in an extensive effort to reorganize and modernize the Liberian Government which is patterned after that of our country. In order to make this aim a reality we have sent a technical staff to help them with a small-scale Hoover commission and an economic survey. Also, we are in the process of assisting them to take the first Liberian census which will be completed sometime in 1962. Finally we have instituted a training program for executives and civil service employees in the hope that we will be able to persuade them to implement their present civil service laws.

While the efforts of the U.S. Government are commendable, there are, in my opinion, further improvements that we could initiate and sponsor in these and several other fields. For example, Liberia greatly needs a medical school or school of public health to instruct doctors, nurses, and especially local midwives

who need training in the sterile techniques of delivering children. This medical college would be a tremendously advantageous addition to the Liberian educational system. However, such a college would not be economically or practically sound unless its location enabled students to attend from three or four other African countries. A medical school set up and planned as a regional school would not only be much more economical, but would be able to offer a curriculum of broad enough variety to include such things as courses in nursing and public health. Also the Liberians must be taught the nutritive value of "protective foods," such as fruits and leafy vegetables, in order to overcome the protein deficiency in their diet. Even the smallest effort to reduce the tragic infant mortality rate would go a long way toward remedying the problems of underpopulation and labor shortage.

The Liberian Government must provide for the installation of an auditing system so that it can discern in what manner funds, allocated for development, have actually been spent. This will aid in the elimination of graft and misallocation of Government funds. In a country controlled by a small elite, foreign aid funds can become a means of increasing the power and economic status of this elite rather than economically strengthening the middle class so that they become the stabilizing influence in the country. For this reason, I believe that any country applying for foreign aid or loans should have to supply exact figures describing how its budget is being spent and in what manner it will be spent in the future. Naturally some satisfactory means of enforcement must be developed if this aim is to be materialized.

Much remains to be done in the fields of education and public works. The literacy rate must be raised substantially, and more schools and highways must be built. This will, in addition to raising the stature of the country, aid in a further integration of the coastal elite and the people of the rural interior. Additional money for these projects would be available if large amounts were not wasted on expensive, unnecessarily lavish Government buildings.

Next we must do all we can to erase the rapidly developing concept of Liberia as a "pawn" of the United States or a "black mouthpiece for imperialism." Liberia has been trying very hard to get rid of this reputation it has in certain Afro-Asian circles of being a "U.S. stooge." One device it has used with good effect to achieve this end has been to sponsor or support "African" positions at the United Nations. Inevitably some of the "African" positions—for example on the colonialism issue—have differed from the U.S. position with the result that Liberia and the United States have from time to time found themselves on opposite sides in U.N. votes. For example, Liberia has indicated that it would not again like to be the only black African country to vote in favor of the U.S. China policy in the U.N. General Assembly.For its part, the United States refused to participate in the vote on the recent Liberian motion to censure the South African Foreign Minister for the defense he made of apartheid. This does not mean that Liberia has been moving in the direction of neutralism. What it does mean is that Liberia has been attempting to make a practical political accommodation to the other Afro-Asian countries in an effort to maintain and, if possible, increase its influence with these countries.

In order that our foreign aid programs achieve the greatest possible degree of effectiveness in Liberia, as well as in other countries, I believe the following recommendations to be imperative. First, the United States must attempt to facilitate and increase social contact between Liberians and the Americans stationed and living in Liberia. Finally, when directing aid toward Liberia, as well as other countries, it is essential that the United States emphasize that the people of these countries must play an active part in the projects which this aid makes possible.

NIGERIA

From the moment of our landing in Lagos, the capital of Nigeria, I was impressed by this nation's eagerness for sound progress based on experience and planning rather than emotion and prestige. One gathers an immense determination on the part of the people that their nation should work to deserve the title of leader of all the newly independent tropical African nations. Perhaps the key to my feeling about Nigeria lies in the personnel of the Government, both civil servants and chosen leaders. They are a more stable group, completely trained and with the benefit of 10 years of extensive experience in governing behind them. Although Nigeria has only been independent since October 1, 1960, its entire land area has been governed by Great Britain since 1914. Nigerians began to have a legislative voice in their Government 40 years ago, and the early institutions established by the British

were formulated on the basis of native participation in government. These factors, I think, are crucial in explaining the difference between this nation and other newly independent African countries. When so many young African nations are experiencing the rule of men, rather than the rule of law, Nigeria avoided the stage of demagogues and would-be dictators who, on the basis of personal popularity, gather and retain power. Nigeria, in contrast to so many African nations, has started out with a recognition of the value of the rule of law and the control of civil servants, and has perhaps the best civil service structure in all of newly independent Africa. It was, then, this conscientious British preparation and the very smooth transition from the status of colony to that of an independent nation which has given Nigeria a real head start. But this is only one of the factors which allows me to evaluate Nigeria as having the greatest immediate potential of any new African nation.

The gross national product reached $3 billion in 1960. Since 1955, however, increased economic development has caused an unfavorable balance of trade. A rapid rise in the importation of commodities, due to an increased standard of living, and a decline in the price of some exports has been the cause of this unfavorable balance. Trade between the United States and Nigeria has grown rapidly, reaching record proportions in recent years. Significantly, we sell her food products, tobacco, heavy machinery and equipment, all of which are necessary to an expanding economy and an improving standard of living.

Economically, her products are primarily agricultural and mineral. Tin, coal, 85 percent of the world's colombite, small quantities of lead, zinc, and gold are all found here. On top of this, in the coming 5 to 10 years, Nigeria could well be one of the largest oil producing countries.

Nigerian coal, iron ore, and limestone deposits have created much enthusiasm for the establishment of an iron and steel industry in the country. Nigeria has a great potential for hydroelectric power and loans are being negotiated for dams on the Niger and Kaduna Rivers. These projects would have a triple purpose permitting the irrigation of some areas of potentially rich, but now arid, agricultural land, providing sufficient electricity for industrialization and electrification for a large part of rural Nigeria and making most of the Niger River navigable throughout the year.

Therefore, though the Nigerian economy is presently heavily agricultural and largely self-sufficient in food production, there is tremendous future for industrialization. If the agricultural system can be improved in conjunction with the development of an industrialized society, the outlook is most promising. For instance, if the hydroelectric potential can be developed in conjunction with the need for a water supply to irrigate land, we would have a project which would reap benefits to more than just one segment of the economy.

Governmentally, Nigeria is a federation of three regions or states, Northern, Western, and Eastern Nigeria, and a federal territory containing the capital, Lagos. It is definitely a federal system with the states having great independent power, thus hampering the activities of the National Government to a great extent. For instance, any assistance project involving U.S. aid must first be approved by the appropriate regional authority, and only thereafter, by the Ministry of Finance or the Ministry of Economic Development on behalf of the Federal Government.

In addition to this situation there are several political and social strains on the nation which are factors in hindering its progress. First, as is the case in most African nations, there are literally hundreds of different tribal groups, many of which speak entirely unrelated languages and are bound together only in a regional loyalty rather than in a national unity. Second, the control of the parlimentary government is in the form of a coalition between two political parties, each having representation in the Nigerian cabinet. Therefore, in adopting national policies, the feelings of the two must be constantly compromised, often a long and tedious process resulting in decisions that are, perhaps, weak. Third, since there was a relatively smooth transition from a colonial status to a sovereign nation, without a violent push for independence on the part of the people, there are occasional incidents of emotional outbreaks where the people seek to prove that they are really independent and not to be taken for granted. Fourth, the communication system of the country is based primarily on the press—a highly unsophisticated and irresponsible group with very little worldly experience. This quite obviously results in frequent misinterpretation of world events leading the small reading public to draw incorrect conclusions. Communications and journalism are obviously two of the most vital features in the progress of Africa and the education of Africans. It is hard to overempha-

size the importance of the press in Nigeria for there are 35 daily and weekly newspapers read by 750,000 people. Although the official language is English and 200,000 people are known to read English newspapers, the vast majority of the outlying regions still employs the many tribal languages, and therefore mass communication will be very very slow in developing. If the people are given misconceptions through the press, it will count very little that our Government and that of a particular African nation are in general agreement on international affairs. In the field of communications, there is an instance where Nigeria evidences the usual African impatience for modernization and desire for national prestige. I am told that there are relatively few television receivers in the entire African continent. Nigeria alone, with 8,500 receivers, has 1 commercial and 2 other television stations already and RCA and NBC are establishing a fourth for the Federal Government in Lagos. This is in addition to a commercial radio station and Radio Nigeria.

Internationally, Nigeria has remained in the British Commonwealth and has joined the United Nations and a number of its special agencies. Although in foreign policy she is an avowed neutral, Nigeria has a historical and logical association with the West. I feel that here is an example of neutrality which, before condemned, must be examined several layers deeper than the surface. For, because of her long and beneficial association with Great Britain and the West, because of her form of government, and because of her desire for real progress, neutrality, in itself, is absolutely no reason for withholding assistance or criticizing the motives behind a neutral position between East and West. In fact, Nigeria has been cooperative with the United States in allowing us to establish a Mercury tracking station there. If we are to view future assistance to a nation on an individual basis depending on that nation's program of self-help and plans for development, Nigeria stands high on the list. Careful attention to this need for a comprehensive plan has resulted in a 5-year development plan for the years 1962–67. The plan looks for four different phases to industrial expansion: (1) The potential of current enterprise, (2) a long-range study of national potential, (3) the promotion of new industry, (4) the financing of new industry. A similar program in the field of education is underway.

The United States has responded with economic assistance as Nigeria's planning has progressed and priorities for the use of outside aid, such as ours, have been established. Although the technical assistance program has been underway since 1955, fiscal year 1961 represented the first year of major U.S. assistance. For example, in 1960–61, grants and loans combined were over 2½ times—approximately $13.3 million—all U.S. economic aid in previous years. By far the largest proportion of U.S. aid has gone into projects such as teacher training, technical training, and higher or university level education. Programs in other areas of agriculture, industry, public administration, and communication are also receiving U.S. assistance.

My conclusion, therefore, is similar to that of a special U.S. mission to Nigeria headed by Mr. Arnold Rivkin, whose report was published in 1961, concluding that, "Nigeria would appear to be one of the most promising candidates for economic development assistance—grants and long-term loans—in Africa."

Like most developing countries, Nigeria has great need for external private capital investment. Federal legislation in that country is most favorable for investment, and the present Government has indicated many times that it has no plans for nationalization of industry. Many of the projects which I have just discussed could well be undertaken by foreign capital with more concrete assurance of success than exists in many other countries.

The Government of Nigeria thoroughly recognizes the importance of education and it is devoting 40 percent of its resources to lowering the 90 percent illiteracy. It is significant that 50 percent of American aid going to Nigeria is to develop an overall educational system. In the past there has been emphasis on elementary education, however, the dropout rate at the end of the third and sixth grades has frustrated efforts to provide more than the barest minimum. The past system in Nigeria has reflected this pyramid form where the base in primary education is broad but the peak of the pyramid is very narrow. Sixty percent of the schools have been conducted by missionaries and 40 percent by the Government, although the Government has contributed to the operation of missionary schools. In the field of education then, the projects of the United States have been geared for the improvement of the entire system with the greatest emphasis on teacher training. We have attempted to place our aid broadly across the nation, instituting projects in every region and each of the major cities—spanning every type of educational need from technical schools to model secondary schools. The progress toward improvement is as a result, slow, although it could well be very

complete across-the-board progress in every phase of education if each of the projects continues to be successful. Currently, under the coordinating direction of a chief adviser, a deputy chief adviser, and a program assistant, we are operating programs in every region of the country. Also, six college teams from the United States are under contract with AID and the Nigerian Government.

With the aid and stimulus of these U.S. college teams and the officials of AID, several novel educational projects are in progress. Since 1958, with the aid of a team from Ohio University, a Government teacher-training college at Ibadan has been in operation. Its original aims were to train commercial course teachers, to improve the skills of those already teaching these courses, and to plan commercial courses for the secondary schools of western Nigeria. In the same city, the Ibadan Technical Institute is operating under the direction of a team from Western Michigan University. This institute was initiated in order to provide skilled technicians to assist Nigerian engineers and shop foremen. At Enugu, in eastern Nigeria, a handicraft project presently is underway. Under the auspices of Ohio University, the project is aimed at the improvement of 18 handicraft centers throughout the country. This progress will be achieved through training handicraft teachers in metalwork and woodwork, as well as improving the present level of their skills.

In an attempt to improve the curriculum of the University of Nigeria, located at Nsukka, Michigan State University has provided the Nigerian institution with numerous advisers. Presently these specialists are advising Nigerian educators in the fields of education, agriculture, economics, social sciences, physical sciences, student affairs, and overall research and planning. In the near future they will attempt to improve the courses given at the university in agricultural economics, home economics, business administration, physical education, and engineering.

A teacher-training college specializing in elementary education is located at Kano in the northern region of Nigeria. This college offers preservice education to elementary school teachers, and further courses for uncertified elementary school teachers. It is also engaged in the development of novel teaching aids and the training of supervisory personnel.

In another attempt to train Nigerians in the practical and vocational arts, AID will provide $150,000 for the Port Harcourt Technical High School in eastern Nigeria. Under the direction of a team from UCLA, this school will train Nigerians in metal work, woodwork, mechanical drawing, and the applied sciences.

The Federal College of Education at Lagos will open this September. Although its initial capacity will be only 160 resident students, eventually this institution will enroll 450 resident students and the same number of day students. This college was established to increase the number of qualified secondary-school teachers, to provide teachers for teacher-training colleges, and to unify education methods throughout the country. In order to fulfill these aims, this college will be an advanced teacher-training center and will include a demonstration practice training school. This project is a joint undertaking of the Nigerian Federal Government, UNESCO, the Ford Foundation, and the Agency for International Development. The capital outlay for this project will be an estimated $1.8 million. AID will provide the equivalent of $500,000 toward the construction of the school; the Ford Foundation will contribute $300,000; UNESCO will provide $984,120 over a 5-year period to be used for the purchase of equipment and the salary of its staff; and UCLA will send 13 of its staff members.

At Aivetoro, a demonstration comprehensive secondary school will open in January 1963. It is estimated that by 1967 its enrollment will be 880 students. Intended to serve as a model for other secondary schools, it will incorporate the best principles and methods of American and European comprehensive schools, and at the same time, will be adapted to the educational needs of the Nigerian student. This school will introduce, particularly in the field of science, new syllabuses which have been developed in the United States by the National Science Foundation and especially adapted to present Nigerian needs. An American school will provide 15 specialists to institute this program and AID will provide $640,000 out of the total cost of $1.4 million.

In the field of agriculture we are sponsoring a comprehensive program of research, extension, and training. Agronomists, soil chemists, and a horticulturist are engaged in attempts to increase crop production. In addition we have sent specialists to find means of improving, especially livestock and poultry, production since the national consumption of proteins is dangerously low. Also

in the field of education, the first American delegation of Peace Corps volunteers was assigned to Nigeria. Reflecting this same attitude for quick and complete progress on every front, Nigeria originally requested 1,300 Peace Corps volunteers from the United States to aid in education, agriculture, health, and small industry. Obviously, the entire request could not be satisfied, and it was mutually agreed that for at least the first year the concentration would be in the field of education. Coincidentally, my visit to the Peace Corps contingent at the University College of Ibadan came just after the momentarily famous, but now almost forgotten, post card incident. I feel that the incident caused violent reaction primarily because the people of Nigeria are trying so hard to rise above the conditions which were described. The implication of the post card was that all Nigeria was primitive and that all the people existed in utter squalor and poverty without perceptible desire or ability to improve their lot. This is, of course, a grossly inaccurate evaluation. There are cities in Nigeria which are as modern as Miami. The Nigerian students at the University College of Ibadan reflect the desire for a life that is totally opposite the primitive conditions implied in the few sentences which gained world attention. These same students are themselves the epitome of the practice of this desired way of life. Each student's room is equipped with a radio and electric appliances, and the physical plant of the university is one of the most beautiful I have ever seen. The personal hygiene of these Nigerian students could hardly be improved upon. So it was this and other groups, trying so hard to learn and to become the leaders of their country, who resented the implication that they and their nation were existing in an entirely underdeveloped state. Nevertheless, the mere fact that the incident has quickly been forgotten and placed in its proper perspective and that an invitation has been extended for many more Peace Corps volunteers shows the disproportionate attention that the world press can give to a story which "sells newspapers."

REPUBLIC OF THE CONGO

Our trip took us from Brazzaville, the capital of the Republic of the Congo, the southernmost of four territories once comprising French Equatorial Africa, across the mile-wide Congo River to Leopoldville, the capital of the central government of the internationally famous Republic of the Congo.

The greater portion of the boundary between these two Congo Republics is the Congo River, although it opens into the Atlantic Ocean fully within the territory of the larger ex-Belgian colony to the south. When we arrived in Leopoldville the strife which had begun 1 week after independence was at its height. Most of the conclusions and findings which we made at that time are today ancient history with the quick changes and complexities of the events occurring there over the past months. The Congo, nevertheless, will stand in history as a frightful example of how a potentially rich and powerful area can deteriorate if it is totally unprepared to assume the political responsibilities of independence.

For the past 85 years, Belgium has controlled the Congo, and it was that small European nation which originally sent an exploration party to probe this central African region lying deep in the Tropics on both sides of the Equator. In 1908 the Belgian Congo officially became a colony. It is neither unfair nor inaccurate to say that with the discovery of the mineral wealth lying predominately in Katanga Province, Belgium became predominantly preoccupied with developing these resources for her sole benefit. In other of the newly independent nations of Africa there were often sincere, though not always competent, efforts to implement the recognition that the native peoples of these lands should be in some degree trained in the art of politics and government. This, however, does not seem to have been the case in the Congo. Therefore, when the Belgians reached the quickly made decision that the Congo was no longer an asset, they hastily granted the colony its independence in June of 1960.

Although the Belgians had establish an extensive and well-run system of primary and secondary education they totally neglected higher education and failed to help the Congolese gain the experience in administration which they would certainly need to be successfully independent. Contrary to often expressed opinion, there were, in 1957, more institutions of preschool and primary education in the Congo than in any other nation in Africa. However, the most vital factor is the statistic which shows that the number of secondary and teacher-training schools could not begin to meet the needs of those graduating from primary school and at the level of higher education there were only two institutions throughout the entire Belgian Congo. These statistics are vital in explaining the relatively inadequate education of many of the people who have at-

tempted to contribute to an effective central government in the Congo. Many of these men are literate as a result of their primary and perhaps secondary education, but they lack a broad understanding of their responsibilities as a result of inadequate higher education.

The Belgians did place substantial emphasis on vocational training and education. The result of this wise policy is a large pool of skilled labor capable of meeting many of the increased demands of private industry. Only in the future after the situation is more settled will the Congo be able to appreciate this asset to economic progress. Here again, the more pressing problem of the moment is the void left by the flight of top-level management in both the agricultural and industrial economies. As of the beginning of 1960 the European population of the Congo totaled 115,000. By the beginning of 1961, the number of Europeans had dwindled to 35,000. The resultant effect has been that small business and individually owned plantations located in the outlying areas of the provinces have lost their European owners and managers. However, where a few gigantic corporations hold extensive interests and have the resources to weather the storm, they have decided to stay in the Congo to protect their investments. Such operations have been remarkably well maintained. They will probably form the backbone of the new economy if they can hold out.

One of the more disruptive aspects of civil strife in the Congo has been the effect on the nation's agriculture. During the crisis, agriculture has been more severely damaged than any other field of economic enterprise. The disorganization of the once excellent transportation system, the closing of mechanical repair shops, the lack of replacement parts, the impassability of the roads and bridges, and the abandonment of plantations have played havoc with the agricultural economy. Products cannot be transported from their point of production and, understandably, the farmer is not producing more under these uncertain circumstances. In the same context, the basic needs of the people have been rapidly consumed without further supplies being available. Such basic products and necessities to the Congo as kerosene, salt, fishing nets, soap, spare bicycle parts, and clothing are totally out of supply.

In the realm of agriculture, 80 percent of the population is engaged in producing products which were valued at approximately half of the total export of the Congo. These included grain, vegetable oil, cotton, coffee, lumber, cocoa, sugar, and tea. Even before independence, the majority of the raw materials among the vast Congo resources were shipped from the country only to come back in the form of a finished product or processed food at up to 50 times the original price. This, as in many other African nations, is adequate inspiration to want to perform these manufacturing processes at home. Planning for processing plants for both meat and coffee was explained by Government agriculture officials. Further self-sufficiency in food production should be inspired, for with mechanical assistance, the people of the Congo could diversify and intensify their agricultural production even more since much of the soil is basically rich.

During our conference with the officials of the Congolese Central Government we constantly heard of examples of the mass exodus of the skilled technicians so vital to the economy. For instance, at the National Institute for Agricultural Students for the Congo, 450 scientists working in the field of agronomy were employed by that institute. At the time of our visit, only 53 specialists were left.

Yet, another source of income for the Congo was tourism which in 1958 accounted for approximately 220 million francs coming into the country. To say that tourism today has completely disappeared would be a gross understatement. However, in the future with the development of a system of accommodations, parks, and hunting reservations, tourism could again become a major source of income once political stability is accomplished.

Economically, it is well-known fact that the centralization of the greater part of the developed wealth of the country is in the Katanga Province. The Belgians had developed this part of the country into one of the world's largest producers of mineral wealth, primarily copper, cobalt, gold, silver, tin, zinc, tungsten, manganese, uranium, and industrial diamonds. In 1959, Katanga accounted for 79 percent of the Congo's total global exports. The remaining provinces of the country are primarily agricultural and have in no way received the attention toward industrialization to the degree that Katanga has. These areas however are also potentially wealthy and the Congo, if it is maintained as one unit, free of political strife and eager for additional economic development, could well become one of the leading nations of all Africa. Without political stability

however, absolutely no progress can be made. If anything, the results of continued strife will be a drastic dissipation of all potential and established sources of national income.

Another of the great factors that contributed to the almost immediate civil strife in the Congo was a complete lack of feeling for national unity. The country is based on tribal loyalties, not regional or national enthusiasm. The provinces were divided by the Belgians without regard to the natural associations of 200 individual tribes. The result is that almost from the beginning of independence there has been a continued move to redraw the boundary lines of the provinces. We must remember, of course, that other provinces followed Katanga's lead in attempts at secession in 1960, reflecting this same local loyalty and lack of interest in national unity. Since our stay in the Congo was comprised primarily of talks with central government officials, we were given a great opportunity to ascertain the views of the country's leaders on its future. The most striking aspect of these conversations was the complete disagreement on the solutions to the most pressing national problems. On the fundamental question of what form the central government should take for maximum national unity, one extreme proposes a loose confederation of virtually autonomous states, the other extreme wants a highly unified state under a strong central government and, in the middle ground, there are those who suggest that a Federal structure similar to the United States or Nigeria would be best in view of the physical size of the Congo, regional, ethnic, and linguistic differences throughout the country and the fact that local tribal leaders wield great power at the grassroots level. Even President Moise Tshombe of Katanga cannot totally unify his province, for many tribes in his domain are opposed to his rule.

Our discussion with representatives of the various political viewpoints in the Congo yielded at best the conclusion that there was no particular plan for the future or national leader that could command great support. Some reflected the opinion that the United Nations action had been entirely too weak. Some said that they would rather have seen direct aid from the United States alone. The one area in which most of the leaders were unified was on the proposition that they wanted no outside dictation of how the future assistance that they might receive from the outside world was to be used. All the divisive factions were more interested in their own advancement to power than in the general good of the country.

My conclusions from these discussions were that the Congo should definitely remain unsplit and that President Tshombe and the Katanga Province should certainly be allowed significant voice in a stronger central government. This conclusion is based in part upon the economics of the area. With Katanga Province included in the economic structure of the nation there is great promise for the Congo. Perhaps Katanga could economically stand alone but the future of the other provinces is certainly more questionable. With the mineral wealth of Katanga and the agricultural potential in the remaining provinces the potential of the entire area is indeed great, for here is a sound combination of both industrial and agricultural development. Quite obviously politics also enters into these conclusions. If Katanga was split off into a separate nation, all evidence is that it would be pro-Western. However, the vast problems that would face a weakened central government would leave it open to Communist encroachments. Furthermore, the dissension and tribal loyalties in the remaining provinces would be further encouraged and renewed efforts to split the remaining area would undoubtedly be made. This quite obviously would be even more tragic, for the greater the division the less possibility there would be for maintaining independent strength. Almost without question there will have to be some regrouping of tribes and redrawing of provincial boundary lines to bring the logical grouping of tribes together into one province. As the leadership of the national government and the provincial governments gain experience and an overall view of the needs of their area, I think that they can only conclude that further division would be unwise.

None of these aims could be accomplished overnight and it is therefore essential that both the United Nations and the United States continue their sincere interest in a peaceful settlement of the problems of the Congo. Our aid has been primarily in two forms. First, the supplying of surplus agricultural commodities through Public Law 480. This has been a vital factor in meeting the crisis and the inadequate supplies of agricultural products during the crisis. We have also contributed heavily to the funding of United Nations activities in the Congo which are by no means of entirely military nature, as well as conducted direct education projects on a balanced basis. While in the Congo we

witnessed, for instance, one most beneficial project of the United Nations which performed a vital service and yet was relatively inconsequential in cost. A United Nations team was instructing young Congolese in the maintenance and repair of tractors, an obviously important factor in the revitalization of the Congo's agricultural community. What these young men were learning here was basic to the maintenance of most automotive machines as well as tractors, and the general knowledge gained from this instruction, combined with a little initiative, would allow these students to perform a trade and be of significant service to their country which had lost so many skilled Belgian technicians. There is no more discouraging sight than to see the tools of progress lying unusable because of the inability of the local native population to understand their functioning and to repair them when necessary.

And so the heavy cost of our assistance to the Congo, the greater part of which is through the United Nations, is a direct effort to correct an example of the chaos that can result when a colony is given its independence without adequate preparation for the responsibilities which go with independence.

SOUTH AFRICA

The Republic of South Africa leads all of Africa in economic and political development, but, tragically, South Africa is totally out of step with the rest of the world because of the Government's official social policy of apartheid.

The major focus of international attention in South Africa is now, and will be for the foreseeable future, on apartheid—separation of the races. The extreme position taken by the present Government has caused even United Nations scrutiny and debate. I want to discuss briefly exactly what apartheid means and how it affects the people at which it is aimed.

There are in the Republic of South Africa approximately 15 million people. Of these, 9 million are of the Negroid race, but are termed Bantus or natives by the European white population. This major segment of the population is the group at which the policy of apartheid is directed. Those commonly called colored people here are, in reality, a group numbering 1½ million who are of mixed blood. Another one-half million South Africans are of Indian origin. Both the colored people and the Indians are adequately acceptable to the proponents of apartheid, and they have a relatively satisfactory role in the social structure. Most of the remainder, over 3 million people, are whites who are referred to as "Europeans" whether they are native South Africans or immigrants. It is reflective of the philosophy of the Bantus and the Europeans that both would rather be known only as Africans. The Bantus claim that native status, similar to that of our American Indian, makes them Africans. The Europeans maintain that native status by birth and national loyalty only to the Republic of South Africa makes them Africans as well. The internal conflicts in this potentially powerful nation will be well on the road to solution when both groups will recognize the other's legitimate claims on the title, "Africans."

Nevertheless, today they are far from this basic mutual agreement. Apartheid is an official policy of the Government, not just a social convention. The 9 million Bantus who are subjected to it are as totally controlled as are any dominated people elsewhere in the world. Three million of them live on eight reservations scattered throughout the Nation and owned by the Government, for the Bantu is permitted to own no land. I visited the reservation outside the city of Johannesburg established at a cost of $63 million for the natives working in Johannesburg. It is a 25-square-mile area in which 60,000 uniform, Government-owned, rental homes have been built since 1930. The homes are of brick, neatly kept, and have no more than four rooms. The reservation is equipped with commercial enterprises managed by the residents, schools, churches, and a 2,200-bed hospital dispensing free medical service. Particular areas within the compound are set off for individual tribes thus completing the segregation. Commuter trains provide the daily transportation between the reservation and Johannesburg, but without a pass from his employer, the Bantu must be out of the city and back home before the 9 p.m. curfew. Job opportunities for the greatest percentage of these people come after the Europeans and the colored are hired. The natives among the self-employed and the professions serve only members of their class level. In general, the standard of living for the native African is better than in any other area of Africa. However, we can say only that these reservations reflect the limited economic integration of the Bantu, for political control is still enforced within the reservation by informers employed by the Government. There is no political repre-

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sentation in the Government for the native African, nor does he have the right to vote or to speak against the present national leadership.

One of the goals of strict apartheid is to move all the natives onto comparable reservations and let them practice governing themselves there. The overall objective is to strengthen the existing horizontal color line above which the native African cannot progress economically, socially, or politically, and at the same time, accomplish total separation.

This policy does, of course, have opposition from South Africa's other three political parties. Radical changes are not suggested by the parties having the greatest strength, but they do propose a vertical color line that would allow natives to accelerate within their class. They would not press the confinement of living to reservations and suggest land ownership rights and representation in the national government as well. There is, however, little enthusiasm found in the more powerful political parties for giving the native African the right to vote. It is my feeling that if progress can be made toward the more moderate views of the opposition parties, then South Africa could regain a favorable international position to become an economically strong, acceptable, and powerful member of the community of free nations.

The strength of the economy in South Africa is adequately proven by noting the fact that her national income is two times that of any other African country. In the past 70 to 80 years she has gained a wealth of experience in economic development, emerging from an agricultural economy to a fully industrialized state. The discovery of gold, diamonds, and uranium has been the basis of this development, and its history corresponds greatly to that of the development of our own Far West as a result of the gold rush. The boom caused by the tremendous mineral deposits in South Africa brought to the country men of skill, economic vision, and a capacity for hard work. As a result, today there is a great storehouse of experienced and trained business management which is lacking everywhere else in sub-Sahara Africa. To illustrate the success of the free enterprise system we can point directly to South Africa. Here in 1956 with one-seventh of the continent's population, South Africa generated one-fifth of the total income of the continent. Here five times as many motor vehicles are in use than in any other African nation. In 1959, 2,273,700 children were in school. The economy has allowed every increase in standard of living of the Bantus that the Government has been willing to give them.

Eighty-five percent of this Nation's land is used for grazing cattle and other livestock, and progress in agricultural methods has corresponded to the fantastic pace of industrialization in the last 25 years. There is however, one very important cloud on the horizon. South Africa could be a vital factor in the industrialization of her northern neighbors. However, so long as strict apartheid is maintained, the new nations will increasingly shut South Africa out of any participation in their future. Not only will their justifiable attitude slow their progress, but it could also retard South Africa itself.

It is striking when touring even the farflung lands of this beautiful nation to see the strong resemblance to the physical features of the United States, and to realize the similarity of our histories. Our western movement corresponds with their northern movement. As I have pointed out, the industrialization of the geographical areas of our two countries was based on the discovery of tremendously rich mineral deposits. However, civil political strife, if it should ever culminate in massive violence, could have tremendously more drastic results in South Africa than our Civil War. This I feel is the greatest fear of the white people in South Africa. Nevertheless, they are vastly mistaken in believing that a policy of complete separation is the answer. We must remember that South Africa is separated from the rest of the power centers of the world by great distances causing the people of that nation to resent outside interference on the basis that it is uninformed and totally lacks understanding of what they feel is a relatively unique situation. I think it is quite obvious that no outside force is going to change the social policies of the Government. Therefore, we must realize that the differences in the views of the various political parties on the question of apartheid, which I have mentioned above, do exist. The hope of the entire world and the major hope for South Africa is that this policy of apartheid will be liberalized through peaceful means before it is too late to prevent violent and disruptive change.

As in so many other instances throughout Africa, we are forced by the internal policies of South Africa with making most difficult foreign policy decisions.

There could be no more pro-Western nation than South Africa. Her past, present, and future all place her squarely in the anti-Communist camp, yet apartheid is so repulsive to modern thought and the philosophy of Africa's new found independence that we cannot embrace South Africa wholeheartedly. Disturbed as she may be with the reaction against apartheid, South Africa still plays a cooperative role with the United States in several instances. One of these, the establishment of space tracking stations, is especially crucial to our efforts in space exploration.

FEDERATION OF RHODESIA AND NYASALAND

Southern Rhodesia, Northern Rhodesia, and Nyasaland comprise the Federation of Rhodesia and Nyasaland, a dependent territory of the United Kingdom, which is located in the southeastern portion of the African Continent. Since the Federation has some of the richest mineral and agricultural resources in Africa, its potential for economic growth is great. Already its industrial development has been greater than any other African nation with the exception of the Republic of South Africa.

However, the recent intensification of African pressure for independence, and the end of white control, as well as economic and political differences between the Federation's three territories, have resulted in the development of political tensions which threaten the life of the Federation and its further economic progress.

The numerous political tensions between the three territories of the Federation are primarily the result of three factors. The first is the vast differences in the wealth of their mineral and agricultural resources. Southern Rhodesia is endowed with the most extensive agricultural and mineral resources. It has large deposits of chrome ore and is the site of the majority of the Federation's industrial development. Northern Rhodesia possesses valuable mineral deposits, the most important of which is its extensive deposits of copper ore, which are the second largest in the world. In contrast, Nyasaland's economy is based solely on a primitive agricultural system. As a result, it annually has a deficit of 4 million pounds which must be made up by Federal Government funds.

These discrepancies in the extent of the territories' resources and their development has resulted in a drastic contrast between the strength of Northern and Southern Rhodesia's economies and that of Nyasaland. This difference is best illustrated by comparing the per capita income of these territories. In Southern and Northern Rhodesia the per capita income is $249 and $244, respectively. In contrast, Nyasaland's per capita income is a mere $54.

Another source of political tension between the Federation's three territories is the difference between their territorial governments and the degree of African participation in their local, territorial governments. In accordance with the wishes of Northern Rhodesia and Nyasaland, the civil services of these territories remained under the control of the British Colonial Office. This desire was based on their fear that as a result of the Federation, they would be placed under the rule of the local Europeans. In contrast, the civil services of Southern Rhodesia are locally controlled. As a result, the local European political control exercised on Southern Rhodesia is tighter than that exercised over Northern Rhodesia and Nyasaland.

In addition, the percentage of African participation in Southern Rhodesia's local government is less than that in Northern Rhodesia and Nyasaland. Only 15 of the 65 members of the Southern Rhodesian Legislature are Africans. In contrast, the majority of the Nyasaland Legislative Council, which will eventually be transformed into a British-style Parliament, is African, and 9 of the 30 members of the Northern Rhodesian Legislative Council are Africans. As the result of these two political factors, the political and social progress of the Southern Rhodesians has been exceptionally slow.

The discrepancies of the economic wealth and political status of these territories make the continuation of the Federation more valuable to Nyasaland than to Southern or Northern Rhodesia. Because of Northern Rhodesia's vast mineral wealth, the maintenance of political association, to assure economic progress, is not essential. Since Southern Rhodesia because of its agricultural and mineral resources is self-sufficient, its economic growth does not hinge on the continuation of the Federation. In addition, it believes that if it were divorced from the Federation, it could more easily continue its policy of white domination, since after the Federation is granted independence, European supremacy will end. In contrast, the maintenance of the Federation is essential

for Nyasaland since its primitive agricultural system and lack of mineral resources make it economically dependent upon Northern and Southern Rhodesia.

Thus, one of the primary problems entailed in granting the Federation its independence is the question of whether or not, because of the political tensions between the three territories and their attitude toward this association, the Federation will be maintained after the transfer of political control is completed. If these political problems are not resolved before independence is granted, a situation similar to that which exists in the Republic of the Congo could result.

The British Government has long realized that because of the great majority of Africans in the Federation, the indefinite continuation of British control is not feasible. (There are presently 8 million African Negroes, 310,000 Europeans (white) and 41,000 coloreds (mixed blood) and Indians.) However, they would prefer to have more time for preparation than African pressure for independence would allow so that these tensions between the territories could be solved and the Africans would be more adequately prepared to assume the responsibility of complete self-government. This longer transition period would assure that the transfer of power would be peaceful, that British investments would be protected, and that the Federation's economies would not suffer from the political chaos which might result from inadequate preparation.

At the moment, the majority of the Federation's Africans have not been sufficiently educated to responsibly assume the problems of self-government. Although 85 percent of school-age children attend school, 70 percent of these drop out of school after completing the fourth grade. Also there is an acute shortage of classrooms, qualified teachers, and equipment.

Before 1961, the major sources of education for Rhodesians were institutions outside Rhodesia primarily in the United States. Now, however, Rhodesia is attempting to devote its main educational efforts to the improvement of its own educational system. In 1961, a group of AID advisers arrived in Rhodesia to survey in depth the needs of the Federation's educational system and to recommend the spheres of education to which AID's technical and financial assistance should be directed. As a result, with the exception of a school demonstration program, AID has done nothing for secondary education in the Federation. Instead, it has emphasized fourth- to eighth-grade education and the establishment of a teacher training institute to improve the quality of the Federation's teachers. Also, in Northern Rhodesia, AID has initiated selective training institutes in the fields of agriculture, trades, and vocational skills.

The foreign investment which has been directed toward the Federation has been responsible for its development into the second most industrialized nation of the African Continent. The European settlers and investors have done a tremendous job in developing the mining and agriculture of southern Rhodesia. In addition, several U.S. firms have invested a great deal of money in the resources of the Federation. The American Independent Oil Co., a California firm, sparked American investments in an oil refinery. In September 1961, Ford, of Canada, opened a $4 million assembly plant in southern Rhodesia. In the past 2 years, the Federation has been the world's second largest producer of refined copper, and American firms have made a substantial investment in this copper resource. The American Metals Climax, Inc., has a 50-percent interest in the Rhodesian Selection Trust, the second largest copper producer in the country. The Federation competes strongly with the United States in the production of tobacco. Southern Rhodesia supplies us with more chrome ore than any country in the world. Also, it ships lithium ore in modest quantities to the United States.

U.S. private investment in the Federation is about $90 million, of which about $4 million is invested in the manufacture of cars, oil refining, Scripto assembly, and Chesbro parts. The size of these investments will undoubtedly grow. Six major oil producers including Caltex, Mobiloil, and American Standard Oil Co. will invest $37 million in oil refineries. In addition, Willys wants to build a jeep assembly plant. Thus, one can see that the amount, value, and variety of manufacturing in Rhodesia has increased in recent years.

However, if these indications of the Federation's economic development and progress are to continue, economic reforms are essential. The basic economic problem presently plaguing the Federation is the large discrepancy between European and African per capita incomes. Besides this problem, the African laborer does not feel the necessity for saving any portion of his present income. Instead, he lavishly spends most of his wages on things he does not really need.

As well as providing a source of political tension, the resulting low purchasing power of the Rhodesian African and that of Black Africans throughout the continent, hinders the further expansion of the Federation's industry.

To solve this problem, the Federation's government is encouraging its industry to grant wage increases. This effort is being directed especially toward southern Rhodesia where trade unions have set a minimum wage of $70 per month for all their workers as one of their primary goals. As these trade unions, now at a low level of organization, become more powerful, they will demand further wage increases. However, notwithstanding the small wage increases already granted, the population continues to increase, resulting in further unemployment. As a result it is essential that an expansion and diversification of the Federation's industrial base, primarily that of Southern Rhodesia, precede or coincide with future wage increases. This further expansion of industry will be dependent upon future foreign investment in the Federation, and this investment will be obtained only if the political structure of the Federation appears stable. Thus, it is essential for continued growth that the political tensions now plaguing the maintenance of the Federation be resolved.

In conclusion it seems to me that the problems of the Federation resemble very closely the problems of the Congo, and, if independence were premature, the results would be as chaotic. Nyasaland, a poor stepchild, in this instance, will have to be the subject of a great concentration of effort in education, preparation for political responsibility and, above all, economic development if it is to play its proper and relatively equal role in a newly independent Federation. If these steps are not taken, Nyasaland might choose to leave the Federation and join with other of its neighbors whose economic features are more similar to its own. Such a decision would not be in the long-range interest, for it would plainly be a move to create another independent state which has less chance for survival and progress. The Government of the United States has continued to support the maintainance of the Federation since we believe that the greatest economic development of its territories is obtainable through such a political and economic union. Thus the foreign aid which the United States will direct toward the Federation would be aimed at strengthening its educational system, its political sophistication and its economic development. Only then will its political problems be solved and a political crisis similar to that in the Congo be avoided.

KENYA

Kenya is a big country—as large as France in area but containing a population of only about 6 or 7 million people. There are a number of hasty generalizations to be avoided when dealing with Kenya. Nairobi, a city of skyscrapers, wide cement streets, and modern apartment buildings, is not typical of Kenya; also atypical is the plush, highland farming region. Instead, Kenya is a country of great geographic and economic contrasts. An apt illustration of these differences is found by comparing Kenya's modern city of Nairobi and its rich farming region with Kenya's small tribal villages and vast areas of arid, broad plains where little farming can be carried on.

Kenya's lengthy political status as a British protectorate has made its economic, social, and political progress difficult. This period of colonial rule has left Kenya without a self-sufficient economy or a strong agricultural and educational system, and Africans are also without adequate training in public administration. As a result, as Kenya approaches independence, her people are not suitably prepared or trained to assume the responsibilities which this new political status will require.

Education touches only a very small percentage of the native Africans living in Kenya. Between the primary and secondary grades there is a tremendous drop-out of students, illustrated by the fact that the enrollment in primary schools is estimated at 600,000, while the enrollment in secondary schools is estimated at a meager 5,000 students. Thus, less than 1 percent of the eligible age group is enrolled in secondary schools, and only one-tenth of 1 percent are attempting to achieve the higher school certificate and university entrance.[1] As a result, there is only one qualified African doctor, three African lawyers, and three African agricultural experts in Kenya. In addition, women's education is being ignored to a great extent. Instead, as in most of tropical Africa, her role is one of the beast of burden. Often I saw women carrying large piles of wood fastened to their backs by leather straps which crossed the tops of their

[1] Chart No. 4.

heads and eventually caused malformation. In contrast, Moroccan and Liberian women carry loads on top of their heads.

This present educational system of Kenya, as well as suffering from a shortage of teachers, facilities, and students, emphasizes the wrong sphere of education, and in doing so, reflects the needs of London rather than those of Kenya. Instead of being a means by which an African may acquire a useful skill to further his economic and social status, and ultimately that of his country, the educational system has become a method of attaining merely a certificate to pass into a different standard of life. As a result, Kenya's schools and the quality of their education, are thoroughly inadequate for her present needs.

Although the estimates of Kenya's 7 million population show that there are only about 63,000 Europeans and 200,000 Asians, these two minority groups maintain almost complete control over the agricultural and commercial sectors of the economy as well as over the provincial government.[2] Also there is a wide discrepancy in wages between the Europeans and Africans.[3] Thus, it is essential that foreign aid which the United States directs toward Kenya be aimed at training the African to replace these minority groups. In one effort toward this goal, AID is seeking to adapt the structure and emphasis of Kenya's educational system to its present needs by improving the systems at the secondary school level and in the field of teacher training. This improvement is being achieved through the presence of American teachers, teacher training institutes, and school construction. These goals are being made attainable by a contract with the Columbia Teacher Training College which will facilitate the improvement and expansion of teacher training facilities so that Africans can eventually assume this responsibility themselves. In conjunction with this contract, Columbia is also supplying east Africa with 150 American secondary school teachers. Those teachers who have never taught before are oriented in east Africa's educational system for several months at Makerere College in Uganda, while those who have had 3 or 4 years of U.S. teaching experience go directly into the east African schools following a brief orientation period. These teachers have made a great impact upon the educational system in Kenya, but it is intended that native Africans will eventually be able to take over this sphere of education.

The new Chavakeli Day School in western Kenya represents our attempts to demonstrate the advantages of the day school approach and to introduce and emphasize courses in practical and vocational studies. There, students must take courses in manual arts and agriculture, in addition to the regular required courses which lead to the Cambridge Secondary Certificate. This project is being handled through a contract with Earlham College in Indiana.

The United States is also aiding in the construction of additional secondary day schools. As part of AID's school construction program, the University of Massachusetts will supervise the building of a comprehensive girls' high school at Tororo just over the Kenya border in Uganda. This school is scheduled to open January 1963 and will include courses in sewing, cooking, and home economics in addition to a regular curriculum.

Each of the educational projects I have mentioned are an attempt, which I believe essential, to orientate Kenya's educational system toward the vocational or practical sphere. This emphasis will enable Africans to acquire a skill facilitating their assumption of a valuable role in their society. In addition, the participant training aspect of our program, represented by the construction of teacher training institutes, will eventually enable African Kenyans to replace the American teachers presently in Kenya.

Although only one-third of Kenya's land is arable, agriculture is the foundation of this country's economy. It comprises 40 percent of the gross national product, of which most of the remainder is made up of services to agriculture. Because of the importance of agriculture in Kenya's economy, it is essential that numerous improvements be made in the present structure of its agricultural system. The problems which presently plague this system are, first, the result of the large discrepancy in production between European and African farms, and second, the subsistence level of African farming. Although European farmers occupy only one-sixth of the arable land (about 18 million acres), they produce about 80 percent of Kenya's agricultural exports.[3] This discrepancy in production between European and African farms can be partially explained by poor farming techniques and the lack of soil conservation practiced by African farmers. As a result, African farming has remained on a subsistence

[2] Chart No. 2.
[3] Chart No. 3.

level. The majority of African farmers plant only enough crops and maintain only enough animals to take care of their individual wants and needs.

Several steps have been taken to eradicate this productivity imbalance. British land planning partially has solved the problem of fragmentation which resulted from the traditional inheritance system of dividing the land between numerous sons. The British initiated the consolidation of several small plots under one title, creating farms of a larger and more effective size. They also helped the African farmer to plan his farm, and they introduced cash crops so that he would receive an income from his farming. Also, farmers were provided with credit for fertilizers, livestock, and farm equipment which was financed by $2.8 million from the World Bank. Since indigenous livestock was so low in quality, the British also introduced better breeds of cattle enabling farmers to produce higher quality milk and meat.

The portion of our foreign aid directed toward the improvement of Kenya's agricultural system is being concentrated on an improved extension system in order that the African farmers will be able to greatly expand their participation in the cash economy. In addition, we are helping Kenya to construct a series of farm training centers to which Africans can be brought for short courses and practical demonstrations. Next year, at the Egerton Agricultural School, students will be given 6 months' experience working on the farm before they begin their classroom work. These farm centers, most fortunately, are oriented toward the solution of practical agricultural problems. This aim is exemplified in the fact that they teach only those farming skills and techniques which are applicable to farming as practiced in Kenya.

Also, like the British, we are engaged in basic soil analysis to insure that proper crops will be planted in Kenya's wide variety of soils. Finally, we are helping to develop one of Kenya's most poorly utilized resources; its large herds of cattle. This is being accomplished by helping the Kenyans to develop more satisfactory range practices and to put these practices into operation.

The following statistics indicate that notable progress has been made in the agricultural sphere of Kenya's economic development. In the last few years the agricultural production of African holdings has increased about 30 percent, while that of the European holdings has increased only 7.2 percent. However, many further improvements must be made before the problems I have mentioned are solved. Rather than continuing the practice of shifting cultivation, a greater number of Africans must be impressed with the advantages of settling down on permanent farms where they may raise more than they actually need. In addition, scientific agricultural techniques must be introduced in the areas of plant breeding and soil conservation. These improvements will facilitate the transfer of Kenya's agriculture from European to African farmers and their more extensive participation in the agricultural cash economy.

Management is a third area in which the Africans of Kenya are not sufficiently well trained and experienced. At the moment their participation in the administration of their Government is minimal. Only one African holds a position in the central administration, and Africans comprise only 19 percent of the provincial administration. Since few women have an opportunity for education or speak English well enough to learn how to type, there are very few secretaries.[4] This entire situation will make it almost impossible to assume the responsibilities of self-government. In an attempt to make the transition from colonial to independent status more feasible, AID will establish a public administration center and offer training in community government in the near future. It is possible that the Syracuse University-Maxwell School of Public Administration and International Affairs will add its efforts and staff to this project. The participants in this program will primarily be those who work in the local government administration. The courses will be taught at the center by British expatriates who are acquainted with the tools of administration as it is practiced in east Africa. However, this school does not offer the entire solution. Because little was accomplished by the British in preparing Kenyans for this transition, it will be at least 10 years before the African Kenyans are capable of assuming this new responsibility.

Our foreign aid program, as well as being aimed at Kenya's long-range economic development, has responded with emergency relief in the time of sudden disaster. I witnessed the relief which the United States gave Kenya following the recent flood which caused chaos throughout the country. The flood, result-

[4] Chart No. 1.

ing from an excessive rainfall, followed a long period of drought, causing famine in many areas of the country. This flood destroyed two-thirds of the livestock in the important cattle-raising region, Masai, and most of the crops in certain areas of the country. As a result, almost 400,000 people were near starvation. In response to an appeal from Kenya, the United States sent $7 million worth of corn, dried milk, edible oils and fats, and also $10,000 to cover the cost of the distribution of these supplies. Since many roads, railways, and bridges were destroyed, Project Mercury of the U.S. Air Force was called in to aid in the supply distribution.

If our foreign aid program is to be completely effective in its attempt to stimulate Kenya's economic development, it is essential that after independence is achieved, internal strife must be avoided.

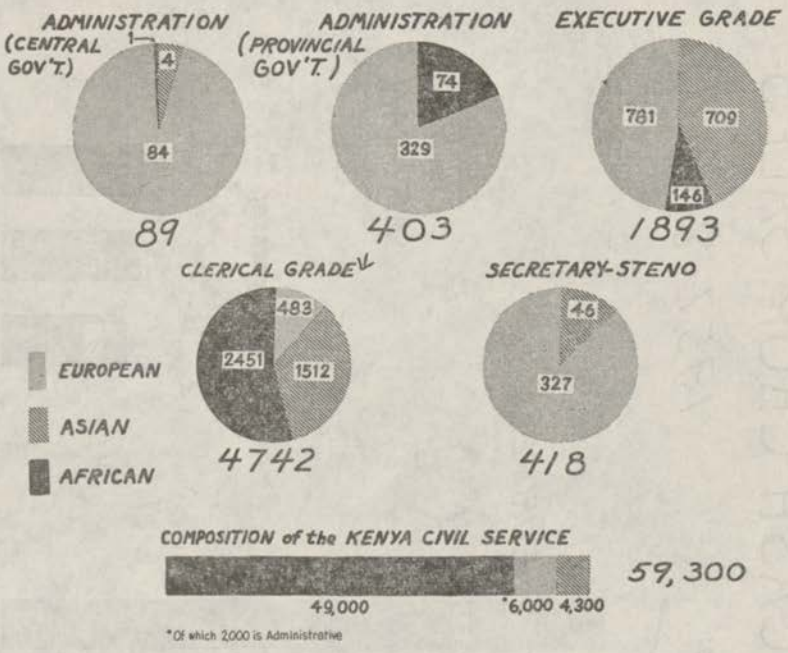
Internal friction could result from the following political problems. The first involves the question of the transfer of the 10-mile strip of land bordering the entire coast of Kenya. This land is now owned by the Sultan of Zanzibar who annually rents it from the United Kingdom for $10,000 a year. Because Kenya's No. 1 fort is located on the piece of land, it is essential that this land be turned over to Kenya when it is granted independence. If this transfer does not occur, considerable strife will result. The second problem concerns the extensive power of the Kikuyu Tribe, Kenya's largest and most advanced tribal group. The remaining small tribes fear that when independence is granted, the Kikuyus will take over the government and that their minority rights, observed to some degree by the British, will no longer be protected.

As a result of these problems, the British fear that political chaos may possibly develop. This fear is due to the fact that in 1960, $2.8 million was withdrawn from the country by investors who felt that Kenya's approaching independence and probable subsequent strife would result in the loss of their property and investments. Consequently, there was a substantial drop in capital investments and a 50-percent drop in equipment purchases. Businessmen have been reluctant to invest since the spring of 1960 and thus are cutting down on the expansion of new stocks until they can clearly perceive what the political situation will be.

Obviously Kenya's future expatriates can have a substantial influence upon the progress on the country. If they leave, the patterns established by British and American foreign aid programs may crumble. Thus, it is imperative that the countries of the West make the African politician realize the importance of solving these political problems so that the British will be encouraged to remain and add their efforts to Kenya's economic development.

CHART 1

THE KENYA GOVERNMENT ADMINISTRATION



[1] Mostly messengers in the clerical grade among the Africans.

CHART 2

VALUE of CASH CROP SALES

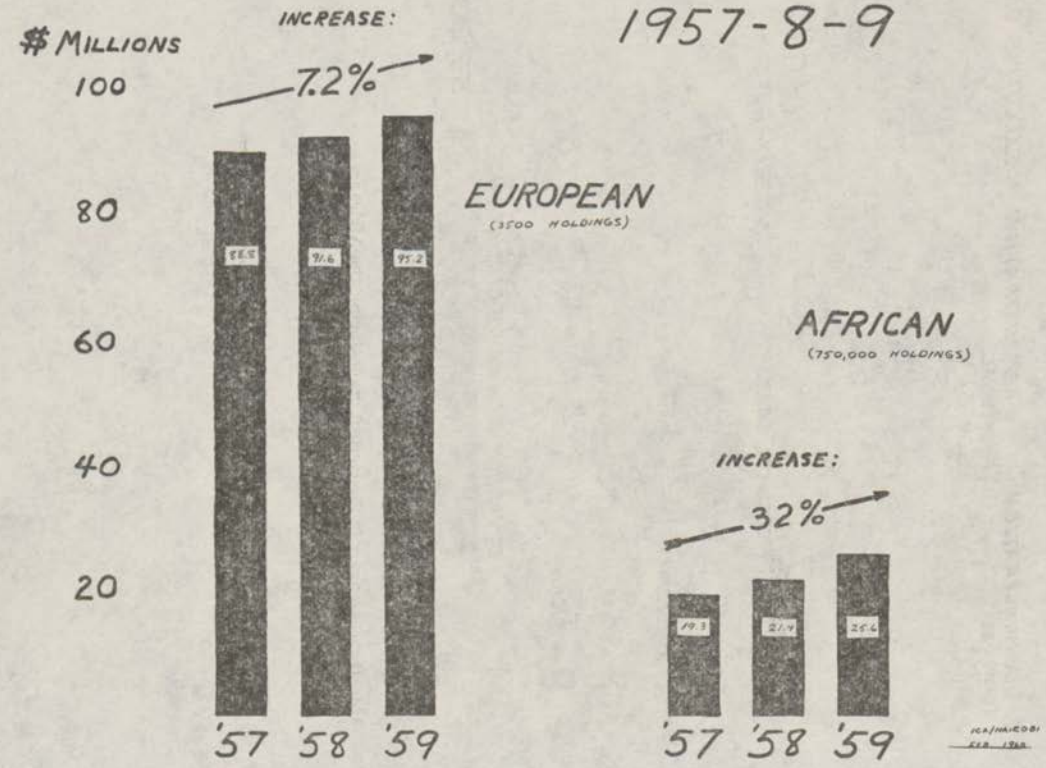


CHART 3

AVERAGE WAGES of INDIVIDUALS IN PAID EMPLOYMENT - 1959

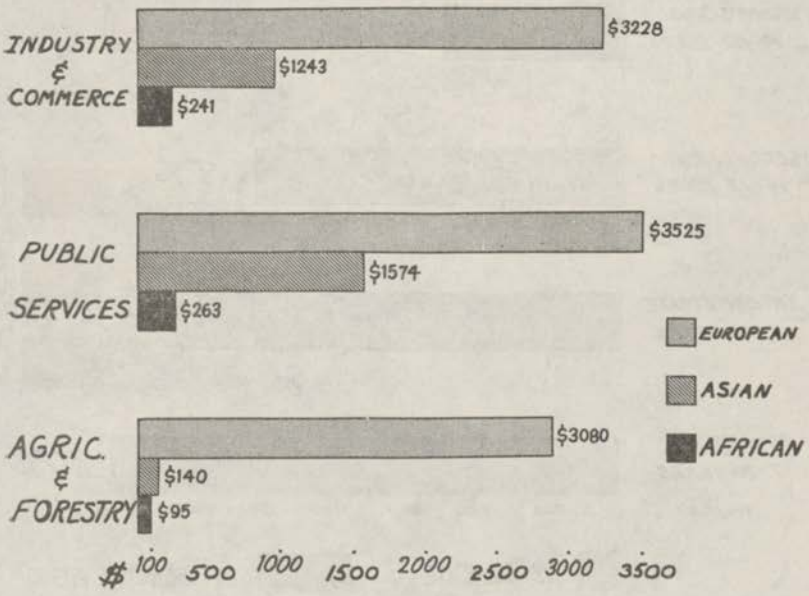
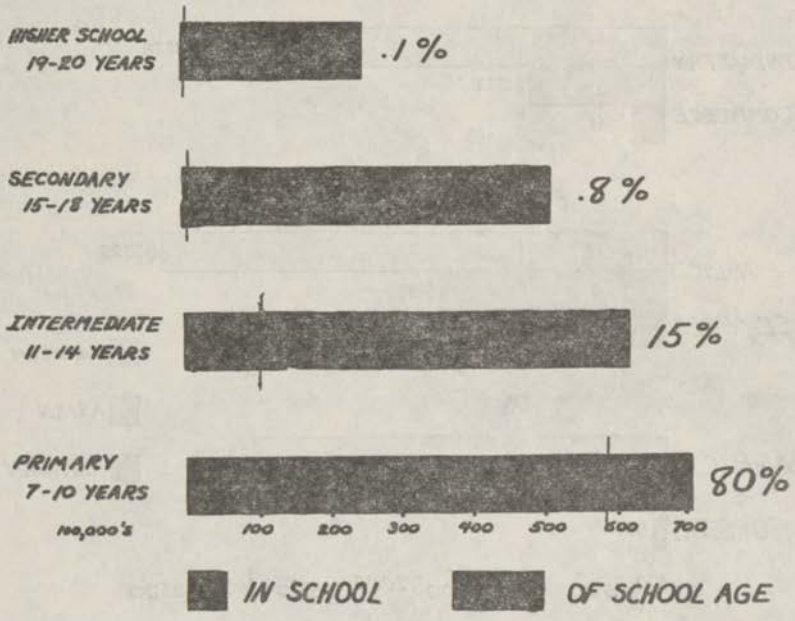


CHART 4

PERCENTAGES of CHILDREN of SCHOOL AGE ACTUALLY ATTENDING SCHOOL



ETHIOPIA

Ethiopia, located in the eastern portion of the African Continent, is a prime example of the indivuality and uniqueness characterizing the various nations of the once "Sleeping Giant."

A Christian country since the fifth century, its people are of a Semitic rather than a Negroid origin. Unlike so many of its neighbors, it was never a colony and only experienced foreign domination for a 5-year period of Italian rule during World War II. Independence from foreign rule, in itself, has not been of substantial benefit to the Ethiopian people, for their standard of living, social structure, and political system are all outdated and oppressive. These conditions are cited in discussions of the relative benefits of independence and freedom, and Ethiopia and Liberia are both pointed to with scorn when the question is asked, "What inherent good is there in independence?" It is indeed unfortunate that at least one of these two nations doesn't stand out as a shining example of what a Western system can really produce when practiced by an independent nation of the African Continent.

These factors of uniqueness have caused Ethiopia to be plagued by numerous political problems which threaten the stability of the Government and have slowed its economic progres to a crawl. The first problem is the one of political succession. The Emperor of this constitutional monarchy is His Imperial Majesty Haile Selassie I, Emperior of Ethiopia, King of Kings, Elect of God, and Conquering Lion of Judah. His political power rests on three pillars—the church, the land-owning aristocracy, and the army. Although he is 69 years old, he has made no known preparation for a successor. His lack of foresight is based on the Ethiopian tradition that the oldest son should not be trained to succeed his father, since the parent looks on his son as a competitor. As a result, the Emperor has done nothing to prepare his son to take the reins of government upon his death. Instead, he has done everything possible to humiliate his son before the younger, more modern, and potentially powerful generation of the country. No one doubts that Selassie's son will become Emperor. However, it is realized that he will reign only as long as he maintains the support of the young and educated or the traditional aristocracy and the army. His reign will undoubtedly be short, since, at the moment, he does not have—and is not likely to obtain—the backing of all three of these powerful groups.

The rising influence and power of a young, educated elite, and their dissatisfaction with their country as it exists today, has increased Ethiopia's political instability. Under the Emperor's national educational policy, he took the most talented students and sent them to Europe to pursue their education. Upon their return, these young Ethiopians were not placed in authoritative positions within the Selassie hierarchy. Having witnessed the progress made by other nations, and frustrated by the current political and economic stagnation of their motherland, they were unwilling to accept the slow tempo of progress in their relatively primitive economy. As a result, they attempted to overthrow the Emperor during his 1960 state visit to Brazil. Their attempt, though not successful, demonstrated that they will serve as the spokesmen for future reform. This new element, created by Selassie's own hand, must be given a voice in stimulating economic progress and in running the government if Ethiopia is to remain stable and hold her own among the other nations of Africa which are rapidly leaving her in the economic, social, and political dust.

Because of the conflict between young and old, the United States has been forced into an awkward position in our diplomatic relations with Ethiopia. In order to limit the recently increased Russian influence in that country, it is essential that we maintain a good working relationship with the Emporer. At the same time, realizing that eventually the educated elite will take over the Government, we cannot alienate them or hypocritically ignore their ostensibly sincere feeling for progress.

Another situation causing tension in our relations concerns Ethiopia's tenuous border relations with Somalia. The border between the two countries is unmarked, and southeast Ethiopia, one-third of the country's land area, is occupied by people of Somalian descent. The unrest between these countries is caused by the Somalian policy of unification for all people of Somalian extraction. In this case, as in so many others, the United States is attempting to maintain friendly relations with Ethiopia and, at the same time, is trying to keep Somalia out of the Communist camp, for Chinese Communists are abundant and extremely active there. In addition, Nasser has sent hundreds of schoolteachers to Somalia and has numerous other political agents working within the country. Nasser's influence is increased by the fact that Somalians are Moslems, and thus Egypt and Somalia are united by a mutual hatred of the Jews.

Unfortunately, relations between the United States and Ethiopia are less cordial than they were 10 years ago. Other once strong Ethiopian links with the West have crumbled also. Close associations, based on the Emperor's visits to this country and the aid which the United Kingdom gave him in lifting the yoke of Italian domination, have become strained over the years. Fearing that it might become a British colony, Ethiopia discontinued any reliance on the United Kingdom and turned to the United States. After his famous meeting with President Franklin Roosevelt in the Mediterranean during World War II, Selassie demonstrated his gratitude by giving Roosevelt a home which is now the American Embassy in Addis Ababa. The friendship further materialized, and, in 1951, we began a point 4 program followed, in 1952, by a military assistance program.

In 1959, however, Ethiopia began to adopt a neutral position in world affairs. This policy change was brought about by two factors. First, Ethiopia was influenced by the fact that numerous other African nations had assumed this neutral role without retaliation from the West. Second, Selassie believed that in this way he could obtain more aid by playing one side off against the other. Consequently, the Emperor signed an agreement with the Soviet Union for $81 million in credits, and similar steps have netted him a total of $114 million in aid from the Soviet bloc.

However, two facts indicate that a faint glimmer of hope remains. First, Ethiopia has spent only $2 million of the $81 million credit from the Soviet Union, thus staying out of deep indebtedness to the U.S.S.R. Second, the Emperor has continued to be a strong supporter of the Western viewpoint in the United Nations and the theory of collective U.N. action. He has demonstrated this continued support by responding quickly to the Congo crisis and sending two battalions of troops and four jet planes with pilots for U.N. use in the Congo.

The economic development of Ethiopia has been greatly hindered by the political instability and the centralization of power in one man. The entire national budget is $65 million, of which 25 percent comes from export duties, 10 percent from taxes, and 5 percent from land taxes. The principle revenue of the country comes from $20 million a year in exports. Although the country exports hides, skins, and oilseeds, coffee comprises the greatest portion of the total. The fact that only 5 percent of Ethiopia's income is raised from land taxes is extremely significant, for it is from this source that the greatest percentage of the budget might come. Since one of Selassie's main sources of political support is the feudal aristocracy—the owners of the major land area of the country—they are rewarded by bearing the smallest financial burden of all.

The feudal land system is a great obstacle in the path of Ethiopia's agricultural and economic progress. Although mountains and gorges make only 40 percent of the land area either arable or pastoral, there are extensive tracts of deep, fertile soil which provide a base for extensive agricultural development. At the moment, though, only 10 percent of the people own the land, and the Ethiopian Orthodox Church controls one-third of the best acreage available. Rental rates for farmland are so high that farmers have nothing left after paying their rent. Primitive farming methods keep production low and rapidly decrease the fertility of the soil.

It is essential, I believe, that these large tracts of land be divided among the people, since it is only with this land division that the great mass of the Ethiopian people will have a greater opportunity to exist and prosper and that

the nation's agricultural production will increase. The achievement of a peaceful transition lies, as does the success of numerous other reforms, in the administrative ability of the young and eager government personnel.

Because such a small portion of Ethiopia's revenue does come from taxes, foreign loans, and grants have come to occupy a substantial place in the national budget. Seventy percent of the $65 million budget is raised within the country, but 30 percent comes from outside aid. It is evident that all economic progress would cease if this aid were discontinued.

Since we began our aid programs in Ethiopia 11 years ago, the United States has contributed well over $100 million in grants and loan assistance for the country's development and security. Private investment, however, needs encouragement. Certain conditions must be remedied since private enterprise has encountered discouraging experiences in the past. The Ethiopian people are extremely suspicious of foreigners. When private investors attempt to build a factory or a mill in Ethiopia, the people look upon such a venture as a purely commercial or selfish enterprise rather than a possible contribution to the general economy. As a result, American private enterprise has made only two significant investments in Ethiopia's resources. The first is the Ralph Parson's Co., which is constructing a potash plant near the Red Sea. This $15 million investment, the largest single venture in the country, will develop the world's largest deposit of mineral salt. The second venture is the American Coffee plantation at Jimma, the largest single scientific coffee plantation in Ethiopia. The United States purchases 50 percent of the coffee produced by the nation, and coffee is presently the largest export commodity. The export revenue from the trade in coffee is a vital income factor in Ethiopia's small national budget. The reliance upon exports for revenue ought to make apparent the benefits to Ethiopia of increased foreign investment and the resulting increase in export production.

Besides the obvious advantages of encouraging private enterprise, it was also apparent to me that from the manner in which Ethiopia has utilized previous aid and loans, that the country must become aware of the necessity for projects which will benefit the great mass of her people. Two examples of this misallocation of funds stand out sharply. Ethiopia received a $34 million loan from the Export-Import Bank and the Development Loan Fund to purchase two Boeing 720 commercial jet airliners, to make necessary airport improvements, and to construct a jet repair shop. The fact that Ethiopia does not have enough freight to make the investment economically sound renders the entire project ridiculous. In addition, Ethiopia will use a $12 million loan from the Soviet Union, repayable in 15 years at 2½ percent interest, for an oil refinery which will produce 500,000 tons of crude oil a year. Ethiopia's annual oil consumption is 237,000 barrels, one-fifth of the total anticipated production of this refinery. As a result, Ethiopia will be able to export 1 million barrels a year. However, it is evident that this, too, is a foolish investment since the petroleum market in this part of the world is already glutted. When I asked why such an extravagant investment had been made, I was told that it was a question of national prestige rather than one of economic potential.

Although the Ethiopian Government has invested a significant amount of foreign aid foolishly, much of the money which various sources have contributed to Ethiopia's development has been wisely spent. Our AID program in Ethiopia is the most comprehensive operation in all the African countries which I visited, and has had a considerable impact on the Ethiopian people, even though they sometimes are reluctant to acknowledge our part in this program because of their national pride and suspicious attitude toward foreigners. This program has been long range in character and has emphasized technical assistance in the vital fields of education, agriculture, health, and natural resource development. The aims and objectives of these programs are agreed upon and carried out jointly by the Economic and Technical Assistance Board of the Imperial Ethiopian Government (ETAB) and the U.S. Operations Mission (USOM), referred to locally as point four.

Much of our foreign aid is being spent on one of the country's greatest needs—the education of the Ethiopian people. Of an estimated population of 18 million people, 95 percent are illiterate, and in many rural areas the illiteracy rate is as high as 98 percent. Even by 1958, there were only 140,000 children in elementary schools and 500 in secondary schools. Selassie, embarrassed by the frequent

mention of the extremely high illiteracy rate, fired the Deputy Commissioner of Education and is now serving as Minister of Education himself. With the help of American foreign aid programs, he is attempting to remedy this serious problem.

In order to expand educational opportunities and facilities, a program of teacher training was instituted. The success of this program can be seen in the fact that between 1952 and 1960 the enrollment of students in preservice teacher training schools increased from 118 to 1,000. In addition, the enrollment in Ethiopian schools doubled.

About one-third of AID's funds programed for Ethiopia have been used in the development of the country's agriculture. AID, since 1952, under contract with Oklahoma State University has established several agricultural schools. The Jimma Agricultural Technical School, located in western Ethiopia, although only a secondary school, is engaged in important research for the farmers of the area. It also prepares students for the Agricultural and Mechanical College at Alemaya. The Central Experiment Station, located at Debre Zeit, is trying to meet the needs of farmers on the populous central plateau. Here, agricultural specialists are conducting research in field crops such as wheat and sorghum, the development of a system for processing ripe coffee beans, and a livestock and poultry improvement program.

Of all the individual American assistance projects observed in Africa, I was most impressed by the thriving Imperial Ethiopian College of Agriculture and Mechancial Arts at Alemaya. As a guest of college president, Dr. Clyde Kendell, I toured the college's modern classrooms, dormitories, and laboratories, which serve the educational needs of some 200 students. Each of the 20 Oklahoma University personnel teaching at the college has an Ethiopian counterpart who is being trained as a qualified replacement for the American tutors upon their departure. Already the university has graduated 12 Ethiopian staff members, who now teach within the programs of instruction, research, and extension farming.

In addition, I spent 2 days with Mr. Hugh Rouk, who is acting representative for Oklahoma State University. With him, I visited an agricultural experiment station, where much research is carried on, and observed an annual exhibition of the assistance the extension program offers to the farmers of the entire region.

These projects are a manifestation of my belief that it is essential to vocationally rather than traditionally educate the people of the emerging African nations which I visited. It is in this type of education that the possibility of agricultural improvement and an African industrial revolution can successfully occur.

In the public health phase of Ethiopia's development under the cooperate efforts of the Imperial Ethiopian Government, the United Nations, and point 4, the Haile Selassie I Public Health College in Gondar was established. Also, in 1954, the Itegue Menen School of Nursing in Asmara, providing a 4-year training for nurses, was instituted. In addition, in an attempt to free large areas of farm land from malaria and to train Ethiopians in malaria survey and eradication techniques, pilot projects in malaria control have been initiated.

Our aid has also focused on the development of Ethiopia's natural resources. An example of one of the programs of this nature is a survey of the economic potential of the Blue Nile River Basin. Our technicians are also assisting the Ethiopians in geodetic control survey, aerial photographic interpretation, and hydrological engineering.

It is essential and more beneficial, as demonstrated by the initial success of the projects I have mentioned, that the Ethiopians use the grants and loans which they receive for education, agricultural, and health programs, which will have a long range benefit, rather than those which they think will increase the country's prestige. However, these long range programs cannot be fully effective until the country's political situation is stabilized. This political stability can be achieved by either Selassie's assumption of a more liberal attitude toward comprehensive, rather than merely educational reform, or toward the aims and desires of the country's newly educated elite. If this liberal attitude is not assumed, it is likely that this new power group will attempt another coup which could lead to a devastating interruption in what is now very slow economic progress.

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