FOREIGN OPERATIONS APPROPRIATIONS FOR 1963

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HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS HOUSE OF REPRESENTATIVES

EIGHTY-SEVENTH CONGRESS

SECOND SESSION

SUBCOMMITTEE ON FOREIGN OPERATIONS APPROPRIATIONS

OTTO E. PASSMAN, Louisiana, *Chairman*

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

PART 3

Economic Assistance Program:
- **Administrative Expenses**
- **Contingency Fund**
- **Far East Region**
- **International Organizations and Programs**
- **Inter-Regional Expenses**
- **Investment Programs**
- **Latin America Region (Alliance for Progress)**
- **Migrants and Refugees Programs**
- **Near East and South Asia Region**

International Monetary Fund

Statements of Interested Organizations and Individuals

Printed for the use of the Committee on Appropriations

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FOREIGN OPERATIONS APPROPRIATIONS FOR 1963

WEDNESDAY, JULY 25, 1962.

LATIN AMERICA

WITNESSES

HON. EDWIN M. MARTIN, ASSISTANT SECRETARY OF STATE, BUREAU OF INTER-AMERICAN AFFAIRS
TEODORO MOSCOSO, ASSISTANT ADMINISTRATOR, BUREAU FOR LATIN AMERICA, AID, AND U.S. COORDINATOR, ALLIANCE FOR PROGRESS
WILLIAM V. TURNAGE, DIRECTOR, OFFICE OF INTER-AMERICAN REGIONAL ECONOMIC AFFAIRS, STATE
REUBEN STERNFELD, DIRECTOR, OFFICE OF DEVELOPMENT PLANNING AND PROGRAMS, BUREAU FOR LATIN AMERICA, AID
EDWARD F. TENNANT, ACTING CONTROLLER, AID
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B. CRAIG RAUPE, BUREAU FOR LATIN AMERICA, AID
BARRY PASSETT, BUREAU FOR LATIN AMERICA, AID
KENNETH M. RABIN, PRESENTATION COORDINATOR, AID

ALLIANCE FOR PROGRESS

Object classification

[In thousands of dollars]

		1961 actual	1962 estimate	1963 estimate
	ALLOCATION TO AGENCY FOR INTERNATIONAL DEVELOPMENT			
11	Personnel compensation:			
	Permanent positions	8,651	9,000	9,500
	Positions other than permanent	378	400	500
	Other personnel compensation	659	700	800
	Total personnel compensation	9,688	10,100	10,800
12	Personnel benefits	1,986	2,000	2,000
21	Travel and transportation of persons	1,803	2,000	2,000
22	Transportation of things	947	1,800	3,000
23	Rent, communications, and utilities	336	500	500
24	Printing and reproduction	245	300	300
25	Other services	3,790	8,000	20,500
	Services of other agencies	986	2,000	3,000
26	Supplies and materials	489	4,000	8,000
31	Equipment	1,812	6,000	11,000
33	Investments and loans		106,000	500,000
41	Grants, subsidies, and contributions	28,479	35,000	56,600
	Total, Agency for International Development	50,561	177,700	617,700
	ALLOCATION ACCOUNTS			
41	Grants, subsidies, and contributions	1,625	402,300	2,300
	Total obligations	52,186	580,000	620,000
	Obligations distributed as follows:			
	Agency for International Development	50,561	177,700	617,700
	Department of State	1,625	8,300	2,300
	Treasury Department		394,000	

Personnel summary

Total number of permanent positions	1,380	1,370	1,370
Average number of all employees	1,258	1,347	1,347
Number of employees at end of year	1,344	1,350	1,350
Average grade, grades established by the Foreign Service Act of 1946, as amended (22 U.S.C. 801-1158):			
Foreign Service Reserve	4.1	4.1	4.1
Foreign Service Staff	10.5	10.5	10.5
Average salary grades established by the Foreign Service Act of 1946, as amended (22 U.S.C. 801-1158):			
Foreign Service Reserve	$11,088	$11,200	$11,200
Foreign Service Staff	$6,042	$6,100	$6,100
Average salary of ungraded positions	$1,183	$1,200	$1,200

Program and financing

[In thousands of dollars]

	1961 actual	1962 estimate	1963 estimate
Program by activities:			
1. Social progress program		394,000	
2. Contribution to Organization of American States	1,625	6,000	
3. Bilateral economic assistance	30,561	80,000	620,000
4. Chilean reconstruction program	20,000	100,000	
Total obligations	52,186	580,000	620,000
Financing:			
Comparative transfers from other accounts	−52,186		
Unobligated balance brought forward		−600,000	−20,000
Unobligated balance carried forward	600,000	20,000	
New obligational authority	600,000		600,000
New obligational authority:			
Appropriation			600,000
Chilean reconstruction and rehabilitation program	100,000		
Inter-American social and economic program	500,000		
Total appropriation	600,000		600,000

Mr. PASSMAN. The subcommittee will come to order.

We have with us this morning the Honorable Edwin M. Martin, Assistant Secretary of State, Bureau of Inter-American Affairs; the Honorable Teodoro Moscoso, Assistant Administrator, Bureau for Latin America, Alliance for Progress, and other distinguished witnesses.

These gentlemen will discuss the request for the Alliance for Progress program.

Before hearing from our distinguished former Ambassador, as well as the other witnesses, I should like to say that he has the reputation of being a very hard worker, and he is familiar with the problems of Latin America. Even though we may differ on some of the amounts and some of the purposes, anything said during the hearing certainly would not be intended to question the high purpose and integrity of this outstanding American.

These days, in almost every paper, from almost every nation, we see warning signals, dark clouds accumulating, words of widsom spoken in such a way as to reach the ears of our leaders in America. There is no indication, however, we are heeding the warning, other than with conversation. Certainly no acts of ours would indicate we are trying to check the rapid pace at which we are dissipating our wealth.

TREASURY RECEIPTS AND WITHDRAWALS

During the fiscal year of 1962, which closed June 30, the intake to the U.S. Treasury reached an alltime high, by many billions of dollars. But we spent all that revenue and went out and borrowed an additional $8.3 billion, and spent that. Even though it was an alltime high for expenditures, we see now that for the first 19 days of this fiscal year we have withdrawn from the Treasury in excess of $1 billion more than we did for the same 19 days under this alltime high last year. We have actually withdrawn from the Treasury 2½ times as much as we put in during these first 19 days. Our withdrawals for the first 19 days of the past fiscal year were $5,337,498,698.30, as contrasted to $6,519,065,973.99 that we have withdrawn during the first 19 days of this fiscal year.

If this trend continues during this year, then we are going to be in a lot of trouble.

I quote now from an article in the Washington Evening Star, by Constantine Brown, for July 24, 1962:

> We have received friendly warnings that no nation throughout history, including the farflung Roman Empire, has had inexhaustible resources, and that unless we trim our sails in domestic and foreign expenditures, we will be faced with a situation which may make it impossible for our European friends to help us—much as they want to.

I think it might be well to set the stage for this hearing in that vein.

I assume, Ambassador Moscoso, that you will make a statement first?

Mr. Moscoso. Yes.

Mr. Passman. We shall be pleased to hear from you.

STATEMENT OF THE COORDINATOR, ALLIANCE FOR PROGRESS

Mr. Moscoso. Mr. Chairman and members of the committee, I appreciate the opportunity to appear before this distinguished subcommittee to discuss the major changes we have made in our response to the challenges in Latin America. We are facing these challenges late in the day. With your understanding and help, it will not be too late.

I was appointed Assistant Administrator for Latin America in AID and coordinator of the Alliance for Progress almost 9 months ago, November 14. The job I faced was staggering. The United States was confronted with powerful enemies in the hemisphere—enemies who still constitute a threat to the national security of our country. The campaigns led by Fidel Castro and carried out by well-organized Communist groups, defaming the United States and promising pie in the sky to hungry and despairing peoples, are clear and present dangers.

OBJECTIVES OF ALLIANCE FOR PROGRESS

The peoples of the Americas joined together last year in an Alliance for Progress to build a peaceful, prosperous, and democratic hemisphere. The goals of the Alliance are to eliminate danger, disease, and ignorance in the only enduring way—through economic and social development. In achieving these significant goals, we are furthering the security and the economic growth of the United States. Never before have we had so great an opportunity to do so much for our

neighbors and at the same time for ourselves. To meet the positive goals we have set, the Alliance must succeed.

We have begun work on this vast program. On our part, it calls for money and first-rate men. On the part of the Latin Americans, on whom the major burdens rest, it calls for fundamental economic and social reforms, organizational and financial self-help measures, and long-term planning to encourage development of dynamic economies.

Within a decade, the people of the cooperating nations and territories are to change the direction and results of centuries of their history. The message of change is presented in Latin America to countries with traditions of political instability, lack of trained human resources, economic stagnation, and social immobility.

Against the background of the need for rapid change, it has been difficult in these short 7 months to get the Alliance moving as fast and as smoothly as we would have liked. We have, however, made progress in reorienting our organization in Washington and in the field to carry out the program. We have communicated a new attitude and established new procedures for the good people we have inherited from the past. We have recruited many fine new employees at all levels, and we are well into a reorganization of the program and personnel of our field missions.

LONG-RANGE DEVELOPMENT PLANS

We are concentrating on long-range development goals. In this way we seek to avoid pressures to bail our neighbors out of their recurrent financial crises. As we improve planning and impose stricter standards, we slowly are turning the program around to meet directly the goals we have set for it. This process can only move forward country by country as we educate our own staff in the field and then attempt to win the confidence and support of the public and the political leadership of the country itself.

Long-term development plans have been formulated by Chile, Colombia, and Bolivia. Venezuela and Panama are in the process of completing theirs. A 5-year program for the development of northeast Brazil is underway. These plans may vary in quality, but it is significant that they have been submitted and have attracted the attention of the World Bank. The Bank is now actively involved in the Alliance and is organizing cooperating groups in several nations which will contribute substantially to the long-term development of all of Latin America.

We want to be sure that the national planning which is done is not such that Latin countries are laced into a straightjacket of economic dogma at the expense of a free economy and an open society, for we want democratic initiative and free enterprise functioning vigorously at all levels. We encourage the development of institutions vital to a free economy, such as savings and loan associations, farm cooperatives, and better technical schools. Because we attach a great deal of importance to the development of dynamic private enterprise in Latin America, AID has in mind both elements—the encouragement of an environment conducive to the development of home-grown private enterprise, and the safety and stimulation of U.S. and other foreign investment and trade, which have contributed critically to the growth of these countries.

BALANCE OF PAYMENTS PROBLEM

In administering our programs, we are most conscious of the U.S. balance-of-payments situation. I am convinced that the Alliance for Progress in Latin America will have a positive impact on our balance of payments. If Latin America's trade had kept up with the growth in world trade and if its terms of trade had not deteriorated, the U.S. balance-of-payments problem would certainly have been much less serious. But Latin America's trade position has worsened drastically. While world exports have grown 53 percent in the past decade, the exports of the 19 Latin American countries have increased only 14 percent, from $7 billion in 1951 to $8 billion in 1961. If oil is excluded, Latin American exports present a picture of stagnation. U.S. exports have increased 40 percent during the same period. Note that this figure is well below the world exports growth rate. Our annual exports to Latin America amount to 20 percent of our total exports, and their imports of our products amount to half their total imports. But our exports to the 19 Latin American Republics are declining. At the same time, Latin American terms of trade with the United States over the past decade have deteriorated by over 20 percent. This general stagnation in Latin America's ability to pay for imports from the United States is obviously harmful to our export trade. Helping our neighbors help themselves, therefore, is essential if we are to increase our world trade and improve our balance-of-payments position.

SOCIAL PROGRESS ACTIVITIES

This effort began last year when the Congress provided $500 million for social progress activity under the Act of Bogotá and $100 million for Chilean reconstruction. The bulk of the social progress funds, $394 million, went to the social progress trust fund of the Inter-American Bank. The IDB obligated $224.2 million by July 1 for important social projects in improved land use, housing, water supply and sanitation facilities, and higher education and training. Examples of the Bank's projects are:

(1) A loan to finance improved land use in Chile through a system of supervised agricultural credits in favor of 10,000 small farmers and their cooperatives. Other agricultural credit loans were made in El Salvador and Peru.

(2) A loan to finance urban housing in Colombia for low-income groups. It is providing 13,000 housing units. Similar housing loans have been made to Costa Rica, Panama, Peru, and Venezuela.

(3) A loan to increase the water supply for the 691,000 inhabitants of the city and vicinity of Salvador, Brazil, only half of whom have potable water. Other water supply loans have gone to Chile, Colombia, Uruguay, and Venezuela.

The Act of Bogotá funds also included $6 million for the OAS, $100 million for Chilean reconstruction, and $100 million for the Inter-American Program for Social Progress (IAPSP) of AID.

As of May 31, obligations of the OAS portion were $4.4 million, to finance technical advisory missions and technical assistance, especially in the fields of taxation, agriculture, land reform, and education. All of the Chilean reconstruction funds have been obligated, and the

Chileans are putting them to work in a variety of disaster-recovery and economic-development projects. Of the IAPSP funds, $57.8 million had been obligated by June 30 for social progress projects in 17 countries, 3 territories and 1 regional organization.

Turning to the AID fiscal year 1962 approved program itself we find (1) on the development grant side, 98 percent of the $18.2 million program is obligated and (2) 99.6 percent of the supporting assistance program of $104.7 million is obligated. Two-thirds of supporting assistance is in loans. In addition, $189.6 million in development loans is committed.

ALLIANCE FOR PROGRESS COMMITMENTS

As you know, we fulfilled our commitment, which was intended to show the extent and seriousness of our purpose in undertaking the Alliance for Progress, to commit $1 billion to Latin American development during the first 12 months of the Alliance. This March 1961 to March 1962 activity was particularly gratifying because it demonstrated that most of our aid funds are now being committed as loans. Some 86 percent of the billion dollars was in loans, only 14 percent in grants. Fiscal year 1962 figures show a billion dollars invested as well, much of it, of course, overlapping the March-to-March figure. In fiscal year 1962, according to preliminary figures, obligations and loan authorizations from AID, Social Progress Trust Fund, Export-Import Bank, Food for Peace, and Peace Corps totaled $1,117 million.

The Alliance program for fiscal year 1963 shows our determination to lend for long-range development projects which have strong multiplier potential. We intend to use our funds where they will make the most impact. We are terminating or phasing out a large portion of the older technical assistance projects. Host countries are taking on full responsibility for our service operations in the fields of health, education, and agriculture. We have encouraged our people to relate U.S. activities to a few goals with impact potential, loan projects which will contribute to the economic and social development of the country and which will require significant contributions and cooperation of the Government and people involved.

We have made clear that we want to reduce the proportion of grant aid each year. As we finance more and more of our projects on a cooperative or consortium arrangement with other lending institutions, I am convinced that grant aid will decrease.

1963 BUDGET REQUEST

We are requesting an appropriation of $600 million for development loans and grants for fiscal year 1963. In addition, we are requesting supporting assistance funds as indicated in volume III of the proposed program for fiscal year 1963. The amount requested for fiscal year 1963 assumes generally improved economic and political conditions in these countries. It is a drastic reduction from fiscal year 1962. Should a sudden crisis erupt in these or other countries or if conditions become worse than we foresee, additional supporting assistance will be needed from the contingency fund.

The bulk of the $600 million appropriation request is for long-term development loans. Only $90 million in new appropriations for grants is requested, for those situations—principally in the areas of

technical assistance and in the building of basic social and governmental institutions—where grants continue to be necessary. Grants will assist in educational development, planning, government administration, and improved rural institutions—vital ingredients to the development of human skills and institutions necessary to successful development.

We are asking $510 million for loans. We have before us well over that amount in proposals for development lending. Among these porposals are such significant projects as the impact development program for the depressed areas of northeast Brazil. Venezuela seeks credit for relending to private enterprises and to advance agrarian reform. Our program for development lending makes the United States a partner in the long-term economic development of Latin America, development keyed to steady progress in vital social and economic reform.

The rate of obligations I mentioned earlier is a good justification for a full appropriation for fiscal year 1963. We have been prudent in committing our funds. The rate of obligations is the result of the careful review and screening of proposals prepared under the old and new criteria, new organization, and new personnel. We have insisted that our conditions be met and have not hurried to expend funds until they were. We have turned back tens of millions of dollars worth of loan applications. The caution we have shown is vital in this first year of such a crucial program as the Alliance.

ADVANCES MADE BY ALLIANCE

If we are impatient with our own record so far in the first months of this decade of development, we are far from satisfied with Latin American progress under the Alliance for Progress. We cannot be satisfied when so little has happened in relation to what must happen—and when our continued impatience at the rate of change and growth is necessary to stimulate the performance of the Latin American governments.

This is not to say that meaningful progress has not been made. I have here two extensive reports, one on self-help and reform and one on tax reforms. The significant reforms which have taken place in countries like Colombia, Venezuela, El Salvador, and Bolivia, among others, since the Act of Bogotá, have been promising not only in themselves but also for their influence all over Latin America.

Considering the difficulties involved in tax reform in any country, the advances made by the Latin Americans in that field are heartening. Chile is arresting and prosecuting tax evaders for the first time in its history. Better tax enforcement, under a U.S. aid program, brought to Bolivia 30 percent more national revenue last year and will bring in an additional 22 percent in 1962. We estimate that new tax measures taken by 15 Latin countries since last July will have brought in $185 million in additional revenues by this August. This is just the first step.

We are carrying forward the specification of the Congress that we "take into account the extent to which the recipient country shows a responsiveness to the vital economic, political and social concerns of its people and demonstrates a clear determination to take effective self-help measures." There are groups on the left and on the right

who would seek to frustrate self-help efforts, and thereby the Alliance itself; and we have therefore remained flexible in our approach. We have explained to those who work against the Alliance that they have more to fear from their own destitute peoples than from the United States; that the self-help goals of the Alliance deserve their support not only by their appeals to conscience and patriotism, but to self-preservation as well.

On the other hand, of course, the need for specific self-help and reform measures must be judged in terms of the economic situation in the particular country, the potential contribution to economic growth, and the nature of the political forces concerned with it. External aid is most effective when tendered at the optimum time to support and encourage national programs, not when it is given as a reward for some earlier accomplishment. For the first time, the U.S. aid program for Latin America can, by the extending or withholding of assistance, have some influence over the actions of the national governments. We have, at last, a powerful combination to help the members of the Alliance to create economic and social development programs leading to political stability throughout this hemisphere. We have not been afraid to use this new tool.

Self-help takes on its greatest significance when indigenous governments and private groups will work and plan together with external institutions to build a better future for the entire hemisphere. One of the most exiciting and hopeful developments of the first year of the Alliance has been the increasingly close cooperation among all the agencies working for the development of Latin America. Our relationships with these agencies have improved, in part as a result of the interagency Alliance for Progress Committee of which I am chairman. We have developed close working ties with the World Bank, the Export-Import Bank, the IDB, and with the other international institutions, large and small, which are engaged in development activities. Coordination exists not only informally at the top level, and through the Alliance Committee, but it permeates to the working level—the desks, the technical services, the program and planning offices.

ACTIVITY OF DEVELOPMENT ASSISTANCE COMMITTEE

Through the Development Assistance Committee of the OECD we have worked tirelessly to encourage the developed nations of the world—especially the European countries associated in the Common Market and Japan—to contribute more generously to the social and economic development of the poorer nations. We have received a good response, and 1963 promises to be a banner year for significant cooperation. The World Bank expects to bring together interested parties to aid in the development of several of these countries. The DAC countries, the IDB, and others join with the World Bank and the United States in making the Alliance a worldwide development effort. Under this type of cooperative action, AID will function as a coordinator and "lender of last resort."

SOCIAL IMPROVEMENTS

AID grants and loans, combined with other financing and strong emphasis on self-help—all under the banner of the Alliance for

Progress—are already making possible significant progress in assisting Latin American countries to overcome crushing problems in housing, agriculture, water supply, and education. Here are some examples:

(1) Colombia undertook nationwide programs in self-help housing, school construction, and land reform. The self-help housing project which President Kennedy inaugurated in December got its start as a pilot program under a $500,000 AID grant in 1961. The pilot project was a success. To expand the program, AID has extended a loan of $12 million and the IDB a loan of $15.2 million. The funds are administered by Colombia's Instituto de Credito Territorial, which plans to build 132,000 new housing units in the next 5 years. Colombia's contribution over this period will be approximately $100 million.

(2) Farm problems in Chile were severe, and the Alliance for Progress is helping the Chileans to meet them. AID grants will have helped to establish a number of new extension offices and to set up 900 small farmer community organizations by fiscal year 1963. Meantime, the Chileans have drafted a land reform law and decentralized and modernized their agricultural administration. Now 36,000 farm families can be reached by technicians familiar with modern farm methods. The IDB is lending 10,000 small farmers a total of $10 million to help finance a program of improved land use through a system of supervised agricultural credits which favor small farmers and their agricultural cooperatives. The local contribution to this program totals the equivalent of nearly $14 million.

COMMUNIST REACTION TOWARD ALLIANCE

Everywhere I go in Latin America the Communist paint anti-Alliance slogans on walls and distribute them in handbills. Just this month, Soviet Premier Khrushchev paid us a great compliment by attacking the Alliance in vituperative terms, thereby reflecting his concern that programs like these are succeeding, that the Alliance is moving forward. Cuban Communist leader Blas Roca also attacked us viciously on May 22, when he said that the Alliance "gives no adequate or effective answer to the cry of the peoples of Latin America." And Premier Castro of Cuba said that the Alliance will not succeed, that we do not have the courage to follow through on this program. On June 1, he said: "The American economy can't afford it. They have neither the gold reserves nor the organization nor the men to make it work."

We have heard these arguments before. It is our job to prove them wrong. We have the courage. We are making good progress. Our success will depend upon our firmness of purpose, our flexibility, and the adequacy of our resources. We ask your help. I am confident that we will return next year with a record of solid progress to report.

Mr. PASSMAN. Thank you very much, Mr. Ambassador.

Secretary Martin, would you like to make a statement before we proceed with the examination.

Mr. MARTIN. I have a prepared statement which I will read, if you wish.

Mr. PASSMAN. We shall be happy to hear from you, Mr. Secretary.

STATEMENT OF ASSISTANT SECRETARY OF STATE FOR INTER-AMERICAN AFFAIRS

Mr. MARTIN. Mr. Chairman, members of the committee, recognizing the gathering forces sweeping the American community of nations toward fundamental economic, social, and political changes President Kennedy in March of last year proposed that the people of the hemisphere join in a new Alliance for Progress, a vast cooperative effort to bring a better life to all the people of the Americas.

INTER-AMERICAN COOPERATION

The Alliance for Progress represents the most important common venture in the history of our hemisphere. In joining this common effort we realize that the destiny of the United States is irrevocably joined to the destiny of all the nations of the New World.

Special relations have always existed between the governments and people of the United States and those of Latin America. In addition to our special geographic ties, we share a common history of revolt from colonial rule and a common heritage in the quest for dignity and freedom of man. More than a century ago the Monroe Doctrine focused attention on the special concern of the United States with freedom and security in this hemisphere. Subsequently the good neighbor policy further strengthened our relations with Latin America.

Cooperation between the United States and Latin America has grown steadily, marked by such events as the Rio Treaty of 1947 to assure the collective security of the hemisphere and by the establishment of the Organization of American States to promote a complex of political, economic, and cultural objectives. Modern technology and economic developments are bringing us closer together into a constantly more intimate neighborhood relationship. In times of world crisis Latin America has been our most reliable source of a number of raw materials and other products essential to defense efforts and civilian requirements, for example, petroleum, copper, tin, lead, zinc, drugs, vegetable oils, and animal fibers.

SOCIAL AND ECONOMIC CONDITIONS IN LATIN AMERICA

Despite the common ties and traditions held by the countries of this hemisphere, our southern neighbors have not experienced the steady economic and social progress enjoyed by the United States. Mass poverty and discontent have brought an insistent demand for change.

Among the forces behind the demand for change perhaps the most significant are, on the one hand, the rapid population growth and, on the other, the slow growth of their foreign trade on which their economies so heavily depend.

The population of Latin America was only 63 million in 1900. Today it has more than 200 million and is the most rapidly expanding region in the world. In the past century its population has risen from 3 to 7 percent of the world total. Millions of additional workers in Latin America will be seeking new employment opportunities.

Latin American economies have placed heavy reliance in the past on the export of primary commodities to generate new employment opportunities. This is demonstrated by the fact that exports account

for almost 20 percent of the gross national product of the area. By comparison total exports of the United States account for only about 3 percent of our gross national product. World markets for primary commodities, however, are expanding slowly and the growth of Latin American exports, including petroleum, during the past decade was less than 15 percent; for some of the larger countries exports actually declined. Clearly Latin America cannot rely so heavily as in the past upon sales in foreign markets of primary commodities as the major basis for supporting the rapidly increasing population.

The necessity for change presents a challenge more urgent and more complex than the hemisphere has known before.

PURPOSE OF ALLIANCE FOR PROGRESS

The Alliance for Progress is the hemisphere's response to this challenge. It signals another great advance in hemispheric cooperation and demonstrates anew our identity of purpose in the quest for dignity, freedom, and security.

Pursuant to the proposal by President Kennedy, the Inter-American Economic and Social Council met in August of last year in Punta del Este, Uruguay, for the purpose of developing policies, principles, and procedures for putting into effect the Alliance for Progress. From this conference emerged the Charter of Punta del Este—a statement of economic and social development policy in Latin America for the decade of the Alliance for Progress. After full and careful deliberation all member countries, except Cuba, subscribed to the charter.

The charter recognizes that we must come to a better appreciation of each other's economic and social life and problems because it is in this area that our relationships are growing closer and the possibilities for constructive cooperation are becoming more important.

It recognizes too that in this great cooperative effort the largest role will be played by the countries of Latin America themselves. They will provide the great bulk of the resources and they will undertake the vast and complex efforts to achieve essential reforms.

The program outlined in the Charter of Punta del Este has many facets. The program not only stresses physical economic growth but is also ideological with emphasis on social justice, international, and interregional cooperation, and orderly political processes. It calls for improving and strengthening democratic institutions as well as accelerating economic and social development.

It calls for adjustment and change no less than revolutionary but in a constructive and democratic manner. In countries with much higher standards of living and more advanced levels of education reforms similar to those foreseen in the Alliance for Progress have come slowly and by stages.

In Latin America what should have been done in decades must now be done in years. Time is running short. In carrying out programs under the Alliance there will be ever present a strong sense of haste and even of impatience.

But it must be remembered that in a democratic system issues are thoroughly considered and all factions must be given opportunity to be heard. While progress may be uneven and occasionally be interrupted, an accelerating upward trend is the goal and the firm expectation.

SOURCE OF ALLIANCE INVESTMENTS

It has been estimated that about four-fifths of the required investment will come from local sources. But substantial assistance, primarily in the form of long-term loans, is expected to become available from international institutions and from Western European countries, Canada, and Japan, as well as the United States. Discussions among representatives of these countries concerning such assistance have been initiated in the Development Assistance Committee of the Organization for Economic Cooperation and Development (OECD).

Other measures too are under consideration, some in the study stage and some in negotiation, which are designed to stabilize external markets and to expand demand for primary commodities important to the export trade of Latin America. For example, work on a new coffee agreement, in which both producing and consuming countries will participate, is well advanced. Such an agreement, involving the most important export commodity of a number of Latin American countries, will reflect a major stride in international cooperation under the Alliance for Progress. Within the past year, when the Central American Common Market arrangements were activated, a far-reaching but little heralded milestone in regional cooperation was reached. These arrangements open wide opportunities for economic growth and broader cooperation among the countries of Central America.

The programs and procedures of the various international agencies—such as the Organization of American States and the Inter-American Development Bank—will influence the adoption by Latin American countries of self-help and reform measures. In numerous cases international agency opinion and prestige will be invaluable in persuading a country to adopt constructive but controversial measures. These agencies have already intensified their efforts to promote the objectives of the Alliance for Progress.

Included among these efforts are the provision of technical assistance to countries in speeding the preparation of soundly conceived national plans, the establishment by the OAS of a panel of nine experts to review plans and make recommendations concerning both their modification and implementation, and the administration by the IDB of the Social Progress Trust Fund pursuant to the conditions indicated in the Act of Bogotá.

ASSESSMENT OF ALLIANCE PERFORMANCE

In order to facilitate the assessment of performance under the Alliance, agreed procedures are now in effect to hold an annual meeting of the Inter-American Economic and Social Council at which the progress and the problems of the period will be considered before ministerial level representatives of all member countries. In this way the performance of each country will be examined both by all other member countries and by international agencies which are participating in the programs.

In reviewing performance against a development plan the complexity of each country's task must be recognized. No economic development plan can fully anticipate the future and, consequently,

all plans must be subject to adjustment in the light of unfolding events. Judgments must also take into account emerging political realities.

While it is proposed that assistance be extended more readily to those countries which best help themselves, the economic development goal for each country will be the achievement of a steady rate of self-sustaining growth, a rate of growth which requires no external aid other than that extended on conventional terms. The Alliance for Progress is designed to create conditions conducive to such growth under free institutions and constitutional processes.

For the United States the Alliance for Progress represents a much more intimate political contact with the course of events in Latin America than heretofore. We must support and work with groups who cherish democratic values and constitutional government. We must help preserve such values in the continuing contests with extremist ideas and alien forces.

An immediate danger to constitutional government in Latin America lies in the fact that in few countries are there only two major political parties. Elections are frequently fought out among three, four or even five parties or factions. For one party to gain a majority of the vote is more often the exception than the rule.

In contests among several political parties it is possible for an extremist group to gain control of the Government without representing the wishes of the majority. It is also possible for such an extremist group, having once reached power and being fearful of free elections, to bring constitutional processes to a prolonged halt.

The need is to encourage the development of more stable and mature political parties which are based not so much upon personalities as upon enduring principles of public service and conduct. Among the central political objectives of the Alliance for Progress is the unification of popular support behind those parties which—by establishing constructive programs and clearly defined goals, by representing the aspirations and the will of the majority, and by conducting themselves with a high sense of responsibility—provide leadership and inspire confidence in the future of their countries.

A guarantee of quick and complete success for the Alliance for Progress cannot be assumed. The alternative, however, to continued and even more resolute efforts is certain political catastrophe in Latin America, a weakening of our historical ties in the hemisphere and an increased threat to our security.

Thank you, Mr. Chairman.

Mr. PASSMAN. Thank you, Mr. Secretary.

I think we all recognize, Mr. Ambassador, that we have a long way to go to help our friends in Latin America achieve what we think is a worthwhile objective.

LONG-RANGE PROSPECTS OF LATIN AMERICAN PROGRAM

As it may be a long-range and rather expensive undertaking we have to proceed cautiously and carefully.

I live near Latin America. I like the people. They are wonderful, friendly neighbors.

We are dealing with some very old civilizations. Some of these people had advanced civilizations even before the beginning of America, as we know it today.

Mr. Moscoso. They were colonized in some instances before us.
Mr. Passman. It goes back many hundreds of years.
Mr. Moscoso. Hundreds of years.

PHILOSOPHY OF EDUCATED PEOPLE

Mr. Passman. Many of the top echelon people in Latin America, the so-called educated people and wealthy people, who run the countries, have a different political philosophy than we, do they not?
Mr. Moscoso. In some instances, yes; sir.
Mr. Passman. Would you say in many instances?
Mr. Moscoso. I would say, Mr. Chairman, basically they are in favor of representative democracy.

ORIGIN OF AID PROGRAM IN LATIN AMERICA

Mr. Passman. When did our aid program actually begin in Latin America?
Mr. Moscoso. 1942, Mr. Chairman.
Mr. Passman. The aid program as we know it today started, I believe, in 1947, did it not, with the Marshall plan?
Mr. Moscoso. With the Marshall plan.
Mr. Passman. When did we first go into Latin America with some small aid program as a takeoff from that program?
Mr. Moscoso. As differentiated from the previous programs we have had in Latin America, I think this past year is really the year we started to give the kind of assistance we have given worldwide to other countries.
Mr. Passman. When did we start our aid program in Latin America, subsequent to the enactment of the Marshall plan?
Was it 1952?
Mr. Moscoso. 1952, $18 million.
Mr. Passman. Thank you.

LATIN AMERICAN GOVERNMENTS OVERTHROWN

Could you tell us how many presidents have been assassinated since 1952 in various Latin American countries?
Mr. Moscoso. I do not have the figure.
Mr. Passman. If you could get the figures, we would appreciate it.
Can you tell us how many governments have been overthrown in Latin America since we have had this program?
Mr. Moscoso. Quite a few.
(The information follows:)

PRESIDENTS ASSASSINATED AND GOVERNMENTS OVERTHROWN IN LATIN AMERICA

Three Presidents have been assassinated in Latin America since 1952: January 2, 1955, President Jose Antonio Remon of Panama; September 29, 1956, President Anastasio Somoza of Nicaragua; July 26, 1957, President Carlos Castiilo Armas of Guatemala.

On May 30, 1961, Generalissimo Rafael L. Trujillo was assassinated. He was not, however, the President of the Dominican Republic at the time of his death.

Although the question of the overthrow of governments sometimes raises various technical and legal problems, our files indicate that there have been governments overthrown in 13 Latin-American countries since January 1, 1952. Of interest may be the fact that in several countries—Argentina, Colombia, Cuba,

El Salvador—governments have been overthrown on at least two occasions during this period.

Mr. PASSMAN. Usually, enlightened people, or educated people, were at the head of those governments?

Mr. MOSCOSO. In some instances; in other instances it has not been that way, Mr. Chairman.

Mr. PASSMAN. At least there were educated people in control of the country, and in control of the purse strings?

Mr. MOSCOSO. In some instances, yes.

DEVELOPMENT CREDITS

Mr. PASSMAN. There never has been a witness before this committee who referred to aid items as loans as often as you did in your statement. Unless we keep this thing in proper context, we are going to mislead the American people. We will say it so often until we start believing it ourselves.

I made it a point to ask Secretary Dillon specifically about this matter. I said:

In your professional position as a banker, Mr. Secretary, would you actually call these things loans, if there is no interest? Would they come under the category of hard loans?

Secretary DILLON. No.

Going further, he said:

They call them development credits, and I think that is a good name for them.

I am not going to be a party to misleading the people into believing these things are loans.

Are these people, under this arrangement, eligible for these development credits on a 40-year basis with no interest, and 10 years' grace?

Mr. MOSCOSO. Yes, sir.

Mr. PASSMAN. Then, we are referring to the same type of credit? We have the same thing in mind?

Mr. MOSCOSO. The only thing I want to explain is that a very substantial amount of lending is done on other terms by the Export-Import Bank and by the——

Mr. PASSMAN. We are not discussing the Export-Import Bank. We are discussing these items here marked "loans."

Are you not testifying primarily for the Alliance for Progress?

Mr. MOSCOSO. Right. But as coordinator, part of my responsibility is to try to encompass the whole developmental effort.

Mr. PASSMAN. If you would break it out, and tell us what you propose under the Export-Import Bank, that we will understand. In the past, it has been a good organization. I do not know whether we have changed it to the extent it will develop into one of these give-away programs. Let us hope it will not.

FLIGHT OF CAPITAL FROM LATIN AMERICA

Has it been established that the flight of capital from Latin America is in excess of the amount of capital that we are putting in?

Mr. MOSCOSO. No, sir; it has not been established.

As a matter of fact, the flight of capital is a very, very difficult thing to measure. All kinds of ideas are expressed and figures are quoted which in some instances are almost outlandish.

I remember reading in one instance of $8 billion of Latin American funds being on deposit in Swiss banks, and, as I understand it, the total deposits in Swiss banks is $7.5 billion.

Mr. PASSMAN. How were you able to get that information?

Mr. MOSCOSO. This is not Latin American money; this is the total deposit in the Swiss banks.

Mr. PASSMAN. It is a guess?

Mr. MOSCOSO. That is right. Just like the flight of capital.

Mr. RHODES. I doubt if anyone would say that the loss of $7 billion was not a substantial flight of capital.

Mr. PASSMAN. I wish you would get Secretary Dillon's recent statement. It looks as if he surmises what is happening.

I quote from the Washington Evening Star for June 26, 1962:

> Secretary of the Treasury Douglas Dillon last night called on wealthy Latin Americans to reverse the flow of capital they are now sending abroad and invest these funds at home where he said they are sorely needed.

It appears that we have not been very persuasive.

Mr. MOSCOSO. May I say that the information that I got about the $7.5 billion in Swiss bank deposits is about as good an educated guess as one can find. This is from the Board of Governors of the Federal Reserve System.

Mr. MILLER. Total deposits, not just Latin American deposits.

Mr. PASSMAN. You have nothing to substantiate it. It is a guess.

Mr. MOSCOSO. I do not know if the total can possibly be obtained.

Mr. PASSMAN. You cannot even obtain the names of the investors, can you?

Mr. MOSCOSO. I do not know whether you can or not. I do know this information which came from the Board of Governors of the Federal Reserve System seems to indicate they probably get the information from some official source.

Mr. PASSMAN. On this subject, we are both guessing.

COST OF ALLIANCE FOR PROGRESS

Let us just back up to fiscal 1962. Mr. Andrews was asking the questions. I quote from page 230 of our hearings:

> Mr. GORDON. To put a figure on this over the 10-year period I must say I find very difficult.
>
> I have not made calculations and I really do not know what my guess would be worth. If you want me to make——
>
> Mr. ANDREWS. That is all I am asking. That is all you can give.
>
> Mr. GORDON. Well, sir, I would guess for these particular purposes over the 10-year period that something in the neighborhood of $2.5 billion or so might be indicated. That is a rate of $250 million a year.

That was to get the program started.

According to my interpretation of the legislation that just passed for fiscal year 1963, the Congress authorized $2.4 billion, fiscal year 1963 through fiscal year 1966. That would be about $600 million for fiscal year 1963, would it not?

Mr. MOSCOSO. Yes.

Mr. MARTIN. I think Mr. Gordon's testimony was on behalf of the IDB Social Progress Trust Fund.

Mr. PASSMAN. The Alliance for Progress program is what I am talking about.

Mr. MILLER. I think we should complete the gentleman from Alabama's questions on page 230.

Mr. ANDREWS. This $2.5 billion figure does not include what will be spent under our regular DLF program or the ICA program, as we have known them for the last 5 years?

Mr. GORDON. DLF, no.

With respect to ICA, there are certain technical assistance activities of ICA in fields other than these.

For example, in improving industrial productivity, these are very small.

Mr. ANDREWS. Your opinion of $2.5 billion has to do with only this program that we are considering here now?

Mr. GORDON. That is right.

Mr. PASSMAN. I am not talking about technical aid. I am talking about the Alliance for Progress program.

Is that what you had in mind, Mr. Andrews?

Mr. ANDREWS. Yes.

Mr. PASSMAN. We realize that we are going to have to borrow this money for them to spend.

ASSOCIATION OF AID WITH INTER AMERICAN DEVELOPMENT BANK

Mr. Ambassador, would the Inter-American Development Bank be in your realm?

Mr. Moscoso. The Inter-American Development Bank is an international institution, a regional organization. We do have some say on the loans which are made out of the Social Progress Trust Fund.

Mr. PASSMAN. You have to coordinate the operation?

Mr. Moscoso. That is right—of the Trust Fund.

Mr. PASSMAN. Therefore, you have a significant interest in the success of the Inter-American Development Bank and how they spend their funds, and whether they are spent wisely?

Mr. Moscoso. That is correct.

Mr. PASSMAN. I believe you have a reputation of watching dollars too, and where there are irregularities, you want them exposed, do you not?

Mr. Moscoso. Yes, sir.

TRIP OF IDB OFFICIALS TO EUROPE

Mr. PASSMAN. I shall mention, then, two expense accounts, and they would indicate that our Latin American friends figure we are picking money off the trees, or plowing it up from the ground.

This is an Inter-American Development Bank detailed cost of a European trip for Mr. Herrerra and Mr. Menapace, and Mr. Cardenas, who from June 4 to July 19, 1961, made a trip to Europe. It says:

Subsistence for the three, $4,876.05; incidentals, $860,67; representation—and I assume that would mean a few little drinks—$1,048.68; transportation, $6,009.34, or a total of $12,786.74.

Subsistence per day per person, $64.54; subsistence per person for 35 days, $2,258.90; total expenditure, per person, for the 35 days, $4,262.24.

Would you have a look at that matter sometime at your convenience?

Mr. Moscoso. Yes, sir. I recall this trip of Mr. Herrera's because it got quite a bit of play in the newspapers.

As a result of that trip some $24 million of bonds of the Bank were negotiated and sold. The Bank, as you know, is trying to create a market for securities.

Mr. PASSMAN. That happened subsequent to this trip?

Mr. Moscoso. Yes.

Mr. PASSMAN. When did they sell these bonds, and where were they sold?

Mr. Moscoso. The negotiations took place in Rome.

Mr. PASSMAN. Where did they sell the bonds?

Mr. Moscoso. In Rome.

Mr. PASSMAN. To whom were they sold?

Mr. Moscoso. $24.2 million of bonds of the Bank were sold to a group of banks headed by the Bank of Italy and managed by the Mediobanca, Milan.

Mr. PASSMAN. They made this trip, though, before they had expended over 2 or 3 percent of the funds we had given them?

Mr. Moscoso. This trip was made after the appropriation was made, as I recall.

Mr. PASSMAN. You only had 1 year's appropriation, and you had not expended it?

Mr. Moscoso. That is right.

Mr. PASSMAN. Regardless of other factors, could they have justified that type of an expense account? Do you spend that much money when you go out, Mr. Ambassador?

Mr. Moscoso. No; Mr. Chairman. This type of trip, I can imagine, required a good bit of talking to bankers——

Mr. PASSMAN. I did not know you had to pay to talk. All right, Mr. Ambassador, if you want to defend this kind of waste of the American taxpayers' money, go ahead.

Mr. Moscoso. Mr. Chairman, I do not want to defend it.

Mr. PASSMAN. If they had moved the Bank of Italy to Washington on a boat it would not have justified that type of expense account.

Mr. Moscoso. Mr. Chairman, I happen to have been a director of a bank and that I know in order to sell our paper we had to get bankers around the table.

Mr. PASSMAN. Mr. Cutler said:

> We went to all the big financial countries—England, France, West Germany, Italy, Switzerland, Holland, and Belgium. And as a direct result of that trip, we got those four participations from the two big banks in West Germany, one in Italy and one in Switzerland—$275,000 in one of our loans.

That is all they got out of it. The loan they got will not liquidate the two expense accounts I am talking about, so you may have to send them back.

COST OF IDB BOARD OF GOVERNORS CONFERENCE

There are, I believe, 20 members on the Board of Governors of the Inter-American Development Bank?

Mr. Moscoso. Yes.

Mr. PASSMAN. And these men serve without compensation?

Mr. Moscoso. Yes.

Mr. PASSMAN. They had a meeting in Rio in 1961. This is the expense account:

Travel of Directors, officers, and staff	$92,698
Local services (secretarial, translation, guards, etc.)	19,638
Printing	6,859
Transportation of records, documents, and equipment	2,644
Rental of interpretation and other equipment	1,560
Representation	17,745
Sundry expenses	2,214
Total	143,358

They planned another one for about a year later, and they stepped it up to $225,000 for these honorary Governors for 1 week.

Will you check that matter for us?

Mr. MOSCOSO. Mr. Chairman, in the first place, as an international banking organization the Bank, of course, has to render its report and obtain the opinions of the representatives of the member countries, and it also invites to its annual meetings a considerable number of people who may in the future be the purchasers of some of these bonds the Bank will sell, which will reduce the need for the United States and other member countries to make further contributions.

Mr. PASSMAN. If they reall respond, you will have more money than you can give away, because at one banquet you had 1,000 people.

Mr. MOSCOSO. They were not all bankers.

Mr. PASSMAN. This, in my opinion, is a tremendous waste of money, $143,000 in 1 week.

Mr. MOSCOSO. Mr. Chairman, out of this $143,000 I want you to know none of the Trust Fund money was used for that. As a matter of fact in the trust agreement between the United States and the Bank it is expressly stated that no funds of the Trust Fund will be used for that purpose.

Mr. PASSMAN. Out of what fund was it paid.

Mr. MOSCOSO. It was paid out of the regular funds of the Bank.

Mr. PASSMAN. We did not contribute anything to the Bank?

Mr. MOSCOSO. Yes, we did; but so did all other countries of Latin America.

Mr. PASSMAN. The Bank has about three "windows," to which Mr. Cutler referred. They got it out of window 3 instead of window 1.

Mr. MOSCOSO. Mr. Chairman, if I may——

Mr. PASSMAN. Defend it all you want to. It needs quite a bit of defending.

Mr. MOSCOSO. I do not necessarily want to defend. I want to explain that in instances where you have to find a market for your paper it is necessary that you people know about you, that people know how you operate. I have had a little bit of experience with that. Sometimes you feel this is the kind of money that could be better spent in some other manner, but nevertheless when you start to find a market for your paper——

Mr. PASSMAN. Which one are you defending now? You did not bring people from Switzerland to Latin America, did you?

Mr. MOSCOSO. There were people from all over the world there.

INTEREST ON U.S. CAPITAL CONTRIBUTION TO IDB

Mr. RHODES. Mr. Chairman, is this not the same Bank where we put our capital in——

Mr. PASSMAN. The same.

Mr. RHODES. We paid interest on the contribution of the United States which was reloaned to us even though we did not have to make the payment at that time, and the capital was not needed by the Bank.

Mr. PASSMAN. That is correct.

Mr. RHODES. I suppose these expenses must have come from the profit and loss statement, and since it did not have any substantial profit other than the gratuitous interest we paid, I would assume we paid the whole bill.

When you have a convention you take it out of the profit and loss statement and not out of the capital account.

Mr. Moscoso. I am quite sure they must have had some interest return on the deposits they made from the capital participation of the countries.

Mr. RHODES. The Bank would have shown a loss if it had not been for the interest paid on the contribution of the United States. This was a contribution paid before it was required, and which was reloaned to the United States. This was done in the Eisenhower administration, so I am not being political about it.

Mr. PASSMAN. They made the maneuver in the Eisenhower administration but the disbursement was made under the Kennedy administration.

Mr. RHODES. I cannot disagree with my chairman.

Mr. GARY. Will the gentleman yield?

Mr. PASSMAN. Yes, I yield.

Mr. GARY. The United States had subscribed to this capital stock, and payment for the stock was to be called for when needed. Other countries had also subscribed to the stock but the United States was the only country called upon for payment.

Mr. PASSMAN. That is right.

Mr. GARY. And when they got this capital from the United States it was invested in U.S. bonds and consequently we were paying interest on the bonds and no other country was, and there has never been a satisfactory explanation of why the United States was called upon to put up its money for the capital and other countries were not. I would like to have some explanation for that.

Mr. RHODES. The only explanation ever made was that the then Secretary of the Treasury and the then Under Secretary of State made the decision that the United States should put the money up at the time instead of giving a note which would be noninterest bearing, as the other countries did. As I understand, there were calls made on all the nations but with the alternative of paying, or giving a non-interest bearing note. All other nations gave a note, but we decided to put up the money. Since the money was not needed, the Bank bought U.S. bonds with it, upon which we paid more than $2 million interest. But there is no satisfactory explanation.

Mr. GARY. And nobody has said why. I was wondering why that was done.

Mr. Moscoso. Mr. Chairman and members of the committee, if you will allow me I will look into this and see if I can give you an

adequate answer. This was before my time. I am not a governor of the Bank. I hope to be able to get the information, Mr. Chairman.

(The information supplied follows:)

The Department of the Treasury has supplied the following information concerning the payment of U.S. subscriptions to the ordinary capital and the fund for special operations of the Inter-American Development Bank.

The agreement establishing the Inter-American Development Bank provides that payment of the amount subscribed by each country to the paid-in capital stock of the Bank would be made in three installments. The first installment, which was 20 percent of the amount subscribed, was due not later than September 30, 1960. The second installment, for 40 percent of the amount subscribed, was due not later than October 31, 1961. The third and final installment of 40 percent of the subscription will be due on or before October 31, 1962. The agreement provides with respect to the fund for special operations that the quota of each member would be paid in two equal installments. These installments were due not later than September 30, 1960 and October 31, 1961.

Of each installment due, for payment of both ordinary capital subscriptions and quotas in the fund for special operations, the agreement provides that 50 percent is payable in the form of gold or U.S. dollars and 50 percent is payable in the currency of the member. The latter may take the form of nonnegotiable, non-interest-bearing notes or securities payable on demand, provided that the currency involved is not required by the Bank for the conduct of its operations.

The U.S. subscription to the paid-in capital of the Bank is $150 million, and the three installments mentioned above thus amounted to $30 million, $60 million, and $60 million, respectively. The U.S. quota in the fund for special operations is $100 million, and each of the two equal installments mentioned above thus amounted to $50 million. The first two installments on paid-in capital—aggregating $90 million—have already been paid and the quota in the fund for special operations—$100 million—has now been paid in full.

The first installments on both the paid-in capital and the quota on the fund for special operations were paid by the United States in 1960 entirely in the form of cash dollars. In October 1961 payment of the second installment of the paid-in capital and of one-half of the second installment of the fund for special operations was made in cash. The remaining one-half of the installment due on the quota in the fund for special operations—equal to $25 million—was paid in the form of nonnegotiable, non-interest-bearing demand notes. On May 8, 1962, however, notes in the amount of $30 million were substituted for the equivalent amount in cash which the United States had paid in as ordinary capital in October 1961 The following table presents the four U.S. payments thus far made to the Bank and the form in which the payments were made.

The decision to make initial cash payments rather than to issue notes was taken after consultation with appropriate congressional leaders and was based upon U.S. interest in placing the Bank's operations on a sound financial basis from the outset, thus laying the groundwork for satisfactory and successful operations in the future.

Payments of U.S. subscriptions to the ordinary capital and the fund for special operations of the Inter-American Development Bank

[In thousands of dollars]

	Total	Cash	Notes
Ordinary capital:[1]			
1st installment (Sept. 30, 1960)	30,000	30,000	----------
2d installment (Oct. 31, 1961)[2]	60,000	30,000	30,000
Total	90,000	60,000	30,000
Fund for special operations:			
1st installment (Sept. 30, 1960)	50,000	50,000	----------
2d installment (Oct. 31, 1961)	50,000	25,000	25,000
Total	100,000	75,000	25,000

[1] 3d and final installment of $60,000,000 is due on or before Oct. 31, 1962.
[2] Initial payment effected entirely in cash; on May 8, 1962, however, $30,000,000 in non-interest-bearing notes was substituted for an equal amount in cash.

Mr. PASSMAN. Thank you, Mr. Ambassador.

I am not going to win any particular awards for being critical of wasting this money, but that is my responsibility.

Mr. MOSCOSO. But you will agree with me that if the Bank is able to make its operations known and acquire some degree of repute in the financial community and over a period of time develop a market for its securities, there will be all the less call on the member countries' funds in order to finance the Bank.

Mr. PASSMAN. Are you interpreting this discussion that I am saying the Bank should not have funds available for necessary expenses?

Mr. MOSCOSO. No, sir.

Mr. GARY. Mr. Chairman, may I say the easiest thing for a person to do is to spend other people's money, and, since we are putting up this money for this international bank and other people are spending it, we feel a very close check should be kept on the expenditures by the United States. Of course, while we all recognize the necessary expenses of the Bank must be paid, there is no excuse for wasting money, as short as it is in the United States at the present time.

Mr. MOSCOSO. I agree.

Mr. RHODES. Mr. Chairman, I think Mr. Moscoso is giving the international bankers a bad name. I did not realize you could get money from them merely by entertaining them.

Mr. MOSCOSO. I did not mean entertaining them, but it gives the bankers an opportunity to meet the members of the international bank.

DETAILS ON 1961 CONFERENCE IN RIO DE JANEIRO

Mr. ANDREWS. Mr. Chairman, may I ask when that clambake or party was held and what good came from it?

Mr. PASSMAN. This was in calendar year 1961 in Rio.

Mr. MARTIN. It was April 1961.

Mr. PASSMAN. And when did you get the first appropriation for the Bank? I believe it was September 1960. They certainly got off to a fast start.

Mr. ANDREWS. Could I find out what the result of the party was? How much capital did you add to the Bank?

Mr. MOSCOSO. I understand Secretary Martin was there and perhaps he could answer that.

Mr. ANDREWS. Did any good come of the party, Mr. Secretary?

Mr. MARTIN. It was a good first meeting of the directors of the Bank in getting it launched and promoting its development in the right direction. As far as the specific goal of selling bonds, I think it is very difficult to trace any subsequent action to any particular function or particular affair.

Mr. ANDREWS. Can you tell us how many bonds were sold after the party?

Mr. MOSCOSO. $24 million.

Mr. ANDREWS. I thought it came from Italy?

Mr. MOSCOSO. Yes, from Italy.

Mr. PASSMAN. Did not some come from Germany?

Mr. MOSCOSO. Yes, sir, participations.

Mr. PASSMAN. That was the $275,000?

Mr. Moscoso. This is a $24.2 million issue, 15 billion lire of 20-year 5-percent bonds.

Mr. PASSMAN. Sir, our reference was to the cost of the party. It is fantastic.

FISCAL YEAR 1963 DEVELOPMENT GRANT PROGRAM

For development grants for fiscal 1963 your request for Latin America is $99,850,000?

GRANTS TO POSSESSIONS OF EUROPEAN POWERS

Would the British possessions and territories in this general area be included in here?

Mr. Moscoso. Yes, sir. They are becoming independent, as you know.

In August, Jamaica becomes independent and Trinidad very shortly after that.

Mr. PASSMAN. You have had an aid program going and contemplate one for fiscal year 1963, so the answer is that this covers Latin American countries and the British possessions?

Mr. Moscoso. Yes, sir.

Mr. PASSMAN. Does it include any other possessions?

Mr. Moscoso. Surinam, which is a Dutch possession.

Mr. PASSMAN. Does any other country have possessions that will be included in this $99,850,000 you are requesting for development grants?

Mr. STERNFELD. There is $90 million of new appropriations and the carryover is additional.

Mr. PASSMAN. What is your program?

Mr. STERNFELD. The program is $100 million, $99.8 million.

Mr. PASSMAN. That is what I said, $99,850,000. And it will all be new money.

Mr. STERNFELD. There is $10 million no-year funds left over from last year unprogramed.

FISCAL YEAR 1963 REQUEST FOR DEVELOPMENT CREDITS

Mr. PASSMAN. For development credits you are requesting $510.4 million?

Mr. STERNFELD. It is $510 million.

Mr. PASSMAN. Did you drop the $400,000?

Mr. STERNFELD. Yes.

Mr. PASSMAN. Why? It is on page 69 of your justifications.

Mr. STERNFELD. I think there was an error on that part. It is supposed to be $510 million.

Mr. PASSMAN. But it is shown here as $510.4 million.

FISCAL YEAR 1963 REQUEST FOR SUPPORTING ASSISTANCE

For supporting assistance you are requesting $15 million?

Mr. STERNFELD. Yes.

Mr. PASSMAN. So, these items give you a hopeful program of $625,250,000?

Mr. STERNFELD. That is correct.

Mr. PASSMAN. Do you have any other grants or aid or credits for Latin America, other than what has been indicated?

Mr. MOSCOSO. No, sir; there might be if we run into some very critical political situation which might require contingency money.

Mr. PASSMAN. You mean, if there is any contingency money available.

PUBLIC LAW 480 PROGRAM

Do you have a Public Law 480 program for Latin America?

Mr. MOSCOSO. Yes, sir.

Mr. PASSMAN. Let us get it all in one place.

Mr. MOSCOSO. This is for fiscal 1963, Mr. Chairman?

Mr. PASSMAN. That is correct.

Mr. MOSCOSO. We have a program of $136,800,000 for titles I and IV, Public Law 480.

FUNDS AVAILABLE FROM IDA AND IDB

Mr. PASSMAN. What about the Inter-American Development Bank and the International Development Association? Could you get those, too?

Mr. MOSCOSO. No, sir.

Mr. PASSMAN. You will have the funds available from the Inter-American Development Bank?

Mr. MOSCOSO. There will be a certain amount of lending funds available from the Bank; yes, sir.

Mr. PASSMAN. Do you know the amount?

Mr. MOSCOSO. $170 million estimated from the trust fund.

Mr. PASSMAN. What about the International Development Association?

Mr. MOSCOSO. I do not have that, Mr. Chairman.

Mr. PASSMAN. But the Latin American countries are eligible?

Mr. MOSCOSO. They would be eligible; yes, sir.

Mr. PASSMAN. It is part of the program down there?

Mr. MOSCOSO. It is an international organization.

Mr. PASSMAN. But it makes available money for Latin America? Could you find out how much from that organization?

Mr. MOSCOSO. We do not have it. We can tell you how much money is available.

Mr. PASSMAN. Yes; we will have to find out how much money is available.

Mr. MOSCOSO. I will be glad to get it.

EXPORT-IMPORT BANK CONTRIBUTION

Mr. PASSMAN. How much will be available under the long-term development credit part of the Export-Import Bank?

Mr. MOSCOSO. That is difficult because the lending operations of of the Bank depend on the availability of the kinds of loans they would be willing to make.

Mr. PASSMAN. Could you get them to give an estimate, and break it down to the average of what you think you will have available from the Export-Import Bank?

Mr. MOSCOSO. We can give an estimate based on what they have been doing in Latin America before.

Mr. PASSMAN. They receive the applications in advance of issuing the checks. So please get the information, if you will.

Mr. ANDREWS. Mr. Chairman, let me suggest they get the amount loaned by the Bank over the last 5 years.

Mr. PASSMAN. Yes, 5 years would be a good period to cover.

Mr. MOSCOSO. We have the information on the Export-Import Bank.

Mr. PASSMAN. You indicated you did not have it.

Mr. MOSCOSO. What we do not have is a projection because in a banking operation it is difficult to say "I will lend you so much next year." You know how much you have loaned over previous years.

Mr. PASSMAN. Could it be that in the past about 40 percent of the Bank's total operation has been in Latin America?

Mr. MOSCOSO. Approximately.

Mr. PASSMAN. Over what period of years has it averaged approximately 40 percent?

Mr. MOSCOSO. I will have to calculate that.

Mr. TENNANT. We do not have the total figures on the Export-Import Bank.

Mr. PASSMAN. I think the Export-Import Bank has requested about $1.3 billion for fiscal 1963. Assuming that is correct, what would 40 percent of $1.3 billion be?

Mr. MOSCOSO. In 1960, Mr. Chairman, it is about 40 percent; a little less than 40 percent.

Mr. PASSMAN. 40 percent would be close enough.

Mr. MOSCOSO. I would like to check it, Mr. Chairman.

Mr. PASSMAN. You can check it. That would be about $480 million.

Mr. STERNFELD. In fiscal 1960 they made worldwide long-term loans of $765.6 million, of which Latin America was $113.4 million.

Mr. PASSMAN. That is for what year?

Mr. STERNFELD. Fiscal 1960.

In fiscal 1961 they made worldwide long-term loans of $1,042.6 million of which $575.8 million was to Latin America.

Mr. PASSMAN. We are concentrating to a large extent on Latin America, are we not, so would it likely be less than $575 million?

Mr. STERNFELD. The historical pattern shows it is closer to $200 million.

Mr. PASSMAN. When did you have the $575 million?

Mr. STERNFELD. $575 million was in fiscal 1961.

MILITARY ASSISTANCE PROGRAM USED FOR ECONOMIC PURPOSES

Mr. PASSMAN. Do you have any military program for Latin America this year?

Mr. STERNFELD. Yes.

Mr. PASSMAN. How much?

Mr. STERNFELD. $76 million.

Mr. PASSMAN. Could you tell us how much of the military program will be for building roads, and so on, things that usually come in the economic aid category? You know, a good deal of military aid is plowed in for economic aid.

Mr. MOSCOSO. This is a relatively new program, Mr. Chairman.

Mr. PASSMAN. But that is a fact, that much of it goes into the economy, and is what we would usually think of as economic aid?

Mr. STERNFELD. Most of the military aid in Latin America goes directly to hardware.

Mr. PASSMAN. You have given us the amount of military aid. We want to find out what part of the military aid program is going in the civil or economic part of the program.

Mr. MOSCOSO. I would have to get that information, Mr. Chairman.

Mr. PASSMAN. But some of it goes into the economic part of the program?

Mr. MOSCOSO. That is correct, Mr. Chairman, and I will be glad to get the information.

(The information follows:)

PORTION OF MILITARY ASSISTANCE PROGRAM USED FOR ECONOMIC PURPOSES IN LATIN AMERICA

There is no plan to use military assistance funds for economic aid in Latin America in fiscal year 1963, according to the Department of Defense. In certain cases, equipment and/or training have been included in the military assistance program to better enable regularly constituted military units to undertake work which is in consonance with their organic nature and at the same time will benefit the Nation as a whole. The characteristic example is use of engineer troops to open up roads. The military assistance contribution for these "civic action" activities is for equipment and/or training.

U.N. CONTRIBUTIONS

Mr. PASSMAN. How about the United Nations and the international development funds?

Mr. MOSCOSO. The total for Latin America for fiscal 1961 from all the international organizations was $286.4 million of which the World Bank provided——

Mr. PASSMAN. You do not have to break it down. $286 million. Do you know of any other foreign aid spigots you may draw aid out of for Latin America?

Mr. MOSCOSO. No, Mr. Chairman.

INVESTMENT GUARANTEE FUND

Mr. MILLER. There is one in the investment guarantee field, Mr. Chairman.

Mr. PASSMAN. Is this a governmental agency?

Mr. MILLER. No, sir; it is part of the Agency for International Development.

Mr. PASSMAN. How much is that?

Mr. MILLER. We are requesting an appropriation of $100 million in the investment guarantee field for worldwide investment guarantees. As you will recall, this is broken into several facets.

TOTAL U.S. AID TO LATIN AMERICA

Mr. PASSMAN. Gentlemen, we are trying to get everything you have for Latin America in one place. Can you think of any other spigots you can tap?

Mr. MOSCOSO. No, Mr. Chairman.

Mr. PASSMAN. What is the total amount?

Mr. MOSCOSO. We have the worldwide figures on the investment guarantees.

Mr. TENNANT. I do not have a breakdown. The guarantees are not an appropriation in the normal sense.

Mr. PASSMAN. Let us get these figures together. We have covered the field.

Mr. Moscoso. I do not recall any other sources, Mr. Chairman.

Mr. PASSMAN. Could we go back and put them down?

Mr. Moscoso. From all of the international agencies last year——

Mr. PASSMAN. You gave a total. I am talking about going back to your $100 million, $510 million, $15 million, and picking them all up. Do you remember all the items we covered?

Mr. STERNFELD. I can repeat the figures. You want to start with the $510 million, plus the $100 million, plus the $15 million, which is $625 million.

Mr. MILLER. $615 million is what we are asking directly from the committee.

Mr. PASSMAN. We understand that. Go to the next item.

Mr. STERNFELD. The next item would be the Export-Import Bank.

Mr. PASSMAN. There you had a high of $575 million and a low of how much?

Mr. STERNFELD. $113 million.

Mr. PASSMAN. What was it last year?

Mr. STERNFELD. $250 million.

Mr. PASSMAN. What is next?

Mr. STERNFELD. The next item would be the Inter-American Development Bank, $170 million. That is the trust fund.

Mr. PASSMAN. That is the trust fund only, but it is a spigot from which you will get money?

Mr. STERNFELD. That is correct.

Mr. PASSMAN. What is next?

Mr. STERNFELD. What we could do here is include all the international organizations; $286 million would include the IBRD, IDA, IFC, IDB regular funds, U.N. technical assistance program——

Mr. PASSMAN. Go ahead and give it that way.

Mr. Moscoso. Sir, we gave the last year's figure on an average.

Mr. PASSMAN. What we want to know is what you requested.

Mr. STERNFELD. We are not requesting anything for the World Bank or the Inter-American Development Bank or International Finance Corporation.

Mr. PASSMAN. We have been covering here the first three items of your justifications. We are following that with all the other sources of aid you have available. The only way we can ascertain what you may have available is to put it all in one place.

Mr. Moscoso. I understand, Mr. Chairman, but there is a little confusion on my part because I understand you are asking us to put down the amounts we have requested for Latin America.

Mr. PASSMAN. I want you to pick out every spigot and give the total amount of money that may be available.

Mr. Moscoso. That may be available?

Mr. PASSMAN. Yes, because if you go in a country and you have money available from other spigots, you want to know about it, do you not?

Mr. Moscoso. Yes, sir.

Mr. PASSMAN. We want the total in one place.

Mr. Moscoso. $200 million is the average for the international organizations including IDB regular funds, and of course we had the $133 million for Food for Peace.

Mr. PASSMAN. We do not want to miss that one.

Mr. MILLER. Mr. Chairman, I want to point out there is data in the book for each country showing what other assistance is given them.

Mr. Moscoso. The total I have here is $1,378,250,000.

Mr. PASSMAN. Thank you, Mr. Ambassador. You see how that puts this thing before us.

You come up with a relatively small bill, when in reality you have $1,378,250,000.

Mr. Moscoso. I want to call your attention to the fact in the international lending organizations there is participation by other countries.

Mr. PASSMAN. We understand that. We have the giveaway part and they have the high interest part.

Gentlemen, can you think of any other foreign aid spigots for Latin America?

Mr. ANDREWS. Mr. Chairman, did you cover the U.N.?

Mr. PASSMAN. Yes.

This gives us a total program of $1,378,250,000 envisioned for 1963, based in part on prior year programs, and it could be substantially above that.

Mr. Moscoso. Or it could be less.

Mr. PASSMAN. It is not apt to be less.

PRUDENT LENDING ANTICIPATED

Mr. Moscoso. Since we are engaged in lending operations and we try to be prudent lenders, if the loan is not of a type that merits consideration we will not make it, and it may be possible it will not be as much as we have here.

We have some figures, for instance, from the Export-Import Bank in which the lending there this year has been substantially less than the lending level before.

Mr. PASSMAN. You had better get another limb to lean on than the Export-Import Bank. Can the World Bank make hard loans there?

Mr. Moscoso. Yes. They are making them. They just made one to Colombia.

Mr. PASSMAN. Thank you, gentlemen.

We shall recess until 2 o'clock this afternoon.

AFTERNOON SESSION

Mr. PASSMAN. The subcommittee will come to order.

TOTAL FUNDS AVAILABLE FROM ALL SPIGOTS

We finally, this morning, ended up with $600 million for fiscal year 1963. However, when we put together all the segments, the actual request and the estimates from the international organizations the total amount for Latin America would be $1,378 million. Were those the figures?

Mr. Moscoso. $1,378 million.

But what we were requesting is the Agency for International Development participation.

Mr. PASSMAN. I said all segments, and from all spigots of foreign aid, that what you are requesting, the amount available from international funds and from other sources, including the minimum of the Export-Import Bank, there would be available, if you got all the money you requested, $1,378 million for Latin America in fiscal year 1963.

Mr. Moscoso. But, Mr. Chairman, as I mentioned to you, quite a bit of this is lending. To the World Bank, in the case of the Export-Import Bank and in the case of the Inter-American Bank. To say exactly how much would be available is——

Mr. PASSMAN. I said that we estimated that, and we used the lower figure, did we not, in putting down the amount for the Export-Import Bank?

Mr. Moscoso. An average figure.

Mr. PASSMAN. Have I made a statement of fact, that from all foreign aid spigots approximately $1,378 million would be available?

Mr. Moscoso. It could be, Mr. Chairman.

Mr. PASSMAN. And it could be more?

Mr. Moscoso. And it could be less, too.

Mr. PASSMAN. In what field do you figure it would be less? Did you put those figures in the record as we discussed them?

Mr. Moscoso. Yes, sir; I gave them to the stenographer.

Mr. Chairman, for instance, in the case of the Export-Import Bank——

Mr. PASSMAN. What did you put into the Export-Import Bank?

Mr. Moscoso. $250 million.

Mr. PASSMAN. In 1 year they had $575 million?

Mr. Moscoso. Yes, sir.

Mr. PASSMAN. So this, under the same conditions, could go up by $300 million, and if it went down it would have to go below the average for the past several years to get below the $250 million, would it not?

Mr. Moscoso. Yes, sir.

Mr. PASSMAN. I only want to show how much money would be available.

Mr. MILLER. In terms of the Export-Import Bank it is my understanding this is the amount loaned and does not include repayments from previous loans that were made in dollars, so that the actual amount effectively made available is considerably less than the $250 million estimate that was based on the record of past activities.

Mr. PASSMAN. You will have it available, if it is the average $250 million of new funds?

Mr. Moscoso. An estimate——

Mr. PASSMAN. I do not want to be asking a question and have it indicated that you have $600 million, when we know it comes closer to $1.5 billion.

Mr. Moscoso. However, I want to remind you, Mr. Chairman that, in the meeting of the nations in Latin America and the United States, of the Economic and Social Council at Punta del Este, a figure was used which indicates a substantially larger figure needed of external resources in order to be able to achieve a rate of economic growth of 2.5 percent per capita per year. This is not a very large figure, as you know, Mr. Chairman.

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Mr. PASSMAN. We can draw heavily upon our imagination, but there is no guarantee you can continue pouring money into a bottomless pit until maybe you can see a 2.5-percent increase.

I want to deal with the dollars, and I would not want it thought that we are discussing a $600 million program, when it may be $1.5 billion under proposed plans.

UNEXPENDED BALANCES

What is the anticipated unobligated balance for the area that we have just discussed as of June 30, 1962?

Mr. MOSCOSO. It is $49 million, sir.

Mr. PASSMAN. In all of the different categories we have been discussing?

I am sorry. I meant to ask you for the unliquidated obligations.

Mr. MOSCOSO. For all of these agencies?

Mr. PASSMAN. That is correct, sir. We need that information in order to determine the amount of money available for future expenditures.

Mr. MOSCOSO. Perhaps I do not understand the question.

Mr. PASSMAN. For all these items you have had in the past, what do you have in each category obligated but unliquidated?

Mr. MOSCOSO. I can talk about the AID sector, Mr. Chairman.

Mr. STERNFELD. The total AID unexpended balance at the end of fiscal year 1962 we would estimate at $503 million.

Mr. PASSMAN. Under AID alone?

Mr. STERNFELD. Under AID.

Mr. PASSMAN. How about the Food for Peace?

Mr. STERNFELD. We can supply it for the record.

Mr. PASSMAN. Would you supply it to the committee? We want it for the record, of course, but if it does not come to the committee we do not have an opportunity to make a mental note of the figures.

(The requested information follows:)

Latin America

Cumulative unliquidated balance as of June 30, 1962, by source and country (preliminary)

[Table in thousands of dollars]

Country	IDA	IBRD	IDB (total including SPTF)	Eximbank	Food for peace (Public Law 480) [1]	Peace Corps	AID [2]	Total
Argentina		137,605	36,872	125,843			42,917	343,237
Bolivia			9,915		1,450	800	22,708	34,873
Brazil	19,000	28,164	86,256	68,833	65,703	800	41,210	309,966
Chile		44,622	39,878	83,281	1,242	800	79,863	249,686
Colombia	17,092	64,701	35,683	3,204	7,781	1,000	50,755	180,216
Costa Rica	5,475	13,559	8,530	9,006		300	8,923	45,793
(Cuba)								
Dominican Republic				9,618		200	7,600	17,418
Ecuador		5,795	18,193	269	37	800	17,045	42,139
El Salvador		4,766	17,121	2,947	1,500	200	3,899	30,433
Guatemala			8,095	14,767			13,563	36,425
Haiti		107	3,500				12,489	16,096
Honduras	8,389	8,645	9,462	222		200	7,856	34,774
Mexico		41,563	29,912	118,837			668	190,980
Nicaragua		10,985	9,428	527			12,007	32,947
Panama		5,473	12,109	7,041			17,163	41,786
Paraguay			4,147	271	105		9,229	13,752
Peru		36,086	25,806	36,964	4,853	700	47,111	151,520
Uruguay		7,287	12,834	1,900	10,805		7,433	40,259
Venezuela		45,000	51,017	41,127	13,900	600	33,929	185,573
British Guiana							837	837
British Honduras						100	281	831
Jamaica						200	5,433	5,633
Surinam							377	377
West Indies and East Caribbean				9,000			9,482	18,482
Regional							4,450	4,450
CABEI							4,000	4,000
Contribution to OAS							500	500
OAS (development planning)							5,000	5,000
Total	49,956	454,358	418,758	533,657	107,376	[3] 6,700	466,728	2,037,533

[1] Title II figures included in this column are preliminary as of May 31, 1962.

[2] These country figures are based on the Office of the Comptroller's expenditure analysis dated May 1, 1962. As of June 30, 1962, preliminary reports indicated that the unliquidated balance of AID funds would be $503,051,000.

[3] This figure is $300,000 more than the amount of undisbursed funds reported as of May 31, 1962.

Mr. PASSMAN. If you will, get up the unliquidated sums which would be comparable to the $1,378,250,000 that you would have for fiscal year 1963, under projections. Give us the total amount of unliquidated funds by category, for the same items we discussed.

Mr. Moscoso. I imagine, Mr. Chairman, what you mean is if the Export-Import Bank approves the loan to a certain——

Mr. PASSMAN. Unliquidated loans. It would be to the credit. It would mean just as much from one source as another, if it is dollars. We want to know what is available. We are dealing with U.S. dollars.

Would you spread also in the record by category the unobligated funds?

Mr. STERNFELD. The main portion of the unobligated amount would come out of the development grant category.

Mr. PASSMAN. How much?

Mr. STERNFELD. That was the figure of $49 million.

Mr. FORD. $49 million out of the total available in fiscal year 1962?

Mr. STERNFELD. A total of $119 million that was available in 1962.

Mr. FORD. About one-third of your money was not obligated?

Mr. Moscoso. That is right.

FROZEN FUNDS FOR LATIN AMERICA

Mr. PASSMAN. When we put together these unliquidated balances to get the total, which will be directly under the new request from all segments, it will be $1,378,250,000. Now, could you indicate the amount of these funds that are presently frozen, that will not be expended, but are to the credit of Latin American countries, on account of the turmoil they are experiencing?

Mr. Moscoso. Like Peru?

Mr. PASSMAN. Yes.

Mr. Moscoso. We can give you the figure.

Mr. STERNFELD. We can break that out.

Mr. PASSMAN. You have about $90 million in aid committed to Peru.

Mr. Moscoso. Including the Export-Import Bank and the Inter-American Development Bank.

Mr. PASSMAN. And the AID program also?

AID TO PERU

Have you frozen the funds of the Inter-American Development Bank for Peru?

Mr. Moscoso. The Social Progress Trust Fund?

Mr. PASSMAN. That is one of the three windows in this bank.

Mr. Moscoso. The other is internationally controlled so we did not——

Mr. PASSMAN. In view of the political situation in that country, it would mean that this $90 million will be available for expenditures for countries which are moving along with their programs?

Mr. Moscoso. Unless there is a change for the better, Mr. Chairman, and we are all hopeful there will be.

Mr. PASSMAN. If there would be a change for the better it still would not be good enough to put this money in there, would it.

Mr. Moscoso. [Off the record.]

I would like to refer that question to Secretary Martin who has just come in.

Mr. PASSMAN. We are talking about Peru, where you have some $90 million, which is unliquidated from the several foreign aid spigots, not including Food for Peace and military—that does not include military in the $90 million?

Mr. STERNFELD. No.

REAPPORTIONING FROZEN FUNDS

Mr. PASSMAN. In the event the situation there should remain as is, under the legislation you could reapportion that to other nations?

Mr. MARTIN. I could not answer whether you could reapportion the funds already committed. I suppose there would be a way under which you could do so. This is a legal question under your commitment authority.

Mr. Moscoso. In the case of the bank I would not know.

Mr. PASSMAN. How about the AID program, as you understand it? If the military government there overthrew the elected government, and they are now in power—and you have the $90 million to the credit of the country—if it should appear that they are not going to create a friendly government in the foreseeable future, then you could take this $90 million and make it available to other countries?

Mr. Moscoso. If we have a loan agreement signed with this particular country, Mr. Chairman, I believe that this would have to be looked into carefully from a legal or an international law point of view.

Mr. PASSMAN. Then you have not, in effect, suspended the aid, have you?

Mr. Moscoso. We have suspended the payments.

AID TO CHANGING GOVERNMENTS

Mr. PASSMAN. What will be the status if you are doing business with an unfriendly government of dictators who overthrew an elected government friendly to the United States, and they have entrenched themselves in power and you have this aid there to their credit? What disposition will you make of it?

Mr. MOSCOSO. There is a section of the law, Mr. Chairman, which says when there is a change in the government of a country to whom we have been giving aid which is of such a nature as to make it desirable to reconsider, then the loan can be suspended.

Mr. PASSMAN. Or you could reconsider and continue the aid to the new leaders?

Mr. MARTIN. Yes. I think we certainly could do that.

Mr. PASSMAN. That is all I want to know, whether or not we have money available in this program which can be expended in other countries which are more inclined to be friendly, or whether you intend to keep it to the credit of the present government.

Mr. MOSCOSO. No, sir——

Mr. PASSMAN. Do you plan to keep this money to the credit of the country to which it has been allocated, regardless of their status politically, for the time being?

Mr. MOSCOSO. I do not think, Mr. Chairman, that it should be a wise thing to freeze these funds for allocation to countries which have an unfriendly government.

Mr. PASSMAN. Unfreeze or freeze?

Mr. MOSCOSO. To freeze them. That is, not use them elsewhere. If the finding should be made that there has been such a change in the character of the government that it does not warrant this assistance then the loan can be canceled——

Mr. PASSMAN. In a situation where it is not desirable for us to extend it?

SUSPENDED AID TO PERU

Mr. FORD. In the case of Peru have you or have you not terminated your aid programs?

Mr. MOSCOSO. Yes, we have stopped the aid programs.

Mr. PASSMAN. Have you stopped them or suspended them?

Mr. MOSCOSO. We have suspended them.

Mr. FORD. You are making no payments of any kind?

Mr. MOSCOSO. We are making no payments. Some people have been brought back from the field and the only thing that remains going is the Public Law 480 program as of now.

Mr. FORD. Why are you doing that?

Mr. MARTIN. Titles II and III of the Public Law 480—we said in our announcement except for certain humanitarian programs—the school lunch program, for example, we are continuing, and there will be a few other things. The *Hope* ship, for example, we have some money in the *Hope* hospital ship and we did not suspend that.

Mr. PASSMAN. Here is a case where they used U.S. military equipment—I think they used one of the tanks we had given them in the AID program—and they just broke through the wall and seized the President.

We know that you have the credit under this program, $90 million to Peru, and we know that we are not supposed to be, and we are not,

in accord with the views of the present military government that overthrew the elected officials.

How long are you going to continue this money available for Peru?

(Discussion off the record.)

Mr. PASSMAN. You have $90 million, over and above Public Law 480 programs that are continuing, and this money will remain to the credit of Peru, and the hope that at some subsequent date there will be a friendly government, in the present government or some other government, through which you can continue the program?

Mr. MARTIN. That is the present situation as I understand it.

Mr. RHODES. Wouldn't it be well if we could have an off-the-record briefing on this situation in Peru?

Mr. PASSMAN. I hope we can have it on several countries, because they do not stand alone in this category.

Mr. RHODES. This, however, is the hottest spot in Latin America right now.

Mr. PASSMAN. If the members of the committee want a policy briefing we should have it. We shall go off the record for that purpose.

(Discussion off the record.)

Mr. TENNANT. The unliquidated figures you asked for earlier will give us some difficulty, because we will have to go to other organizations and it will take us some time.

Mr. PASSMAN. We consider it advisable to know what is available, and unless you put it together that would not be known.

ARGENTINE GOVERNMENT

There is a similarity between what has happened in Argentina and what has happened in Peru; is that correct?

Mr. MOSCOSO. I believe Secretary Martin made a pretty good distinction there.

Mr. PASSMAN. There is nothing on the record. Would you say there is a similarity between what happened in Peru and Argentina?

Mr. MARTIN. Yes, there is some similarity.

CUMULATIVE AID TO PERU

Mr. PASSMAN. We have given our friends in Peru approximately $350 million. Am I making a correct statement?

Mr. MOSCOSO. I do not have the entire listing, but——

Mr. PASSMAN. If you pick up 1962 you will find it is approximately $350 million, and when they got ready to overthrow a friendly government they just moved in a Sherman tank, took the President and put him on an island.

SOCIAL REFORMS

Mr. MOSCOSO. One of the differences between this previous allocation of funds, the assistance we have given Latin America and today's program is that we are required, as I believe the Congress wishes us to require that these fundamental social reforms take place.

Now, whenever you have social reforms taking place there are bound to be tensions and there is bound to be someone against the reforms taking place.

Mr. PASSMAN. The program would certainly fail without the reforms.

Mr. Moscoso. But you can see how some of these political difficulties we encounter take place.

(Off the record.)

STABILITY OF LATIN AMERICAN GOVERNMENTS

Mr. Moscoso. Now, we have had some forward movement in the past few years.

Mr. PASSMAN. It follows, nevertheless, that we went in with a $350 million AID program, and it was flowing very freely into Peru; but notwithstanding that fact, the military overthrew a duly elected and installed Government?

Mr. Moscoso. That is correct.

Mr. RHODES. Are you saying the junta is reformist minded?

(Off the record.)

Mr. Moscoso. The whole thrust of our program is to see that certain social reforms take place in a specific manner—not in a violent manner—but there is bound to be some loss in the political movement forward.

Mr. RHODES. Then you apparently feel this resort to force rather than constitutional government stems directly from the very thing the Alliance for Progress has been working for?

Mr. Moscoso. I wouldn't say it stems directly, because this is a very complex picture in Latin America.

Mr. RHODES. I thought we were working toward stability and not instability.

Mr. Moscoso. Yes, sir; that is what we are trying to do but I repeat that in the case of Peru specifically, there are many other forces.

Mr. Haya de la Torre 30 years ago began a campaign which led to bad blood between his party and the army and quite a number of the people were killed among the military and the civilians. As a result of that, the whole picture of the army's attitude toward that party and its leader became very complex. Some people felt Mr. Haya was also not going to push for reform. On the other hand, there were members of the army who were against Mr. Odria for two reasons: First, because he had been very negative toward the higher echelons of the army. He was supposed to be extremely friendly with the more conservative element in Peru.

Mr. RHODES. Do you mean that the unions which backed Haya de la Torre were not willing to press these reforms?

Mr. Moscoso. That is right, sir, but there were others more willing to press for these reforms, apparently, in the eyes of some of the military.

Mr. PASSMAN. As it would apply to money, would it not appear that just about any nation can expect to have an aid program continued, whether it is a friendly nation today and becomes unfriendly the following day? Throughout the world, with all the governments that have been overthrown since the inception of the AID program, could you cite one government that is continuing that we did not recognize and then pick up the AID program again, beginning, if you will, with Iran back 6 or 7 years ago?

Mr. Moscoso. I am so new at the program that I would not be able to answer.

In the case of the Dominican Republic, I think there has been the downfall of a dictator brought about.

We cut off what we were able to cut off at that time, Mr. Chairman.

DOMINICAN REPUBLIC SUGAR QUOTA

Mr. PASSMAN. The Dominican Republic, under the dictatorship, did get certain aids, and we gave them a sugar quota through which they earned some premium on their sugar to the United States?

Mr. Moscoso. That is true, Mr. Chairman, but I stress the fact that President Eisenhower tried to get the law changed because——

Mr. PASSMAN. He did not get the law changed, but you continued an AID program, nevertheless, indirectly.

Mr. Moscoso. No, sir——

Mr. PASSMAN. Let the record speak on that one point.

Mr. CONTE. In all fairness, will the chairman yield there?

Mr. PASSMAN. Yes.

Mr. CONTE. Congress gave them that sugar quota.

Mr. PASSMAN. Yes. It was Congress that worked out that formula. But it follows that we had our dealings with the Dominican Republic, under the dictatorship, and gave them a part of the original Cuba sugar quota—that is Congress did—and they earned part of the premium, did they not?

Mr. Moscoso. Until the administration decided to impose an import fee.

Mr. PASSMAN. They still exported to America 1.1 billion pounds of sugar, at a part of the premium we had given to others. They had a certain premium, did they not, on the sugar they exported to America?

Mr. Moscoso. They were supposed to pay an import fee which was supposed to be equivalent to——

Mr. PASSMAN. They did not pay an import fee in accord with the other nations. They received a part of the premium, did they not?

Mr. Moscoso. I could not say——

Mr. PASSMAN. Let me say for the record that they did.

You cited the Dominican Republic as one which did not get aid, and the record shows they were getting special considerations along the way.

Even though we had given Peru $350 million since the inception of the foreign aid program, it did not prevent a repetition of what has been going on in Latin American countries from time immemorial, and that is, the outs wanted to get in and they did it by force. There is now a new Government in Peru, which took over with the military, and seized the president. Is that much of it a fact?

Mr. Moscoso. That is right.

Mr. PASSMAN. You do not know whether the new Government will be friendly or unfriendly, and you do not know whether or not they will be stable. But, nevertheless, you are going to continue to their credit all the present AID funds, until you do create a friendly atmosphere whereby you can start the AID program again?

Mr. Moscoso. Mr. Chairman——

Mr. PASSMAN. Would that be your understanding, Mr. Secretary?

Mr. MAY. Yes, sir.

Mr. PASSMAN. Thank you, sir.

UNEXPENDED FUNDS FOR ARGENTINA

The Secretary said there was some similarity between what happened in Peru and Argentina. Will you tell us what amount you have to the credit of Argentina at this time in unliquidated funds?

Mr. Moscoso. Estimated unexpended to Argentina, $28,385,000.

Mr. PASSMAN. That is just the AID portion?

Mr. Moscoso. Yes, sir.

Mr. PASSMAN. Just your particular program?

Mr. Moscoso. That is right.

Mr. PASSMAN. Would you put all categories in the record?

Mr. TENNANT. We will file it for the record.

(The requested information follows:)

Cumulative unliquidated economic assistance to Argentina by agency as of June 30, 1962

[In thousands of dollars]

Agency	*Amount*
Agency for International Development	$28, 385
Export-Import Bank	125, 843
International Bank for Reconstruction and Development	137, 605
Inter-American Development Bank	36, 872
Total	328, 705

Source: AID, program statistics, June 30, 1962; Export-Import Bank of Washington, statement of approval loans and authorized credits, June 30, 1962; International Bank for Reconstruction and Development, statement of loans, June 30, 1962; Inter-American Development Bank, statement of approval loans, June 30, 1962.

Mr. PASSMAN. I might say, as we go along with this examination, that we shall have the same type of questions on every country, so you might start your research mill to work. I think you would want to know and ought to know—and I think we have already agreed that you do not know—how much aid is available for these countries from all of the spigots. It is a regular soda fountain setup there, and you move down the line, in the supermarket method, and you draw off a little out of the different spigots, and we have to know what is available.

AID PROGRAM IN ARGENTINA

When did you suspend the AID program to Argentina?

Mr. Moscoso. We haven't suspended the AID program for Argentina.

Mr. PASSMAN. Do you envision a program for the present government under fiscal year 1963?

Mr. Moscoso. That is a government we recognize, Mr. Chairman. This Government came into power under different conditions than in Peru.

Mr. PASSMAN. Can you tell us how much you envisage for fiscal year 1963 for Argentina from all spigots?

Mr. Moscoso. $——— for development grants.

Mr. PASSMAN. And what is next?

Mr. Moscoso. And a loan estimate of between $——— and $———.

Mr. PASSMAN. You are talking about development credits?

Mr. Moscoso. Well, Mr. Chairman, in some instances——

Mr. PASSMAN. You call it loans and I call it credits, but we are talking about the same item, are we not?

Mr. Moscoso. In some instances we have made some loans under conditions——

Mr. Passman. But any money paid back goes right back into the fund to be plowed in again, does it not?

Mr. Moscoso. Yes, sir.

Mr. Passman. So it remains in the foreign aid program?

Mr. Moscoso. Yes, sir.

Mr. Passman. That is why I shall never dignify them by calling them loans, even though we do get a couple dollars back.

Now, will you document the same on that as you did on the others?

(The information requested follows:)

Estimated economic assistance to Argentina for fiscal year 1963

[In thousands of dollars]

Agency	*Amount*
Agency for International Development	(Classified)
Food for peace	do
Total	do

Note.—The Export-Import Bank, Inter-American Development Bank, International Bank for Reconstruction and Development, and the Internationa Development Association only lend funds for specific project proposals, thus estimates are not available for the amount of assistance to a country in a given year. Estimates of total fiscal year 1963 lending by these agencies have been supplied to the committee. Since they are not under AID jurisdiction, however, no country breakdown can be determined. In fiscal year 1962, these agencies authorized the following amounts in loans to Argentina:

Agency	*Amount*
Export-Import Bank	$51, 859
Inter-American Development Bank	39, 426
International Bank for Reconstruction and Development	95, 000
International Development Association	-------
Total	186, 285

TOTAL AID PROGRAMED FOR ARGENTINA

Mr. Passman. What is the total amount of aid we have given to Argentina since the inception of the program?

Mr. Moscoso. $522.6 million.

Mr. Sternfeld. Economic and military.

Mr. Passman. Total?

Mr. Sternfeld. $538 million.

Mr. Passman. $538 million through fiscal 1961.

How much did you have programed for fiscal year 1962?

Mr. Moscoso. We have $22 million.

Mr. Passman. Is that in all categories, Mr. Ambassador?

Mr. Moscoso. This is development grants and the development loans—credit——

Mr. Passman. How firm is the $22 million?

Mr. Moscoso. It is quite firm.

DISPOSITION OF DOLLAR CREDITS EARNED BY RECIPIENT COUNTRIES

Mr. Passman. All countries, of course, earn certain dollars in convertible currency from their exports; do they not?

Mr. Moscoso. Yes.

Mr. PASSMAN. Normally, those exports move into the regular trade channels, and they would no doubt purchase something from the United States against the dollars they earn from their exports; is that correct?

Mr. MOSCOSO. That is correct.

Mr. PASSMAN. Is that your understanding, too, Mr. Secretary?

Mr. MARTIN. That is the usual case unless people build up reserves, which can happen.

Mr. PASSMAN. I know, but if they needed anything from the United States, they would move into trade channels, and they would requisition their needs and pay for them with dollars earned from their exports?

Mr. MOSCOSO. Yes.

Mr. PASSMAN. If you credit to these nations fabulous sums of dollars by which they can requisition their needs, that automatically releases to them all or part, large or small, of the dollars they earn to do with as they see fit?

Mr. MOSCOSO. That could happen, sir.

PURCHASES OF U.S. GOLD BY ARGENTINA

Mr. PASSMAN. We have had such a fabulous AID program for Argentina, it would appear that they had dollars in excess of their needs to deal in commerce, so they said, in effect, "We would like to convert $50 million of these dollars into gold." We, I think, could use the word "plead." We pleaded with them, and I paraphrase, "You are now getting a return on your dollar investments and you can use the investment in your economy. We would advise against it."

And it would appear that they said, "No, we want the gold," so, with the dollar readily convertible, they got the gold, much to our regret. That was in 1960. Again, in 1961—last year—Argentina requested $90 million of gold against the dollars that they owned. So, in the final two quarters of 1960 and the first quarter and 1961, Argentina bought $150 million of our gold. And I am sure you are familiar with the program at the Treasury Department that discouraged these transactions, but they did buy the gold.

When this program was getting underway, and that was back in 1958, the third and fourth quarters, Argentina bought $67.2 million of our gold. I wonder if we could buy some of it back, now, and if it would be to our advantage to do so?

Mr. MOSCOSO. They sold us back from January to June 13, 1962, $85 million of their gold, Mr. Chairman, and despite the purchase of the gold in 1961, the official holdings of gold of convertible currencies dropped from $525 million to $385 million from the beginning of 1961 to the end of the calendar year and since then these reserves have declined.

Mr. PASSMAN. Argentina's?

Mr. MOSCOSO. Yes, sir.

U.S. GOLD RESERVES

Mr. PASSMAN. While all this was happening, during this aid period, our gold reserves dropped from $23,252 million at the end of 1952 to $16,947 million at the end of 1961. The so-called friendly countries,

including Argentina, increased their gold holdings from $13 billion to $23,683 million during the same period.

Our gold is still rolling out, and is down now to about $16.2 billion.

Then, if you should reverse the deal we had with the International Monetary Fund—give them their gold back and we take our currency back—we are down to $15.4 billion. It is an alarming situation, is it not?

Mr. Moscoso. With the little experience I have had, Mr. Chairman, one of the things I have noticed on the part of the administration and particularly President Kennedy, is his concern about this problem. He has gone into it very deeply and in great detail and every possible device is going to be used to reduce this.

Mr. Passman. With all this repayment of money we get from Italy, Germany, France, 3 to 5 years in advance, it is a good thing he is putting forth the effort or we would be in a mess.

DEVICES TO STOP OUTFLOW OF GOLD

Mr. Rhodes. Your use of the word "device" was a little unfortunate. I suggest the possibility in this instance that we need more than a device, we need an agonizing reappraisal.

Mr. Moscoso. It has been agonizing all right. It is more than a device. It is directives for reduction in foreign expenditures. As you know, the program of the Defense Department has been well publicized. In our particular case we are using the method of segregated accounts or restricted accounts in every possible way we can.

We are also reducing the participation in local costs of projects, et cetera.

Mr. Passman. You are reducing the cost of these foreign aid projects?

Mr. Moscoso. No, sir; reducing the participation in local costs of loans.

Mr. Passman. It follows, nevertheless, that while the President is trying to correct all these things, our balance of payments situation is becoming worse, our gold holdings are getting lower, foreign governments are losing faith in us, the request for aid is increasing. The high diplomatic statements will not reverse the situation; it will take more than talk.

Mr. Moscoso. I understand the trend is reversing and that by the end of the year there will be a stop.

Mr. Passman. If it is reversing, that is fine.

Will you rest now while we answer the rollcall?

(Short recess.)

Mr. Passman. The committee will come to order.

Mr. Moscoso. Mr. Chairman, may I explain something? I notice while Secretary Martin was discussing this political situation he was off the record, but then I forgot to beg to be off the record when I continued with the same discussion answering a question from Congressman Conte.

Mr. Passman. Anything that you feel should be off the record, Mr. Ambassador, it can be taken off. Certainly if there is anything that should not have been on the record, it should come off.

Mr. Moscoso. What was not on the record, of course, and which I explain only partly because I only spoke about it in part, is the fact that the Peruvian situation is different from the Argentina situation.

Mr. PASSMAN. I said: Was there a similarity? The Secretary answered. I am not trying to debate policy with you. I am just trying to show the folly of trying to do everything with money.

AID TO CUBA

For instance, I would not have brought this up if you had not mentioned Castro. Let us see the testimony of your predecessor, Secretary Woodward, last year. This is in the record:

Mr. PASSMAN. So the total aid in 14 years to Cuba has been about $2,250 million.
Mr. WOODWARD. At least, I would say.
Mr. GARY. That is on the sugar loan.
Mr. PASSMAN. No, that also includes other aid.
Mr. WOODWARD. The sugar subsidy has been $2,100 million. Aid has been $52 million. That is $2,152 million. I think if we looked around, we could certainly find at least a hundred million more of various kinds of assistance.
Mr. PASSMAN. A person could use $2,250 million and not be far off base as to the total subsidy or aid to Cuba in the past 14 years?
Mr. WOODWARD. I would think that would be very close.

That does not prove anything other than it would appear that, on a per capita basis the nations we have helped most we have lost the most completely, at least temporarily. You can pick some out in the Far East, pick one out in maybe the Middle East, and pick one out in Latin America, which indicates that money in itself will not solve our problems.

Mr. Moscoso. In the case of Cuba I want to recall the fact that the bulk of the sugar industry of Cuba was U.S. owned.

Mr. PASSMAN. We still gave them a premium and this went back into the economy of Cuba.

Mr. Moscoso. It also came back as increased dividends.

Mr. PASSMAN. For the purchase of things in America.

Mr. Moscoso. For the U.S. shareholders in the Cuban sugar industry.

Mr. PASSMAN. But it follows, nevertheless, that aid to Cuba was the figure I just indicated, about the highest per capita we have ever given to any one nation.

Mr. Moscoso. Quite a bit came back to us in dividends to stockholders. I agree with you, Mr. Chairman, it is a question of programs.

NUMBER OF AID MISSIONS IN LATIN AMERICA

Mr. PASSMAN. What is the anticipated number of aid missions you will have in operation in Latin American countries and British territories, Mr. Ambassador, in 1963?

Mr. MOSCOSO. Twenty-five.

Mr. PASSMAN. Twenty-five missions. You have two missions in some of the countries, or are you limited to just one in each?

Mr. Moscoso. One mission to each country.

Mr. PASSMAN. I forgot about the British possessions.

Mr. Moscoso. It is included in there.

Mr. PASSMAN. How many Latin American countries are we in?

Mr. Moscoso. Nineteen.
Mr. PASSMAN. You have 25 aid missions?
Mr. Moscoso. Yes.

AID MISSIONS IN POSSESSIONS OF EUROPEAN POWERS

Mr. PASSMAN. Would you name the aid missions in the territories and the possessions of the other nations in your area.
Mr. Moscoso. Jamaica, British Honduras.
Mr. PASSMAN. Those are both British possessions?
Mr. Moscoso. Yes.
Mr. PASSMAN. The other possession?
Mr. Moscoso. Trinidad and British Guiana.
Mr. PASSMAN. Did you have any difficulty getting Great Britain to let us go in with these aid missions, in the aid program, or is it mutually acceptable?
Mr. Moscoso. This was done before my time. I wouldn't know.
Mr. PASSMAN. You would not know of any difficulty we had with them getting them to let us go in?
Mr. Moscoso. I do not know because it was before my time.
Mr. PASSMAN. I do not believe that this is a reciprocal contract. I do not know of any aid missions that Great Britain has sent to our possessions, such as Guam or the Virgin Islands.
Mr. Moscoso. I am afraid they have not had the resources.
Mr. PASSMAN. If I wanted to be taught banking and how to run industry, I would go to Great Britain for a course and come back to America and use it. Do not sell the United Kingdom short.
Mr. Moscoso. No, sir.
Mr. PASSMAN. We go in and relieve them of their responsibility.
Your gave us that on 1963. How many did you have in fiscal year 1962?
Mr. Moscoso. We have the same, 19 plus Jamaica, Trinidad, British Guiana, Surinam, British Honduras.
Mr. PASSMAN. Five.
Mr. Moscoso. We have another one. We have a regional team which we have established in Central America.
Mr. PASSMAN. You give them a headquarters and they fan out in all directions?

PROPOSED ECONOMIC INTEGRATION IN CENTRAL AMERICA

Mr. Moscoso. The idea is that we hope there will be economic integration of the Central American countries, and as the integration continues it is supposed to be completed around 1966.
Mr. PASSMAN. Please explain briefly about that integration.
Mr. Moscoso. Like the Common Market operation in which the tariff between the countries will be reduced and there will be a common tariff surrounding all of the countries.
Mr. PASSMAN. You are very optimistic, are you not, about having all this accomplished by 1966? Because in Europe, with its advanced industrial nations, they say it will take 15 years before they properly work out their Common Market problems. Then it will be only on a 50-percent basis. If you envision this kind of progress I would like to get more information on it.

Mr. Moscoso. There are two things that happened. First there is the European experience that has come to show that this can take place a lot quicker. The other thing is that in the case of the Latin-American countries we are dealing with countries with the same language, same religion, same cultural background; so it should be a little easier to bring it about.

Mr. PASSMAN. Even with the stability in Europe, and the great progress they have made in their industry and banking, they envision 15 years before it can be brought about, and then only on a 50-percent basis. You are going to accomplish the same type of thing in Latin America by 1966?

Mr. Moscoso. They have done something like this.

The reason for that is that they are gaining from the European experience, they now have something to go by. A lot of this can be psychological. When they see that Europe is growing economically at a very fast rate——

Mr. PASSMAN. You would not think I was being sarcastic if I suggested we exchange a little psychology and use fewer dollars?

Mr. Moscoso. We have been trying to do that.

Mr. PASSMAN. With what degree of success?

Mr. Moscoso. I am trying. I am giving a lot of attention to the Central American economic integration. I went there personally, spent a week setting up this small regional team, which we hope will eventually result in the merging of all these national missions.

Mr. PASSMAN. Give us a little information as to whether that is working strictly out of the regional headquarters or is it integrated into the missions?

Mr. Moscoso. The team is working out of one of the capitals of the members of the Central American Common Market.

Mr. PASSMAN. That is known as the Central American region, is it not?

Mr. Moscoso. That is right, sir.

Mr. PASSMAN. You have $4,500,000 proposed for fiscal year 1963. Is this entirely psychology?

Mr. Moscoso. No. We are also assisting in the financing of some of the institutions that are taking care of the integration movement, like the Central American Bank for Economic Integration.

Mr. PASSMAN. Is that a bank of experts in the field of psychology, or are they doing business with dollars?

Mr. Moscoso. They are doing business with dollars.

Mr. PASSMAN. Then it is not psychology, but it is disbursing dollars?

Mr. Moscoso. Yes, but when I mentioned psychology, I meant that we are in every public utterance, every one that I make particularly, I am trying to indicate to the Central Americans the desirability of this type of economic integration.

Mr. PASSMAN. Anyway, it is a combination of psychology and dollars to bring about total integration by 1966.

Mr. Moscoso. Yes.

Mr. PASSMAN. At a total cost of what amount?

Mr. Moscoso. We have not projected to 1966.

Mr. PASSMAN. How could you envision that you will complete the program by that time? It looks as if you would have worked the dollar amount along with the other statistics.

Mr. Moscoso. I can get you those figures. I think it is a good question.

Mr. PASSMAN. None of your experts here this afternoon would have the answer?

Mr. Moscoso. No, I do not think so.

Mr. PASSMAN. You do have a group of statistics, one parallels the other, does it not? So far as your integration is concerned, that is.

Mr. Moscoso. What we are now spending?

Mr. PASSMAN. You had to have a lot of statistics to feel that you would conclude this activity in 1966. Give us the dollar components.

Mr. Moscoso. Yes, sir.

(The information supplied follows:)

CENTRAL AMERICAN ECONOMIC INTEGRATION

The five Central American countries of Costa Rica, Nicaragua, El Salvador, Honduras, and Guatemala have completed action on a treaty which requires them to establish a common market by 1966; i.e., an arrangement in which they will mutually eliminate tariffs on all commodities being traded within Central American countries and the establishment of a common external tariff. They are also pledging themselves in the series of treaties to establish a Central American Bank for Economic Integration, a central clearinghouse, a permanent Secretariat, uniform investment incentive laws, and a uniform code of customs administration.

Each of the member countries have contributed a $2 million equivalent of a $4 million subscription to the Bank.

Although this market only includes a population of from 11 to 12 million people, this economic integration movement is truly dynamic for the common market in Central America represents not only a free trade area, a dynamic modern achievement itself, but it also represents a union of 5 countries with a common tradition and heritage to pool their resources toward a common goal of economic and social advancement.

Financial assistance has been provided to support the establishment of regional institutions, including the Central American Bank for Economic Integration, the Permanent Secretariat for Economic Integration, and the Superior Council for Higher Education. Through fiscal year 1962, the United States has made available $3,335,000 in grants and a loan of $5 million divided for the following purposes:

Central American Bank for Economic Integration:	
Relending capital (development loans) (authorized)	$5, 000, 000
Industrial development loans, June 1961 (grant)	2, 000, 000
Regional feasibility and (grant) engineering studies, June 1962	1, 000, 000
Permanent Secretariat for Central American Economic Integration:	
Establishment costs of regional (grant) statistical office, April 1962	10, 000
Superior Council of Central American University Rectors: Establishment of basic science (grant) courses in all 5 Central American countries	325, 000

It is expected that the United States will provide about $10 million in grants to strengthen regional institutions between fiscal year 1963 and fiscal year 1966. It is not possible to predict at this time the volume of economic development loans which can be handled regionally instead of bilaterally since this will depend on the speed with which the various sector and regional plans can be developed.

As economic integration proceeds it is reasonable to expect that an increasing number of economic and social development programs now being carried on bilaterally could be more efficiently handled on a regional basis. This will result not only in the efficient use of available equipment and personnel but will reduce the cost of the operation.

The year 1966 will mark the full establishment of a Common Market among the countries. The foregoing institutions and others now being created should have become strengthened to such a point that it should be possible to continue this process of consolidation and to transfer to these institutions much of the planning and work on economic and social development assistance now carried on bilaterally by the various AID missions in Central America.

Mr. RHODES. If the chairman will yield——

Mr. PASSMAN. Yes.

POLITICAL INTEGRATION IN CENTRAL AMERICA

Mr. RHODES. Is there any movement toward political integration of the Central American Republics?

Mr. Moscoso. May I go off the record, Mr. Chairman?

Mr. PASSMAN. Stay on the record for now and then you may delete it, if necessary.

(Discussion off the record.)

Mr. PASSMAN. Are you spending dollars in this field? Is this a section within itself?

Mr. Moscoso. Yes, sir; we have kept it separate.

Mr. PASSMAN. Under whose leadership is that, the political integration section?

Mr. Moscoso. As a matter of fact, the integration movement in Latin America is under a Secretariat which was created by the Treaty of Managua. The Secretariat functions pretty much like the OEEC has been functioning in Europe. They have in Guatemala an office with economists. They meet periodically, they have come to an agreement on reduction in tariffs, elimination of tariffs, as a matter of fact. I think only 50 products were exempted. Right now they are having a meeting in Costa Rica so that Costa Rica can obtain accession to the Common Market. Up to now Costa Rica has not entered because they were on the verge of having an election. They had the election, now the new Congress and the President of Costa Rica have solicited accession to the Central American Common Market, and there is a meeting going on right now at this moment in San José to see if Costa Rica will be accepted. Apparently it is a foregone conclusion that Costa Rica will be accepted.

Mr. PASSMAN. What is your contribution to this group?

Mr. Moscoso. To the Secretariat?

Mr. PASSMAN. To the organization as such.

Mr. Moscoso. We have to the Bank.

The Bank is a separate organization.

Mr. PASSMAN. Where does the Secretariat get money to support its work?

Mr. Moscoso. That is paid by the countries themselves, Central American countries.

DIRECT-HIRE PERSONNEL PLANNED FOR AID PROGRAM

Mr. PASSMAN. Could you tell us the number of personnel anticipated to be on board when you get into full operation in fiscal 1963?

Mr. Moscoso. In all the countries?

Mr. PASSMAN. All categories, all countries?

Mr. MOSCOSO. 830.

Mr. PASSMAN. Is that just United States personnel?

Mr. Moscoso.Yes.

Mr. PASSMAN. Strictly under the aid part of the program?

Mr. Moscosi. Yes, sir.

Mr. PASSMAN. Could you give us the number under the other programs that we had discussed?

Mr. TENNANT. We have no figures. You mean on programs not under this bill?

Mr. PASSMAN. Not under this.

Mr. TENNANT. We do not have them with us, sir.

Mr. PASSMAN. Does that figure included technicians that you are assigning?

Mr. MOSCOSO. This includes technicians, 830.

Mr. PASSMAN. 830——

Mr. MOSCOSO. Technicians.

Mr. PASSMAN. Technicians?

Mr. MOSCOSO. That is right.

Mr. PASSMAN. What was the number of personnel on board in fiscal 1962?

Mr. MOSCOSO. In 1962?

Mr. STERNFELD. This is May 31, 1962. The number of technicians was 861.

Mr. PASSMAN. You are reducing the number of technicians?

Mr. STERNFELD. By 31.

Mr. PASSMAN. That is encouraging, but you are going to be administering a larger and more diversified program?

Mr. MOSCOSO. Yes, but as I mentioned at the beginning, Mr. Chairman, we are moving into more of a lending operation and concentrating the grant operation, the number of projects.

Mr. PASSMAN. You are going to have less money for your operation for technicians?

Mr. MOSCOSO. That is right, sir. And fewer technicians.

Mr. STERNFELD. Fewer technicians and some more money.

COST FOR TECHNICIANS

Mr. PASSMAN. In fiscal 1962 you had for technicians $17,894,000?

Mr. STERNFELD. That is right.

Mr. PASSMAN. Total. In 1963 the cost of technicians is $17,679,000.

Mr. STERNFELD. So that this is a reduction of 15 technicians, this is the estimate shown here, fiscal 1962 showed 845. We reduced down to 830 people down below. The dollar reduction looks like $200,000. Am I right on making that subtraction there?

Mr. PASSMAN. United States employed 845?

Mr. STERNFELD. We are saying it is 861 as of May 31. $215,000 difference.

Mr. PASSMAN. By reducing 15 employees?

Mr. MOSCOSO. That is right.

Mr. MONTOYA. Thirty-one.

Mr. STERNFELD. Thirty-one it is.

Mr. PASSMAN. You have your participants and contract services, and all that, in addition?

Mr. MOSCOSO. Yes.

CONTRACT PERSONNEL AND SERVICES

Mr. PASSMAN. Under the contractual service, do you know the number of employees that would be involved?

Mr. MOSCOSO. 105 as of May 31, 1962.

Mr. PASSMAN. Employees under contractual services?

Mr. MOSCOSO. That is right.

Mr. PASSMAN. That is costing for fiscal 1963, $24,925,000?

Mr. STERNFELD. That is right.

Mr. PASSMAN. What other expenses would be under contractual services?

Mr. MOSCOSO. What other costs?

Mr. PASSMAN. The components of this, other than just personnel. This is not all for just personnel, is it?

Mr. MOSCOSO. No, sir.

Mr. STERNFELD. We do not have that broken out as to the overhead, people, materials, commodities.

Mr. PASSMAN. In these contractual services you go to a trade school or foundation or university or college, or any person who can establish himself as an agency for the purpose of employing technicians, and you enter into the contract for your technicians?

Mr. STERNFELD. Yes.

CONTRACTOR OVERHEAD FEE AND AVERAGE TECHNICIAN COSTS

Mr. PASSMAN. What is the average precentage of cost as related to the salary that you pay to these firms? If we were operating the Moscoso-Passman Consulting Agency, and we got a contract to employ 50 technicians at a salary of $15,000 per year, what would we, the consulting firm, be paid?

Mr. MOSCOSO. It is a little more than recruiting. It is supervision, backstopping——

Mr. PASSMAN. I want to know how much it costs per technician to get him ready to go to the field.

Mr. MOSCOSO. I do not have the figure, Mr. Chairman, but it varies depending on the type of operation you want to get done.

Mr. PASSMAN. Could you give us the average cost?

Mr. STERNFELD. The only average cost we have is the average cost per contract technician.

Mr. PASSMAN. What is that?

Mr. STERNFELD. $25,000.

Mr. PASSMAN. If you employ, we shall say, a technician for one of your projects in Latin America, the average cost to prepare him to take the job is $25,000?

Mr. MOSCOSO. $25,000.

Mr. STERNFELD. The average cost of the technician himself. Are you referring to the overhead part of it, too?

Mr. PASSMAN. I want to break out the difference between the salary of the technician and what this Passman-Moscoso consulting firm is getting to do the recruiting, and so forth, in making the individual available. What is the average salary of the contract technician?

Mr. STERNFELD. $25,000.

Mr. PASSMAN. Average salary?

Mr. STERNFELD. That is the total cost, including all the backstopping and overhead, $25,000.

Mr. PASSMAN. Does that include the technician's salary.?

Mr. STERNFELD. Correct.

Mr. PASSMAN. What is his salary, average?

Mr. STERNFELD. We will have to furnish that. We will supply that.

We do not have it.

Mr. PASSMAN. You would not just come down here and ask for all these millions of dollars $24 million for 631 technicians—without telling us what you are going to have for travel, what you are going to have for salary, what you are going to pay the firm that recruited the technicians?

Mr. MOSCOSO. Mr. Chairman, I assure you that I will get those figures if they are available.

Mr. PASSMAN. We were told on yesterday.—this may give a lead—and several days prior to yesterday—that there was a fee of 80 percent of the salary cost for recruiting and backstopping the technicians. That was in Africa. This thing is loose at both ends and cut wide open in the middle.

Mr. MONTOYA. Will the chairman yield?

Mr. PASSMAN. Surely.

Mr. MONTOYA. In going into contractual services, does not this item fall into two categories? Namely, contracts with firms for the supplying of technicians?

Mr. MOSCOSO. That is right.

Mr. MONTOYA. And also contracts with individuals?

Mr. MOSCOSO. That is right.

ADVANTAGES OF CONTRACT EMPLOYEES

Mr. MONTOYA. Now, what is the advantage in contracting these services rather than making them become employees?

Mr. MOSCOSO. Mr. Congressman, the brief experience I have had in the agency indicates to me that for certain jobs it is preferable to have personnel hired in certain instances under contract for short periods of time rather than put them on as permanent employees. It gives you a greater degree of flexibility. Although for a period of time it may appear that you could have gotten those services at a lower cost, the fact is that as soon as the work he has been doing stops, then his contract is finished and, therefore, he is off. Whereas, if you have the person on as a permanent employee, you know there are rules and regulations about disposing of the personnel and, of course, sometimes it is a little bit more expensive and sometimes it takes a little longer to get rid of that person than a contract person.

LIST OF TECHNICAL SERVICE CONTRACTS

Mr. MONTOYA. As a matter of fact, I happen to know there are quite a few people working for this agency under long-term contract as individuals, and there are other contracts with firms which are extended. Would you mind supplying this committee with every contract with firms, detail their nature, and also give us the number of contracts with individuals.

Mr. MOSCOSO. Yes, sir, we will be happy to provide that.

Mr. STERNFELD. I have that now.

Mr. MOSCOSO. I am happy to be able to give it to you.

(The information follows:)

Current technical service contracts, as of June 30, 1962

Country	Contractor	Contract No.	Type of funding	Field of activity	Effective date	Expiration date	Amount in dollars
LATIN AMERICA							
Latin American regional.	The American Institute for Free Labor Development.	1a-15	IASEP	Training—labor and trade union leadership.	May 31, 1962	Sept. 30, 1963	$250,000
Do	Credit Union National Association, Inc.	1a-11	DG	Credit union development	May 11, 1962	May 10, 1964	160,000
Do	Commonwealth of Puerto Rico	c-1095	TC	Training	June 17, 1959	July 31, 1962	289,500
Do	Ensenanza E. Investigacion Superior, Asociacion Civil.	c-1166	TC	Multifield	June 19, 1959	June 30, 1963	291,800
Do	Farmers Educational and Cooperative Union of America.	1a-23	IASEP	Agriculture	June 26, 1962	June 25, 1964	160,000
Do	Fund for International Cooperative Development.	1a-14	IASEP	Multifield	May 21, 1962	Oct. 15, 1962	82,100
Do	International Economic Consultants, Inc.	c-2377	DG	Stabilization	Jan. 3, 1962	Sept. 30, 1962	19,000
Do	Michigan State University	repas-7	DG	Education	June 9, 1962	June 28, 1964	610,000
Do	Pennsylvania State University	W-827	TC	do	Oct. 21, 1958	Sept. 30, 1963	308,412
Do	State University of New York	c-1133	TC	do	June 24, 1959	June 30, 1963	188,000
Subtotal							2,358,812
Argentina	Columbia University	c-1758	TC	Public administration	Nov. 2, 1960	Sept. 30, 1963	270,000
Do	National Academy of Sciences	1a-4	IASEP	Livestock improvement	Mar. 1, 1962	Aug. 31, 1962	3,860
Do	Leland Stanford Junior University	1a-21	IASEP	Education	June 8, 1962	July 31, 1962	5,290
Subtotal							279,150
Bolivia	Stanislav J. Kritz	AID-511-T	TC	Training, photogeology	Mar. 2, 1962	Sept. 30, 1962	8,000
Do	Pedro Garcia Rodgers (SR.)	AID-511-T	IASEP	Government organization	Apr. 15, 1962	Dec. 15, 1962	9,000
Subtotal							17,000
Brazil	University of California	c-2396	DG	Community development	Feb. 15, 1962	Jan. 31, 1965	275,000
Do	Indiana University	c-1735	TC	Education	Sept. 8, 1963	Jan. 31, 1963	110,331
Do	Michigan State University	W-876	TC	Public administration	June 29, 1953	Aug. 31, 1962	1,267,529
Do	do	c-1130	TC	do	May 28, 1959	Sept. 30, 1964	1,278,026
Do	do	c-1699	TC	Audiovisual	Aug. 11, 1960	July 31, 1963	375,000
Do	University of Michigan	W-547	TC	Education	May 1, 1958	Dec. 31, 1962	212,414
Do	Edward L. Page	c-1387	TC	do	May 16, 1960	July 31, 1962	37,983
Do	Purdue University	W-639	TC	Agriculture	July 1, 1958	June 30, 1964	2,002,560
Do	University of São Paulo	AID-512-44-T	SA	Health and sanitation	Sept. 30, 1960	Sept. 30, 1962	20,000
Do	University of Southern California	c-1138	TC	Public administration	May 22, 1959	May 21, 1963	1,481,361
Subtotal							7,060,204
Chile	University of Chicago	W-74	TC	Public administration	Mar. 30, 1956	June 30, 1964	809,267
Do	Cornell University	c-1197	TC	Labor affairs	Oct. 1, 1959	Sept. 30, 1963	312,500

Do	David P. Fogle	AID-513-47-T	TC	Consultant, housing	Apr. 30, 1961	Aug. 30, 1962	17,000
Do	International Development Services, Inc	W-528	TC	Agriculture	Feb. 26, 1958	Aug. 31, 1962	145,000
Do	National Academy of Sciences	c-1117	TC	Industry	June 29, 1959	June 30, 1963	330,000
Do	Francis G. Navarrette	AID-513-50-T	TC	Consultant, housing	June 13, 1961	Aug. 15, 1962	17,000
Do	John A. Parker	AID-513-58-T	IASEP	Education, regional planning	May 28, 1962	Apr. 1, 1963	13,500
Do	University of Pittsburgh	c-1089	TC	Labor	July 9, 1959	May 31, 1963	510,600
Do	Beatrice Wade	AID-513-53-T	TC	Public Health	Jan. 3, 1962	Oct. 10, 1962	7,000
Subtotal							2,161,867
Colombia	Bernard J. Hargadon, Jr	c-1369	TC	Industrial management	Feb. 13, 1960	July 30, 1962	42,400
Do	Syracuse University	c-2289	DG	Business administration	Feb. 13, 1962	Dec. 31, 1964	205,700
Do	Tulane University	c-2191	TC	Medical education	Nov. 14, 1961	Sep. 30, 1963	87,500
Sub total							335,600
Costa Rica	Jorge A. Blanco	AID-515-52-T	TC	Consultant, industrial development.	Mar. 13, 1962	Aug. 12, 1962	3,300
Do	Centre Cultural Costorricince North Americano.	AID-515-2-T	TC	Training	Feb. 1, 1959	(1)	(1)
Do	Carmen Montes Cumming	AID-515-44-T		Consultant, audiovisual	Jan. 2, 1962	July 1, 1962	6,900
Do	Louis Godla	AID-515-54-T	IASEP	Consultant, industrial education	June 8, 1962	Aug. 7, 1962	2,300
Do	International Development Services, Inc	c-1847	TC	Agriculture	Apr. 4, 1961	Apr. 4, 1963	140,000
Do	Raymond J. Jessen	AID-515-55-T	IASEP	Consultant, statistician economist	May 10, 1962	Sept. 9, 1962	4,000
Do	Louisiana State University and Agricultural and Mechanical College.	c-1098	TC	Public health	Aug. 4, 1959	Feb. 28, 1963	92,000
Do	John H. McMichael	AID-515-56-T	DG	Consultant, Industrial development.	May 23, 1962	Nov. 22, 1962	5,600
Do	Luis Homero Rodriguez	AID-515-40-T		do	May 16, 1962	Aug. 15, 1962	2,500
Do	Dr. Lindley Stiles, Jr	AID-515-53-T	IASEP	Education	June 4, 1962	Aug. 3, 1962	3,000
Do	Enrique Tron	AID-515-51-T	DG	Industrial safety specialist	Mar. 2, 1962	July 1, 1962	2,400
Subtotal							262,000
Dominican Republic	Hector J. Guevara	1a-17	DG	Consultant-Police	May 28, 1962	July 15, 1962	4,000
Do	Jesus Mejia	1a-16	DG	Consultant, police	do	do	4,000
Subtotal							8,000
Ecuador	American Institute for Research	1a-27	DG	Communications	June 25, 1962	Sept. 24, 1962	37,500
Do	University of Houston	c-1750	TC	Education	Sept. 26, 1960	June 30, 1963	230,000
Subtotal							267,500
El Salvador	Agri Research, Inc	1a-18	IASEP	Agriculture	June 20, 1962	Aug. 30, 1962	40,000
Do	Carmelo R. Fortuna	AID-519-17-T		Consultant, labor	June 15, 1962	Aug. 14, 1962	4,200
Do	Robert R. Nathan Associates, Inc	AID-519-15-T	DG	Government organization	May 4, 1962	July 4, 1962	6,200
Do	Jorge L. Otero	AID-519-10-T	IASEP	Industrial training adviser	Dec. 11, 1961	Sept. 30, 1962	12,000
Subtotal							62,400

[1] Open.

Current technical service contracts, as of June 30, 1962—Continued

Country	Contractor	Contract No.	Type of funding	Field of activity	Effective date	Expiration date	Amount in dollars
Guatemala	Joseph A. Beattie	AID-520-27-T	TC	Industry	Dec. 27, 1961	July 26, 1962	$3,500
Do	Collett and Clapp	1a-3	TC	Public administration	Mar. 27, 1962	Mar. 26, 1963	112,120
Do	Continental-Allied Co., Inc	c-2311	TC	Industry	Oct. 6, 1961	Dec. 31, 1962	52,000
Do	International Development Services, Inc	c 1853	TC	Agriculture	Mar. 14, 1955	June 30, 1963	2,286,500
Do	University of Kentucky	c-1503	TC	do	Sept. 11, 1957	June 30, 1963	218,930
Do	Virginia Reva	AID-520-28-T	DG	Consultant, management	Feb. 2, 1962	Aug. 1, 1962	2,000
Do	Rice University	AID-520-29-T	DG	Geology	June 4, 1962	June 30, 1964	20,000
Subtotal							2,695,050
Haiti	J. Lawton Jones	c-2237	TC	Consultant, agriculture	Oct. 23, 1961	Oct. 22, 1963	38,000
Honduras	Collett and Clapp	AID-522-40-T	IASEP	Government organization	May 9, 1962	Nov. 9, 1962	12,000
Do	Escuela Agricola Panamericana	c-1932	SA	Education	June 16, 1961	Apr. 30, 1963	50,000
Do	do	1a-13	DG	do	May 29, 1962	May 30, 1964	114,000
Subtotal							176,000
Jamaica	John Wallace Neave	AID-532-49-T	IASEP	Consultant, water supply system	Mar. 30, 1962	Sept. 30, 1962	10,000
Do	Research Tabulating Corp	AID-532-54-T		Evaluation, participant training	June 1, 1962	Oct. 31, 1962	4,325
Do	Rome Arnold Co	AID-532-55-T		do	do	do	3,900
Subtotal							18,225
Mexico	Industrial Productivity Center of Mexico	AID-523-79-T	TC	Industrial training	Mar. 1, 1962	Dec. 31, 1962	16,200
Do	do	AID-523-143-T		Industry	Mar. 15, 1962	Jan. 31, 1963	50,000
Do	Instituto Mexicano Norteamericano De Relaciones Culturales.	AID-523-35-T	TC	Training	Feb. 26, 1960	Dec. 31, 1962	7,000
Do	Mario Gonzalez Paullada	AID-523-51-T	TC	Consultant, technical aids	May 29, 1961	Nov. 30, 1962	22,950
Subtotal							96,150
Nicaragua	Robert S. Avery	AID-524-26-T	TC	Consultant, public administration	Nov. 16, 1961	Dec. 15, 1962	10,100
Do	Carmen L. Ostolaza	AID-524-29-T	IASEP	Consultant, physical therapy	Dec. 29, 1961	Sept. 28, 1962	5,700
Do	Rome Arnold & Co	AID-524-30-T		Evaluation, participant training	Feb. 2, 1962	Sept. 9, 1962	3,900
Do	John F. White	AID-524-38-T		Consultant, industrial development.	May 25, 1962	May 24, 1963	23,000
Do	Fernando O. Zayas	AID-524-36-T		Consultant, industrial loans and credit.	Mar. 15, 1962	June 14, 1963	10,200
Subtotal							52,900
Panama	Clarence William Beamen	AID-525-6-T		Consultant, rubber	May 7, 1962	Oct. 6, 1962	6,400
Do	Continental-Allied Co., Inc	AID-525-10-T		Public administration	May 8, 1962	Sept. 30, 1962	18,400
Do	Geotechnics & Resources, Inc	1a-9	CF	Aerial survey	Apr. 30, 1962	July 29, 1962	40,000

Do	Norman M. Giller & Associates (letter/contract).	1a-2		Architectural, engineering	Mar. 22, 1962	July 21, 1962	212,451
Do	Abraham J. Jaffe	AID-525-1-T	DG	Consultant, labor statistics	Jan. 13, 1962	Jan. 12, 1963	6,000
Do	Francis E. Rogers	AID-525-2-T	DG	Consultant, tourism	Feb. 17, 1962	Dec. 31, 1962	13,000
Do	University of Tennessee	W-834	TC	Public administration	Sept. 7, 1955	July 31, 1964	956,000
Do	Herbert H. Uncapher	AID-525-7-T		Consultant, industrial development.	May 4, 1962	Nov. 3, 1962	3,600
Subtotal							1,255,851
araguay	University of Buffalo	c-1468	TC	Public health	July 15, 1960	Nov. 14, 1962	172,562
Do	Montana State College	c-1417		Agriculture	Sept. 7, 1960	June 30, 1963	160,000
Subtotal							332,562
Peru	Institute of Public Administration	AID-527-178-T	IASEP	Public administration	Apr. 30, 1962	Aug. 30, 1962	12,122
Do	Iowa State University of Science and Technology.	c-2226	TC	Agriculture	Sept. 8, 1961	Nov. 30, 1962	36,322
Do	North Carolina State College	c-1776	TC	do	Jan. 1, 1961	Dec. 31, 1963	360,000
Subtotal							408,444
Uruguay	Iowa State University of Science and	1a-24	IASEP	Education	June 19, 1962	Aug. 18, 1962	18,000
Venezuela	Edward D. DeLuca	AID-529-5-T	DG	Consultant, industry	May 25, 1962	Dec. 24, 1962	11,500
Do	do	AID-529-4-T		do	May 4, 1962	Nov. 3, 1962	13,400
Do	Delia Goetz	AID-529-6-T		Education	May 31, 1962	Nov. 30, 1962	4,500
Subtotal							29,400
West Indies and eastern Caribbean.	Metcalf & Eddy	AID-533-3-T	SA	Engineering	Feb. 10, 1961	Dec. 30, 1962	17,500
Total Latin America.							17,950,615

CRITERIA FOR AWARDING CONTRACTS IN THE UNITED STATES

Mr. PASSMAN. In awarding these contracts to employment agencies, consulting firms, colleges, schools, universities, do you try to distribute it as equally as possible throughout the 50 States, if they meet the criteria?

Mr. MOSCOSO. If they meet the criteria, Mr. Chairman, the people——

Mr. PASSMAN. But the system is to have a distribution to cover all 50 States?

Mr. MOSCOSO. That is right.

Mr. PASSMAN. Thank you.

Mr. MOSCOSO. There is no discrimination whatsoever.

Mr. PASSMAN. You try to get some of them in every State, do you not, if they meet the criteria?

Mr. MOSCOSO. I do not know of an effort made directly to see that there is one from every State.

Mr. PASSMAN. But you do like to have wide distribution of these contracts?

Mr. MOSCOSO. I prefer that.

Mr. PASSMAN. To have all 50 States, if they meet the criteria?

Mr. MOSCOSO. That is right.

Mr. PASSMAN. Of course, there are advantages to that.

Mr. MOSCOSO. Absolutely.

Mr. MILLER. Mr. Chairman, in every case the contractors meet the standards and procedures which have been established by the Agency for the contracts and contractors themselves. We have rules and regulations that govern the use of contractors. As Mr. Moscoso pointed out, there is no effort to distribute these, but there is a non-discrimination policy.

Mr. PASSMAN. I said if they met the criteria, and I thought that was broad enough to mean that you do have a set of standards.

Mr. MOSCOSO. They have to meet the criteria, they have to be well known.

Mr. PASSMAN. When that is established, you stand on your statement that you do recommend getting them in all the States?

Mr. MOSCOSO. Yes, sir.

Mr. PASSMAN. Mr. Ambassador, what programs or projects, by country, did you fund from prior year appropriations that will not be funded in fiscal 1963? There would be two categories, those that you had completed, and those you had discontinued.

Mr. MOSCOSO. That is right.

Mr. PASSMAN. You have them broken in two sections?

Mr. MOSCOSO. I will get it.

Mr. TENNANT. While we are waiting for that, may I say that last year in response to a question from Governor Montoya we did file in the record information on contracts including average salary per man-year.

CONTRACT OR SERVICE FEES

Mr. PASSMAN. I think that 80 percent fee for recruiting and backstopping technicians is a fat, juicy proposition.

Let me state again, so that I am not trying to overstate my case or understate yours, when you pay the 80 percent fee, certainly that supports the overhead of the agency that is doing the recruiting.

Mr. TENNANT. I was only referring to the salary at that point. This does show average salary per man-year and lists——

Mr. PASSMAN. What does it show as average salary?

Mr. TENNANT. They vary by contracts. One is $11,000, $15,000, $12,000.

Mr. PASSMAN. I thought you had the average. You have 631 here. I should think that covers a variation of technicians in many different fields.

Mr. STERNFELD. It covers a stated time period. They might be for 3 months or a full year.

Mr. PASSMAN. We want you to either verify, or give us a higher or lower figure, the fact that we pay 80 percent fee for recruiting and backstopping technicians. It may be that some regions would be less. If so, let the record show that.

(The information supplied follows:)

AVERAGE CONTRACT COSTS

The following figures represent the average annual cost for salary, travel, overhead, and profit computed from the largest recent contracts issued to commercial contractors for technical services for the Latin American Bureau of AID:

Average technician salary per man yer year	$13, 213. 89
Average cost per technician per year	1, 726. 67
Average overhead cost per oversea technician per year	7, 261. 52
Average fee to contractor per technician year year	3, 767. 31

The computed overhead as applied to the above individual salary amounts to approximately 55 percent for oversea technicians. Overhead and fee as compared with salary amount to approximately 84 percent.

These overhead rates when used in cost contracts are provisional rates subject to post audit and adjustment by AID. The most recent rates audited are used in negotiating the new provisional rates for succeeding contracts and for use in negotiating fixed rate contracts.

TERMINATED AND/OR COMPLETED PROJECTS

Mr. PASSMAN. Do you have the number of projects you have brought to completion, by country?

Mr. MOSCOSO. The projects to be terminated in Latin America——

Mr. PASSMAN. Termination by successful completion?

Mr. MOSCOSO. Yes. In 1962 there will be a total of $11,973,000.

Mr. PASSMAN. Not that many projects?

Mr. MOSCOSO. You mean number of projects?

Mr. PASSMAN. Yes, and money, too.

Mr. MOSCOSO. In round figures about 150 terminated or completed.

Mr. PASSMAN. 150 projects in your region completed or——

Mr. MOSCOSO. Terminated.

Mr. PASSMAN. Terminated for other reasons. How many completed successfully?

Mr. MOSCOSO. We will have to break that down, the difference between termination and completion. We have the total.

Mr. PASSMAN. Could you give that information by country, the number of projects brought to completion, and the costs?

Mr. MOSCOSO. Yes.

Mr. PASSMAN. Also, the number of contracts you discontinued, and the cost of the project before you discontinued it?

Mr. MOSCOCO. Yes.

(The information follows:)

PROJECTS COMPLETED AND TERMINATED IN LATIN AMERICA DURING FISCAL YEAR 1962

Attached is a country-by-country breakdown of the 153 projects completed and terminated in the Latin American countries during fiscal year 1962 and their total cost from inception to completion. The number of completed projects was 78. Total cost was $24,484,000. The number of terminated projects was 74, and total cost was $41,398,000. The total cumulative cost, according to preliminary figures, was $65,882,000.

For purposes of this listing, a completed project has been defined as one in which there will be no future obligations beyond those made in fiscal year 1962. Projects terminated refers to two catagories:

(1) Projects where U.S. participation has been withdrawn and the activity has been absorbed by the host government.

(2) Projects which have been eliminated to concentrate resources on higher priority objectives.

Agency for International Development

Projects 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:					
Resources Development Branch	84	69	184	69	Completed.
Metallurgy Department, AEC	50		50		Do.
Statistics	11	1	11	1	Do.
Subtotal	145	70	245	70	
Bolivia:					
Commercial education	13	11	22	20	Do.
Advice to YPFB	7		7		Do.
National data sampling	25		25		Do.
Subtotal	45	11	54	20	
Brazil:					
Railroad shop and maintenance training	4	8	167	167	Do.
Occupational health	57	59	111	109	Do.
Public health methods	47	217	451	419	Do.
Secondary education	11	11	192	192	Do.
Marine engineering and naval architecture	47	93	289	199	Do.
Subtotal	166	388	1,210	1,086	
Chile:					
Agriculture Division administration	120	120	713	708	Terminated.
Cooperative service for agriculture		135	3,377	3,377	Terminated (function transferred to host government).
Fisheries development		11	70	68	Completed.
Management association	22	45	177	177	Do.
Do	27	42	132	132	Do.
Agricultural economics	26	46	381	375	Do.
Road development	122	144	608	602	Terminated (function transferred to host government).
Industrial training		220	527	397	Completed.
Comminications media	50	73	439	439	Do.
Diagnostic survey	1	1	1	1	Do.
Geology	227	346	1,398	1,347	Do.
Labor program	120	215	810	723	Terminated (function transferred to host government).
Subtotal	715	1,398	8,633	8,346	

Projects 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	
Colombia:					
Agricultural extension	139	165	933	918	Terminated (function transferred to host government).
Hospital administration	25	27	85	81	Do.
Health education	7	31	242	222	Do.
Malaria	150	33	1,792	1,642	Do.
Subtotal	321	256	3,052	2,863	
Costa Rica:					
Environmental sanitation	104	98	153	144	Terminated (consolidated with sanitation engineering service).
Industrial development	131	104	651	214	Completed.
Ministry of Labor and laboratory training	9	22	99	97	Terminated (function transferred to host government).
Public health cooperative service	33	53	295	295	Do.
Control of specific diseases	14	17	53	51	Completed.
Training, public health	29	25	97	83	Do.
Housing and city planning	30	35	328	320	Do.
Health administration	53	51	306	301	Terminated.
Hospital improvement and development	77	71	482	437	Terminated (consolidated with health facilities development and coordination).
Technical service for agriculture	91	104	727	682	Terminated (function transferred to host government).
Subtotal	571	580	3,191	2,624	
Ecuador:					
Agricultural cooperative service	160	164	2,057	1,959	Do.
Agricultural cooperative administration	97	94	579	573	Terminated.
Agricultural extension	97	97	902	888	Terminated (function transferred to host government).
Tropical agricultural research	55	55	509	502	Do.
Livestock improvement	56	59	365	358	Do.
Farm mechanization	32	37	298	294	Terminated.
Agronomy and soils	12	10	45	41	Terminated (function transferred to host government).
Cooperative service, industry			238	238	Do.
Cooperative service, administration	50	48	179	175	Terminated.
Civil aviation	30	80	432	423	Do.
Subtotal	589	644	5,604	5,451	
El Salvador:					
Public Health Cooperative Service (SCISP)	336	334	2,276	1,756	Terminated (function transferred to host government).
Administration, SCISP	95	50	223	146	Terminated.
Public health center construction	150	150	150	150	Completed.
Medical education		5	179	177	Do.
Subtotal	581	539	2,828	2,229	

Guatemala:					
Agricultural research		17	228	202	Do.
Agricultural extension	310	232	747	615	Terminated (consolidated with "crop diversification").
Agricultural mechanization	14	15	45	45	Completed.
Rubber and complementary crops	26	43	392	392	Terminated (consolidated with "crop diversification").
Rural development	50	339	2,336	2,210	Do.
Cooperative health service	217	217	217	217	Terminated (function transferred to host government).
Health service administration	24	30	469	456	Terminated.
Environmental sanitation	57	445	2,294	2,223	Completed.
Health facilities		22	174	169	Do.
Educational cooperative service	279	454	629	629	Do.
Vocational education	86	100	425	418	Terminated (consolidated with "vocational training").
Educational services administration	43	50	325	325	Terminated.
Rural education	84	106	610	601	Terminated (function transferred to host government).
Urban education	92	120	574	560	Do.
Subtotal	1,282	2,190	9,465	9,072	
Haiti:					
Cooperative service, education		403	500	457	Terminated.
Cayes Road	1,528	177	1,528	177	Completed.
Water distribution construction		113	330	223	Do.
Subtotal	1,528	693	2,358	857	
Honduras:					
Labor leader training	46	32	228	196	Do.
Assistance to water authorization	40	130	209	199	Terminated (function transferred to host government).
Subtotal	86	162	437	395	
Mexico:					
Minerals technology	42	42	257	222	Do.
Geology survey	63	61	381	352	Do.
Labor union teams	39	39	372	372	Do.
Vocational rehabilitation	53	37	285	259	Do.
Subtotal	197	179	1,295	1,205	
Nicaragua:					
Agricultural research and extension	4	14	114	112	Do.
Ministry of Education Planning Office	26	26	47	47	Do.
Agriculture-forestry	19	22	75	75	Completed.
Ministry of Public Health	1	5	52	50	Do.
Vocational and industrial arts	23	35	537	537	Do.
Civil aviation	49	63	240	215	Terminated (consolidated with a regional project).
Highway	19	10	46	30	Completed.
Comprehensive physical planning	7	16	99	82	Terminated (function transferred to host government).
Housing	2	3	403	403	Completed.
Subtotal	150	194	1,613	1,551	

Projects 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	
Panama:					
Cooperative service, agriculture	155	149	968	903	Terminated (function transferred to host government).
Cooperative service, agriculture administration	41	42	341	338	Terminated.
Agricultural research education and extension	153	170	682	672	Completed.
Crop and livestock development	72	68	503	481	Do.
Agriculture economics and planning	41	39	218	213	Do.
Renewable natural resources	27	27	211	211	Do.
Aerial photo and mapping	1,000	22	1,000	22	Do.
Mineral resources survey	161	----------	161	----------	Do.
Technical studies—hydroelectric	325	----------	325	----------	Do.
Tambo-Salud road survey	240	----------	240	----------	Do.
Civil aviation development	47	73	206	200	Terminated (consolidated with a regional project).
Cooperative service-public health	105	107	522	492	Terminated (function transferred to host government).
General engineering services	27	30	201	194	Completed.
Nurses education and TB control	50	58	300	273	Terminated (function transferred to host government).
Cooperative health service administration	39	41	274	266	Terminated.
Educational cooperative service	----------	30	350	350	Terminated (function transferred to host government).
Educational cooperative service administration	53	52	294	291	Terminated.
Community development	39	53	205	196	Completed.
Subtotal	2,575	961	7,001	5,102	
Paraguay:					
Cooperative public health service	85	215	1,254	1,121	Terminated (function transferred to host government).
Cooperative public health service administration	51	50	353	349	Terminated.
Educational cooperative service	17	85	619	618	Terminated (function transferred to host government).
Educational cooperative service administration	45	49	332	327	Terminated.
Elementary teacher education	65	66	547	547	Terminated (consolidated with "rural education development").
Vocational education	18	18	459	458	Completed.
Industrial development	5	5	35	33	Do.
Subtotal	286	488	3,599	3,453	
Peru:					
Agricultural economics	15	18	122	122	Do.
Agricultural extension	103	170	792	757	Terminated (function transferred to host government).
Agricultural credit and cooperatives	17	32	133	109	Completed.
Agricultural research	10	13	1,195	1,193	Do.
Livestock development	56	112	327	286	Do.

Land development and soil conservation	29	52	265	240	Terminated (function transferred to host government).
Forestry development	36	38	121	94	Do.
Mining and metallurgy	24	63	240	231	Completed.
National employment service	35	26	253	218	Terminated (function transferred to host government).
Technical service (labor)	15	19	251	249	Terminated.
Labor training	72	53	120	80	Completed.
Health service administration	47	48	407	404	Terminated.
Health unit operation	24	22	448	422	Terminated (function transferred to host government).
Special health advisory service	256	203	880	762	Completed.
Cooperative educational service	41	128	1,534	1,533	Terminated (function transferred to host government).
Educational cooperative administration	36	39	333	330	Terminated.
Teacher education	129	149	866	841	Terminated (function transferred to host government).
Rural elementary education	70	78	338	321	Terminated (function transferred to host government).
Public safety	72	56	127	99	Completed.
Public administration organization and management	38	36	248	240	Do.
Housing advisory service	59	44	97	80	Do.
Cooperative rural development		142	1,363	1,289	Terminated (function transferred to host government).
Rural development administration	28	30	237	237	Terminated.
Irrigation and land development	63	57	162	134	Completed.
Economic planning	1	1	48	47	Do.
Subtotal	1,276	1,629	10,907	10,318	
Venezuela:					
Industrial resources survey	104		104		Completed (contract to be completed in fiscal year 1963)
Subtotal	104		104		
British Honduras:					
Agricultural development	69	36	329	284	Terminated (function transferred to host government).
National economic development			1	1	Completed.
Subtotal	69	36	330	285	
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	

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Projects 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	
Jamaica:					
Pilot water supply-Annette Bay	95	4	95	4	Completed.
Malaria eradication	45	54	251	138	Do.
Subtotal	140	58	346	142	
Eastern Caribbean:					
Health education	23	18	48	39	Do.
Vocational and teacher training	27	23	46	23	Do.
Industrial education	22	7	189	7	Do.
Handicraft development	17	15	57	52	Do.
Meteorological training	22	18	58	51	Do.
Road development-demonstration training	48	41	158	139	Terminated (function transferred to host government).
Tetron Bay marine facilities	580	4	580	4	Completed.
Windward Islands, administration services	----------	----------	19	19	Terminated.
Subtotal	739	126	1,155	334	
Regional:					
Pan-American highway survey (Darien Gap)	2,000	----------	2,000	----------	Completed.
Health consultants	77	77	77	77	Do.
Technical training, housing	37	36	38	36	Do.
Subtotal	2,114	113	2,115	113	
Grand total:					
Completed (78 projects)	7,390	4,097	24,484	16,311	
Terminated (74 projects)	6,316	6,690	41,398	39,545	
Total	13,706	10,787	65,882	55,856	

SUMMARY

The number of projects completed and terminated in Latin America during fiscal year 1962 and their total cost

Country	Completed	Cumulative obligations (in thousands of dollars)	Terminated	Cumulative obligations (in thousands of dollars)
Argentina	3	245		
Bolivia	3	54		
Brazil	5	1,210		
Chile	8	3,125	4	5,508
Colombia			4	3,052
Costa Rica	4	1,129	6	2,062
Ecuador			10	5,604
El Salvador	2	329	2	2,499
Guatemala	5	3,370	9	6,095
Haiti	2	1,858	1	500
Honduras	1	228	1	209
Mexico			4	1,295
Nicaragua	5	1,113	4	500
Panama	10	3,746	8	3,255
Paraguay	2	494	5	3,105
Peru	12	3,699	13	7,208
Venezuela	1	104		
British Honduras	1	1	1	329
Surinam	3	340		
Jamaica	2	346		
Eastern Caribbean	6	978	2	177
Regional	3	2,115		
Total	78	24,484	74	41,398

Mr. MONTOYA. I was going to get into that. In other words, you found it necessary to terminate a few of the projects?

Mr. MOSCOSO. Yes.

Mr. MONTOYA. What were the reasons for those terminations?

Mr. MOSCOSO. The majority of them we found that there were better uses for the funds that we have available. There has been a change, as you know, Mr. Congressman, in the program. We had in the past a program in Latin America, consisting primarily of a technical assistance program. We found a great proliferation and a spreading out of these projects. We are trying to concentrate now.

Mr. MONTOYA. Were these projects you terminated mostly projects which were originated before the new techniques under the Alliance for Progress?

Mr. MOSCOSO. Yes; some of them had been originated before that.

Mr. MONTOYA. Have you had to terminate any of your own projects which you initiated?

Mr. MOSCOSO. Up to now, no, sir.

Mr. PASSMAN. You did have certain projects that we had initiated prior to fiscal 1962 that you decided it would be desirable to discontinue?

Mr. MOSCOSO. Yes, a better use of funds.

Mr. PASSMAN. Notwithstanding the fact that we had made substantial expenditures, and that would be lost, you found that a higher priority would make a better investment in the end?

Mr. MOSCOSO. Not exactly that it would be a loss, Mr. Chairman, because if it is education, for instance, it is not necessarily lost. However, if you are educating people for something for which those skills are not as needed as other things, when you change around, you are making better use of the funds.

Mr. PASSMAN. When we speak of projects, of course, we are covering the entire field?

Mr. MOSCOSO. That is right.

Mr. PASSMAN. You have certain public works projects, maybe digging a canal or a ditch, or building a chickenhouse.

PHASEOUT OF SERVICIO-TYPE OPERATIONS

Mr. MOSCOSO. For instance, to give you an example of the type of operation we are terminating, we have in Latin America, as you know quite well—I am sure all of you familiar with Latin America know of the Servicio type operations in which a joint venture was started between the host country and the United States. In some instances this Servicio really took the place of and served the function of a regular department of government because there was no department of government that could undertake that job, in agriculture and in education and health.

As these countries progressed, some have made progress, it has been possible for us to turn over these operations to the countries themselves. In some instance we have been able to phase them out in 1 single year. In other instances we told them, all right, we will do it over a period of 1 or 2 years and then smaller amounts are appropriated until finally the Servicio is taken over by the Ministry and we no longer have anything to do with it.

PROJECTS STARTED IN 1962

Mr. PASSMAN. Did you substitute the other projects for the ones that you discontinued?

Mr. MOSCOSO. We started 104 in 1962, Mr. Chairman, 104 new projects.

Mr. PASSMAN. What was the cost of the 104?

Mr. MOSCOSO. A net of about 46—a net reduction.

Mr. PASSMAN. Then, what was the cost of the 104?

Mr. MOSCOSO. We will be happy to give it to you. We do not have it.

Mr. PASSMAN. How much did you allocate to the 104 projects?

Mr. MOSCOSO. We will give you the figure. We haven't got the breakdown.

Mr. PASSMAN. Can you also project these costs to completion?

Mr. MOSCOSO. Yes, sir.

Mr. MONTOYA. Mr. Chairman—would you also detail the nature of the project when you submit it for the record?

Mr. MOSCOSO. Yes. We will have a brief description of it.

(NOTE: The information was supplied to the committee.)

NUMBERS OF PROJECTS IN LATIN AMERICA

Mr. PASSMAN. Do you know how many projects, under all categories and all the different spigots of aid, that you have in Latin America?

Mr. MOSCOSO. We have about 500, Mr. Chairman, if my memory serves me right.

Mr. PASSMAN. About 500 separate projects.

Mr. Moscoso. Under AID.
Mr. Passman. Under AID alone, 500 projects?
Mr. Moscoso. Yes, sir.
Mr. Passman. That does not include military.
Mr. Moscoso. No, sir.
Mr. Passman. It does not include any of the byproducts of military, such as the civic projects that they may start?
Mr. Moscoso. No, sir.
Mr. Passman. This does not include the Peace Corps?
Mr. Moscoso. This is just AID.
Mr. Passman. It does not include the many projects that may possibly be under the food-for-peace program?
Mr. Moscoso. No, sir.
Mr. Passman. These are only the AID programs?
Mr. Moscoso. Yes, sir.
Mr. Montoya. May I interject, that does not include any projects that may be financed by development funds?
Mr. Moscoso. Development loans?
Mr. Montoya. Yes.
Mr. Moscoso. No. This includes the "development grant" category.
Mr. Montoya. What about loans?
Mr. Moscoso. Where technical assistance is given.
Mr. Montoya. What about loans?
Mr. Moscoso. We have about 50 loans.
Mr. Montoya. Is that in addition to the projects you mentioned?
Mr. Moscoso. Yes.
Mr. Montoya. So you would add those to the many different categories, plus the 500.
Mr. Moscoso. That is right.
Mr. Passman. Would you say there is a thousand in all categories?
Mr. Moscoso. No.
Mr. Passman. How many are there?
Mr. Moscoso. About 550.
Mr. Passman. There is a Food for Peace project going in almost every country, is there not?
Mr. Moscoso. Yes; in most of the countries there is.
Mr. Passman. Through the military aid program, if they have a variation of projects going, such as a street, water tank, streetcar track or ditch, or something like that, that would be in addition to these?
Mr. Moscoso. If there were, it would have to be included.
Mr. Passman. Let me say that there are such projects. There are many expensive civil works projects, economic aid projects, under the military program.
Mr. Moscoso. Yes, sir.
Mr. Passman. I think you ought to ask them to give you that list. They do not use this military aid program altogether for hardware.

PLANNED FISCAL YEAR 1963 PROJECTS

How many new projects do you anticipate will be started in fiscal year 1963?
Mr. Moscoso. We are contemplating starting 43 projects.

Mr. PASSMAN. Forty-three new projects?
Mr. MOSCOSO. Yes, sir.
Mr. PASSMAN. The costs?
Mr. MOSCOSO. Of course, that is plus the others we have in existence.
Mr. PASSMAN. You would also be starting projects under development credits?
Mr. MOSCOSO. That is right.
Mr. PASSMAN. Those projects would be added to the others you have enumerated, to get the total number?
Mr. MOSCOSO. That is right, sir.
Mr. PASSMAN. That is 147 new projects in total?
Mr. MOSCOSO. For 2 years.
Mr. PASSMAN. When I was using my figure about the number of projects worldwide, no doubt Mr. Miller had reference to Latin America. It looks as if his figure would be about correct for Latin America. Did you have reference to projects worldwide or to Latin America?
Mr. MILLER. I will let the record speak for itself.
Mr. PASSMAN. The numbers that you have given us on these various projects are firm, from your own records?
Mr. STERNFELD. These are fiscal year 1963 estimates.
Mr. PASSMAN. You have given them to us from your records, as to the numbers?
Mr. STERNFELD. That is correct.
Mr. MONTOYA. Mr. Chairman?
Mr. PASSMAN. I yield to the Governor.
Mr. MONTOYA. Mr. Ambassador, among these projects do you have any for the construction of roads or building of dams or any irrigation works?
Mr. MOSCOSO. We have several projects, particularly in the loan program for the construction of roads, yes.
Mr. MONTOYA. Are they repayable in dollars?
Mr. MOSCOSO. Some are.
Mr. STERNFELD. All the loans made under the 1962 Foreign Assistance Act for development lending are.
Mr. MOSCOSO. Under the new program they are repayable in dollars but they had old loans that we still consider projects.
Mr. MONTOYA. What is the largest project for road construction that you have?
Mr. MOSCOSO. By memory, I could not tell you. We can find it for you and give you the figure.
Mr. MONTOYA. I just wanted to get an idea.
Mr. MOSCOSO. Yes.
Mr. PASSMAN. If we speak of the project, we will say on page 42—project assistance by sector proposed for fiscal year 1962; for example, power, $225,000. Is that one project?
Mr. MOSCOSO. I could not tell you, Mr. Chairman.
Mr. STERNFELD. We would have to check for each individual country.
Mr. MOSCOSO. It seems to me it probably is not more than the one project.

CONSOLIDATION OF PROJECTS BY SECTOR

Mr. PASSMAN. You show project by sector. It is conceivable that you may take food and agriculture, where you have $19,462,000, and if you break it down into the country, by area, by community, you would wind up, with thousands of subcontracts under the original big contract? It will be rather diversified, will it not?

There are subprojects?

Mr. Moscoso. I would not think so, Mr. Chairman. I would say that——

Mr. PASSMAN. Let us be sure you understand. You may be in one country, where possibly there are many states and hundreds of political subdivisions. You may have schools and you may have classes going, so it can conceivably be that you would have many subprojects under a capital project; is that right?

Mr. STERNFELD. Under the $225,000, yes.

Mr. PASSMAN. Is that correct?

Mr. STERNFELD. You could have more than just one.

Mr. PASSMAN. I was speaking of agriculture. This is just not for one location, one classroom.

Mr. Moscoso. That is right.

Mr. PASSMAN. You would break this up into as many as necessary to get diversified programs?

Mr. Moscoso. Yes, sir. For instance, if I understand your question, Mr. Chairman, in a country where there is a food and agriculture program involving let's say $1½ million, there might be five or six experiment stations which were being financed partly from these funds. There might be extension services all over the country.

Mr. PASSMAN. In different sections?

Mr. Moscoso. That is right.

Mr. PASSMAN. That would be known as a subproject?

Mr. Moscoso. That is right. There might be one or two agricultural schools that might have been assisted from these funds but they would all come together in a country project.

Mr. PASSMAN. In what we would know then as the final caption, "A sector project," as it all branches out under these sector categories?

Mr. Moscoso. That is right. The road project, the largest one that we have is $7,100,000.

Mr. MONTOYA. Where is that?

LOAN REPAYMENTS

Mr. Moscoso. The terms are 3½ percent, 20 years, and the project is in Paraguay.

Mr. MONTOYA. When do you start paying the interest?

Mr. Moscoso. They are supposed to start paying interest right away.

Mr. MONTOYO. There is no 10-year grace period?

Mr. STERNFELD. No. The loan is repayable half in local currencies and half in U.S. dollars. The agreement was made under the old Development Loan Fund in 1961.

Mr. PASSMAN. You do have half in local currencies?

Mr. STERNFELD. Half in local currencies, half in dollars.

Mr. PASSMAN. Do the funds in this old contract go back to the Treasury?

Mr. STERNFELD. To the U.S. Treasury.

Mr. PASSMAN. You are positive the dollar part goes back to the Treasury?

Mr. STERNFELD. Under the old Development Loan Fund.

Mr. PASSMAN. That is correct?

Mr. MOSCOSO. Yes, sir.

Mr. PASSMAN. One of the experts yesterday challenged my statement to that effect.

Mr. MOSCOSO. The contractor is Morrison-Knudson.

BUDGETARY SUPPORT

Mr. PASSMAN. Of the $15 million estimate for supporting assistance for your area, how much is in the form of a cash transaction?

Mr. MOSCOSO. $——— is for Bolivia, Mr. Chairman.

Mr. PASSMAN. Are we not also making development credits to Bolivia?

Mr. MOSCOSO. Yes, sir.

Mr. PASSMAN. This is, in fact, budgetary support?

Mr. MOSCOSO. Yes, it is, sir.

Mr. PASSMAN. Why would you want to be giving them budgetary support, if you are making them these long-term development grants?

Mr. MOSCOSO. We are trying to bring them over to development lending, to lending operations.

Mr. PASSMAN. You have a development program for them, do you not?

Mr. MOSCOSO. We still have some supporting assistance.

We are getting a little closer to getting them over.

Mr. PASSMAN. There are development credits already for Bolivia.

Mr. MOSCOSO. Yes, sir.

Mr. PASSMAN. Notwithstanding that fact, you have budgetary support, cash transaction, in the amount of $———?

Mr. MOSCOSO. Yes, sir.

Mr. PASSMAN. You could not pass up getting a little out of every spigot, could you?

UNEXPENDED BALANCES CREDITED TO BOLIVIA

How much do you have to the credit of Bolivia, unliquidated, in all categories?

Mr. MOSCOSO. $22,700,000.

Mr. STERNFELD. Estimated at the end of this fiscal year.

Mr. PASSMAN. To their credit unliquidated?

Mr. MOSCOSO. Yes, sir.

Mr. PASSMAN. If this $——— budgetary support should disappear there would not be any great harm done, would there?

Mr. MOSCOSO. Yes, sir.

FISCAL YEAR 1963 PROGRAM FOR BOLIVIA

Mr. PASSMAN. How much do you have projected for Bolivia for fiscal year 1963?

Mr. Moscoso. We have $——— in grants, sir, and the $——— supporting assistance.

Mr. PASSMAN. Grants and supporting assistance are first cousins, are they not? Both of them are economic aid?

Mr. Moscoso. Yes.

Mr. PASSMAN. It is just getting it out of two different spigots.

Mr. Moscoso. In one case——

Mr. PASSMAN. You consolidate the check when you send it out.

Mr. Moscoso. In the case of the grant, we have specific projects for which we allocate the funds.

Mr. PASSMAN. It accomplishes the same thing the other four would, and that is to buy or pay for something?

Mr. Moscoso. Yes.

Mr. PASSMAN. If you buy milk you would get just as much out of one fund as you would out of the other?

Mr. Moscoso. That is correct.

Mr. PASSMAN. Under commodities you have $19,927,000?

Mr. Moscoso. Yes, sir.

Mr. PASSMAN. Which is about 17 percent of the total request for grant aid?

Mr. Moscoso. That is right, sir.

Mr. PASSMAN. What was the amount of the request for this area last year?

Mr. Moscoso. $19,290,000.

NATIONAL DEVELOPMENT PLANS

Mr. PASSMAN. How many nations in your area, Mr. Ambassador, have formulated national development plans?

Mr. Moscoso. Three have provided the plans for review by the committee of nine experts of the OAS and——

Mr. PASSMAN. Is that the wise men?

Mr. Moscoso. The so-called wise men, yes, sir, Colombia, Chile, and Bolivia have submitted their plans.

Mr. PASSMAN. It says here, Tuesday, July 10, 1962. "The panel of nine wise men"—will you make it possible for me to meet those men someday?

Mr. Moscoso. Yes, sir.

Mr. PASSMAN. It says:

The panel of nine wise men which has been set up by the panel of OAS to pass judgment on Latin American national development plans is not overly enthusiastic about Chile's blueprint, in particular the land reform proposal.

Do the wise men still maintain that feeling?

Mr. Moscoso. Yes, sir. They have made their views known.

Mr. PASSMAN. So far as Chile is concerned, that just about puts them on ice for the time being?

Mr. Moscoso. The Chilean Government is reviewing their program.

Mr. PASSMAN. They are in the talking stage?

Mr. Moscoso. Yes, definitely.

Mr. PASSMAN. How about the other two?

Mr. Moscoso. Colombia has progressed very well, sir. The World Bank has——

Mr. PASSMAN. Have they progressed beyond the talking stage?

Mr. Moscoso. Yes. This has gone to a point where high-level meetings have been held by the World Bank with not only the Government of Colombia but with other agencies, both the United States and international agencies.

Mr. PASSMAN. How about the third one?

Mr. Moscoso. The other one is Bolivia. Bolivia did not submit the kind of plan that would normally be considered by the nine wise men. They submitted primarily a theoretical approach to the development of the national plan.

Mr. PASSMAN. They have not got a firm plan yet?

Mr. Moscoso. They do have——

Mr. PASSMAN. That is 1 out of the 19 nations which has a plan that is in the working?

Mr. Moscoso. But there are quite a number of plans coming up, Mr. Chairman.

Mr. PASSMAN We prefer to deal with specifics here.

Mr. Moscoso. I will give you some specifically.

Mr. PASSMAN. I am talking about specific plans.

How much money is budgeted for assistance for national development plans in your area?

Mr. STERNFELD. Assistance in development of national plans?

Mr. Moscoso. For the development of their national plans.

Mr. PASSMAN. That is correct.

Mr. Moscoso. What you have in mind, Mr. Chairman, of course, is what moneys are we projecting to be invested in national development plans?

FUNDS FOR ASSISTING FORMULATION OF DEVELOPMENT PLANS

Mr. PASSMAN. How much money do you have budgeted for assistance for national development plans?

Mr. Moscoso. In the case of Colombia, we anticipate that there will be loans to the extent of between $——— and $———.

Mr. PASSMAN. That is development credits, between $——— and $———.

Mr. Moscoso. $——— and $———.

Mr. PASSMAN. That is a 50 percent spread.

Mr. Moscoso. Yes, because it pretty much depends upon the type of projects that can be financed.

Mr. PASSMAN. It could be under ———, if the thing does not develop as rapidly as you anticipate?

Mr. Moscoso. Yes.

Mr. PASSMAN. I yield to Governor Montoya.

COUNTRY CONTRIBUTIONS TO DEVELOPMENT PLANS

Mr. MONTOYA. Who pays for the expense of developing, formulating, and presenting these plans to our agency?

Mr. Moscoso. Normally the countries themselves, or in many instances a group of agencies comprised primarily of the Inter-American Development Bank, the Economic Commission for Latin America, and the Organization of American States.

Mr. MONTOYA. Do you ever——

Mr. Moscoso. In the case of Chile for instance, Chile prepared their own plan themselves. They did not have the assistance of any of these countries or any of these agencies.

Mr. Montoya. Do you have any occasions when you have paid out of aid funds by way of grants to these countries for the development and formulation of these plans?

Mr. Moscoso. We have made some grants for the assistance in the preparation of their plans We prefer not to do it.

Mr. Montoya. In how many instances have you done that?

Mr. Moscoso. There are probably about five or six, sir.

Mr. Montoya. Will you supply that information by country and amount?

Mr. Moscoso. Yes, sir.

Mr. Montoya. Now, Mr. Ambassador, why do you think it is necessary to finance the formulation of these plans by these countries? I do not think that was contemplated by our act.

Mr. Moscoso. Part of the development of a country, Mr. Congressman, is undoubtedly the development of their governmental structure and one of the reasons why previous efforts in Latin American development have not yielded as good fruits as we expected has been lack of planning. By planning we are talking primarily in terms of the public sector of the countries, countries which have meager resources, like most of these Latin American countries, obviously should husband those resources as much as possible and use them only for priority areas.

Mr. Montoya. Aren't you actually encouraging these countries to come into the till by offering them incentives such as planning grants so they can formulate these plans?

Mr. Moscoso. We are encouraging them to enter the planning procedures and to start the planning function in their countries. The Organization of American States, which has this $6 million that we turned over to them as part of the Act of Bogotá, has been making the bulk of the grants to the countries to assist them in the formulation of their national plans.

Mr. Montoya. I do not mind telling you, Mr. Ambassador, that I think that is a very unwise procedure because giving you a parallel situation, supposing the Small Business Administration gave everybody that wanted to come in and borrow some money some free money to do the planning. I do not think that would be wise banking procedure.

Mr. Moscoso. I grant you that, Mr. Congressman, except that you must bear in mind what we are trying to accomplish. We are trying to bring about a transformation of these economies.

Mr. Montoya. Subject to further correction, when you supply the figures for the record, what would you estimate has been granted to these governments for planning procedures?

Mr. Moscoso. It is very difficult. I prefer to give you the exact figure, Mr. Congressman.

(The information supplied follows:)

SUPPORT OF LONG-RANGE PLANNING ACTIVITIES IN LATIN AMERICA FOR FISCAL YEARS 1962 AND 1963

The Charter of Punta del Este urged the Latin American countries to draw up national economic plans for long-range development. Several countries requested assistance in drawing up such plans. The Agency for International Development is aiding these following countries in drawing up their long-term national economic plans:

Country and project	Preliminary final obligation, fiscal year 1962	Estimated obligation, fiscal year 1963
Argentina: Assistance to National Development Council	$92,000	(1)
Brazil: Assistance to National Planning Board		(1)
El Salvador: Planning Commission	459,000	(1)
Nicaragua: National Planning Office	53,000	(1)
Panama: National Economic Planning	170,000	(1)
Paraguay: National Economic Planning	41,000	(1)
Total	815,000	$707,000

[1] Deleted.

THURSDAY, JULY 26, 1962.

Mr. PASSMAN. The committee will come to order.

FLIGHT OF CAPITAL FROM LATIN AMERICA

On my way to the hearing this morning, it was my privilege to visit briefly with one of the leaders in the Congress. During the conversation, he called to my attention the fact that in Switzerland the Government has a publication quite similar to the one published by our Federal Reserve System, indicating the deposits, foreign and domestic, and there is one category which indicates the numbered accounts of investments from Central and South America exceed $10 billion.

I believe Secretary May indicated he had heard something about this $10 billion, but he had obtained it through a different source, and in tracing it down, the individual who was supposed to have been the authority denied it.

Mr. MAY. That is correct.

Mr. PASSMAN. That does not, in all probability, change the fact that the $10 billion could be there on deposit and that he had revealed information that had been given to him confidentially. But, to say the least, it is cause for great concern.

I believe Assistant Secretary of State Goodwin testified recently that there had been an estimated flight of capital from Latin America in the amount of at least $8 billion. Just recently Senator Morse, in commenting on the Alliance for Progress program in what seemed to be a critical vein, stated that there had been a massive flight of domestic capital abroad.

Gentlemen, I think it is well for our friends in Latin America to know how anxious we are to help them, not that we expect any gain whatsoever other than to help them to achieve the type of freedom that we have in this country and a higher standard of living. I think we should indicate to those who would exploit the poor people that if they are not to fall under the yoke of communism, and lose what they

have acquired, they had better get busy and help make this program work. We are going to do our part, but they must do their part.

Mr. MAY. Mr. Chairman, I, too, would like to add for the record my own very great concern with regard to the subject you have just mentioned. I wish to repeat that we did check into this matter when we first heard from another source about this $10 billion figure. We were told that it did not represent an accurate statement. But now that you have brought this to our attention and you do have more specific information, I wish to express my appreciation for your having done so, and I wish to state also that we will make another check into it and a very intensive one, because we are very concerned, also.

Mr. PASSMAN. It would be a great day if we could ever get this program worked down to what we could afford to spend, and reach the point that the witnesses and the members could confide in each other and discuss these things factually. Yesterday we had a rather enlightening exchange about this same matter, and I do not remember any of our witnesses volunteering then any information that they had heard about this statement of the Swiss banks. Did you?

Mr. MAY. Mr. Chairman, since you are implying now that I withheld something, I want to say, first, that I was not here at the time the discussion was held and, secondly, when we checked into it, the information we got was that it was not true.

Mr. PASSMAN. The gentlemen is exonerated from any fault, but I would have thought that if the others had the information, they would have mentioned it, and then have refuted it, or indicated that they had information which indicated the report was inaccurate.

Mr. MILLER. There are several points I would like to raise, Mr. Chairman. One is that we had earlier discussed this particular figure during Mr. Hamilton's testimony, and an insert has been placed in the record pertaining to capital flight from Latin America, and concerning the kinds of statistics that have been given. Secondly, yesterday, you will recall, there was the statement that, according to the information we have at this time, the total bank deposits in Switzerland are less than $8 billion. I would like to ask the permission of the committee to make an insert at this point——

Mr. PASSMAN. The committee shall have a look at the insert. The gentlemen realizes, no doubt, that we must take into account that more than bank deposits are involved. You have Swiss securities. You have bank deposits. You have gold vaults. You also have lock boxes which you can rent for currency safekeeping. I want the record to be clear that when you are referring to bank deposits, you are referring to only one segment of the great mass of wealth that has been accumulated in Switzerland. We would like very much to see the sheet.

Mr. MILLER. Did I understand, Mr. Chairman, that the $10 billion figure to which you referred included gold in——

Mr. PASSMAN. We said in numbered accounts. I shall not argue it with you. You have a perfect right to put in the record your statement. I stated that the information I had obtained from high authority indicated what could be the facts in the case.

Mr. RHODES. I wanted to mention that, too, Mr. Chairman. When Mr. Miller puts his material in the record, I think it might be well to have some sort of study on the manner in which the Swiss banks keep their books.

Mr. PASSMAN. If the gentleman would, I should like him to provide a copy of what he wishes to put in the record to each member of the committee.

(Information subsequently supplied follows:)

DEPOSITS IN SWISS BANKS

Following is a table showing the reported deposits in Swiss banks by date and by category of bank. This information was obtained from the International Monetary Fund Bulletin for July 1962. The table includes "numbered accounts."

According to Dr. Hans Mast, assistant manager of the Swiss Credit Bank, the country's second largest commercial bank, the numbered accounts represent only an insignificant portion of the total deposits. Dr. Mast puts the figure at less than 2 percent of his bank's business, in volume of deposit as well as number of accounts.

[Billions of dollars]

Date	Total bank deposits	Large commercial banks			Cantonal, local, and savings banks			National bank total deposits
		Total	Sight deposits	Time deposits	Total	Sight deposits	Time deposits	
Dec. 31, 1957	5.3	1.9	1.2	0.7	2.8	0.4	2.4	0.6
Dec. 31, 1958	5.9	2.2	1.4	.8	3.1	.5	2.6	.6
Dec. 31, 1959	6.3	2.4	1.5	.9	3.3	.5	2.8	.6
Dec. 31, 1960	7.2	2.9	1.7	1.2	3.7	.6	3.1	.6
Dec. 31, 1961	8.2	3.4	2.0	1.4	4.1	.7	3.4	.7
Apr. 30, 1962	8.2	3.6	2.1	1.5	4.1	.7	3.4	.5

TRADITIONAL OUTFLOW OF LATIN AMERICAN CAPITAL

Mr. MOSCOSO. I have worried very much about this problem, Mr. Chairman. In the first place, historically, traditionally, there has been a certain amount of repatriation of capital on the part of the Spaniards who colonized Latin America. This has been going on for almost 450 years. As a matter of fact, there is even a word for the people who make their money and go back to live in Spain. They are called Indianos, which, as you know, is a word derived from the continent which Columbus was supposed to have discovered. He thought he discovered India, so these people were called Indianos. That shows how far back this goes. It is a very old tradition. Reversing that tradition will take some time.

I mention this because I do not want anyone to think that this accumulation of capital outside of Latin America is something that has been done as of now and because of the fact that there is a U.S. program to help raise the standard of living there.

Mr. Congressman, I tried to find out what the facts were about this. I am pretty new to this—quite a novice, as a matter of fact—and I was told that perhaps the Federal Reserve System was the source where I could get the best information about capital flight. One of the persons who handles one of the top divisions there, Robert Samons, who worked with us in Puerto Rico, told me this was a very difficult thing to measure. Then he gave me a newsletter from the Board of Governors of the Federal Reserve which is circulated periodically. It is called "Latin American Economic Development." In an issue called Latin America's Hidden Treasure, they try to analyze this flight of capital. It says:

A witness is cited in a report in a Mexican publication that Latin American funds in Swiss numbered bank accounts total $10 billion.

It says further:

Since total deposits in Swiss banks at the end of February were the equivalent of only $7.5 billion, this is obviously exaggerated.

I grant you, Mr. Chairman, that what you mentioned is perfectly correct: There are other devices. There are securities——

Mr. PASSMAN. There are many different ways that you could have your wealth there, other than just deposited in banks.

Mr. MOSCOSO. I went back to the experts and said, "All right, if this is the case, how can you measure it?" They told me this is one of the most difficult things in economics.

Mr. PASSMAN. I think you are being completely fair about this, that it is a matter of guess. You have no way of establishing the exact figure. We do know that it is very substantial. In all probability, Assistant Secretary of State Goodwin worried about this a good deal when he said recently there had been an estimated flight of capital from Latin America in the area of $8 billion.

Mr. MOSCOSO. He said "some people estimate" that there has been this flight of capital.

Mr. MILLER. Mr. Chairman, I would like at this point to put in the record the testimony which occurred before the House Foreign Affairs Committee.

Mr. PASSMAN. Submit it to the committee and let us see what you are putting in the record.

(The information follows:)

GOODWIN ON CAPITAL FLIGHT

The testimony referred to occurred on March 22, 1962, before the House Foreign Affairs Committee. Mr. Richard Goodwin, Deputy Assistant Secretary of State for Inter-American Affairs, made the following remarks:

"In addition, our whole program is trying to strike at the condition which has caused both capital flight and this tremendous decrease of private investment in Latin America by trying to keep the conditions of political stability which make it possible for a company to go in without fear of expropriations stemming from political considerations.

"That is the aim of our whole policy in Latin America, military, economic, political, the whole range of policies, and we intend to create also the economic progress which, among its other consequences, will increase consuming power, demand, the possibilities and potential for private investment, as it has in Europe and elsewhere where there has been economic growth.

"These are the root essentials for an increase in private enterprise in Latin America."

The testimony continued:

"Someone has estimated that there is almost $8 billion of Latin American capital out of those countries. This is very speculative. The figure could be tremendously different from that either way. It is a lot of money in any event, even in terms of the aid program we conduct. It is clear this is going on.

"Mr. ADAIR. 'The question then is, Are we putting in money through the top, through the Alliance for Progress, and seeing it siphoned off quietly at the bottom by financial interests and others in these Latin American countries?'

"Mr. GOODWIN. 'Our money doesn't get siphoned off in this way because most of our money goes to pay for specific programs or specific projects. We know where the money goes and what it serves to construct, the type of equipment it serves to buy.

" 'Our money itself does not go off in capital flight.' "

(Off the record.)

Mr. MILLER. It is my understanding that you were quoting Mr. Goodwin's statement.

Mr. PASSMAN. I referred to Secretary Goodwin's statement.

Even Secretary Dillon said, and I quote:

> Secretary of the Treasury Douglas Dillon last night called on wealthy Latin Americans to reverse the flow of capital they are now sending abroad and invest those funds at home, where he said they are sorely needed.

Mr. Moscoso. Mr. Chairman, I hope if I send you copies also of some of my statements, you will do me the honor to look at them, at least a paragraph in which I say very similar words to those of Secretary Dillon.

Mr. PASSMAN. Thank you.

Mr. Moscoso. I do not know how big this problem is, but if it is a problem, it must be resolved if we want Latin America to prosper and if the Latin Americans want their countries to prosper.

Mr. PASSMAN. No logic or statistics could disprove what you have said. You were factual on the point that almost from time immemorial, the people who earn wealth in Latin America send it abroad, maybe to Spain or to other places. It is quite obvious that that is true. We know capital certainly must have gone out of the country. It was not plowed back into the economy. Otherwise, you would not have the need for the program we have initiated in Latin America.

Mr. Moscoso. In those countries where there appears to have been a greater desire to invest in the country itself, there has been greater and faster economic growth and undoubtedly the thrust of this whole program is to see that all the other countries will achieve that same rate of economic growth.

Mr. PASSMAN. They were more interested in enhancing their own wealth than developing their country? Otherwise, the capital would not have gone out.

Mr. RHODES. How do you expect to accomplish this repatriation of the capital of South and Central America?

Mr. Moscoso. Of course, breaking the traditions is a difficult thing, but it is already happening, Mr. Rhodes. There are countries, for instance, like Mexico, where there is little or none of that going on, even though it is a rather poor country. You can see the value of a free economy. It is evident in all the statistics. It is visible to the naked eye. You can see it in many of the other countries in Latin America. The problem is only in those countries where there are violent convulsions of some kind or another. For instance, in the case of Trujillo in Santo Domingo, quite a substantial amount of the so-called capital flight which took place there was this dictator and his cohorts taking some of that money out. In Venezuela, it was a case of the dictator Jimenez taking a lot of money out of the country.

Mr. RHODES. I think you are underestimating the problem. I do not think Mr. Dillon would have addressed himself to it as he did and I do not think other people would have, if the problem were not an important one.

Mr. Moscoso. Mr. Rhodes——

SOLUTIONS TO CAPITAL FLIGHT PROBLEM

Mr. RHODES. I ask this question: What do you expect to do about it? I think there is a problem, and I think it is much greater than you have indicated.

Mr. Moscoso. I have not indicated there is not a problem.

Mr. RHODES. I misunderstood you completely, then.

Mr. MOSCOSO. No. I indicated that it is not as large a problem as we sometimes believe it is, while I accept that it is a problem and that we have to solve it and that we should do everything possible to get a solution.

Mr. RHODES. All right, then, answer my original question: Do you have any plans at all to solve it?

Mr. MOSCOSO. There are a number of plans. One of the ways for this to happen is for Latin American investors themselves to learn investment methods, how to invest, how to open the society so that you can democratize, if I may put it that way, investments. Investing in Latin America has traditionally been done by a family or a group of friends. Until such time as you make investment possibilities available generally, the people who have some money to invest will try to find other ways of putting their money to work, and it probably will be somewhere that they can earn more. This already has started to happen in some of these countries. It is now possible in certain countries to buy a piece of a diversified investment fund. In the case of Brazil, for instance, all of a sudden this has blossomed forth, pretty much as it did in Japan and has been happening in Japan in the last 4 or 5 years. It has been happening a little bit in Mexico. As that process takes place, I feel sure there will be other investment opportunities which have not been opened up.

Mr. RHODES. I am sorry you mentioned Brazil. That is hardly a shining light.

Mr. ANDREWS. I wish to ask the Ambassador if he thinks maybe the people who own that wealth and sent it out of the country feared that their property might be confiscated if they had invested it in Latin America.

Mr. MOSCOSO. Mr. Congressman, in the first place, it is not all the wealth, by any means, of any of these people. It is a part of these funds that is invested outside. In view of the political difficulties which have taken place in Latin America over a period of time, it is little wonder that those who had a little extra money to put away somewhere else did something about it. This is a circular problem, as you can see.

Mr. ANDREWS. That is my point.

Mr. MOSCOSO. Cause and effect.

Mr. ANDREWS. They fear to invest in their own country because they might lose it in a revolution or a change of government.

Mr. MOSCOSO. How do you break through this vicious circle? There must be some way in which you cut through.

INVESTMENT GUARANTEES

Mr. ANDREWS. You are guaranteeing the investment of Americans and other foreigners down there, are you not?

Mr. MOSCOSO. Yes, sir; and that is one of the ways.

Mr. ANDREWS. Why do you not work out some kind of plan to guarantee the investments of the natives against confiscation?

Mr. MOSCOSO. That is one of the questions which has been brought up, Mr. Congressman.

Mr. ANDREWS. I just want to know why the people are taking the money out of the country.

Mr. Moscoso. In the majority of cases, it is the tradition, and then the concern about the political stability. However, wherever you achieve a period of political stability, you find right away there is increased confidence in the country, the people keep on investing their capital, and you see no evidence of trying to take capital outside the country.

Mr. PASSMAN. I am just a little suspicious about people who exploit the poor and take their money out of the country. If we give them some kind of attractive proposition guaranteeing their investment, we may be outsmarted again.

I am very familiar with the serious situation we have in our balance-of-payments deficit. By true analysis, we also have a trade deficit, not just a payments deficit, because of the tremendous subsidy which we must add to our exports to compete in world markets. Then, we have the tremendous aid program, shipping out exports and paying for it by Treasury checks, rather than by checks received from the recipient countries. And, of course, there is the food for peace program and other items that we include in the export figures.

FOREIGN STEEL PRICES

The Commerce Department has said that Western Europe and Japanese steel producers have recently made sharp cuts in their export prices. Here is the way it sums it up: For the first 5 months of this year, exports totaled 801,000 tons, valued at $174,779,000. Imports amounted to 1,689,000 tons, valued at $198,675,000. During the first 5 months of this year, we imported more than twice as much steel as we exported. So, we were able to get from other nations of the world 1,689,000 tons of steel for $198,675,000, whereas we exported only 801,000 tons and had to collect $174,779,000, from which it would appear that our prices must be about double that of other nations.

Mr. ANDREWS. Mr. Chairman, I understand that one of the big steel mills in Pennsylvania recently closed down permanently, with 1,700 people laid off.

Mr. PASSMAN. It is time that the Congress faces up to its responsibilities, because we are getting this Nation in a lot of trouble.

Mr. Ambassador, with all the multitude of contracts that the AID agency has in Pakistan, unliquidated, going into the away off future, costing hundreds of millions of dollars, I see that we are making another approximately one-half-billion-dollar credit to Pakistan.

AID TO BRAZIL

Getting back into your field, I see that $360 million is pledged for U.S. aid to Brazil. Then, we read this:

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 an international capitalists who does 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.

If they mean what they say, they are not our friends. If they do not mean what they say, they cannot be trusted.

Mr. Moscoso. There is going to be an election in Brazil in October.

Mr. Rhodes. Will the election be a national election?

Mr. Moscoso. Yes, there will be an election for Congress.

Mr. Rhodes. Not for president?

Mr. Moscoso. At the same time there may be a decision on a plebiscite for the reestablishment of the primacy of the presidential system instead of this parliamentary situation.

RATE OF NON-U.S. INVESTMENT IN LATIN AMERICA

Mr. Passman. Could you tell us the rate of investment by non-U.S. investors in Latin America for the past 3 years?

Mr. Moscoso. We have tried to get some estimates on that, Mr. Chairman. The best figures that I have been able to get seem to indicate that at least in the year 1961, which I think is the figure we have, there was a total of—I will, of course, give you the estimate of the local people themselves.

Mr. Passman. What has been the rate of investment by non-U.S. investors in Latin America the past several years, speaking of outside capital, other governments, or business people of other countries?

Mr. Moscoso. In 1960, the total was $185 million.

Mr. Passman. 1961 and 1962, if you will?

Mr. Moscoso. In 1961, the total was $315 million.

Mr. Passman. That does not include the United States?

Mr. Moscoso. No, sir. This is Germany, Netherlands, Switzerland, United Kingdom, Canada, France, Italy, and Japan.

Mr. Passman. Do you have the figure for 1962?

Mr. Moscoso. No, sir.

U.S. INVESTMENT IN LATIN AMERICA

Mr. Passman. What has been the rate of investment by U.S. investors in Latin America for the past several years?

Mr. Moscoso. $203 million in 1961. That one I know by heart.

Mr. Passman. Then it would appear that there is more capital from other nations being invested in Latin America than from the United States?

Mr. Moscoso. Yes, sir.

Mr. Passman. Would that, in itself, not be sufficient reason to hold up this program a bit, and let us see if these problems cannot be solved by investments of other countries? Would that not come nearer bringing these people around to the realization of what industry and capital can do to improve the country, rather than to draw it out of a public spigot and give it to them?

Mr. Moscoso. I wish that were the case, Mr. Chairman, but it has been quite difficult to get this type of assistance from the free world industrialized nations. We have met repeatedly with them. I myself went with Mr. Sternfeld to one of the meetings in one of these nations to urge them to do more. Mr. May was also present at some of the meetings.

Mr. PASSMAN. But the statistics show that the other nations are coming in, in the aggregate, with an amount greater than the United States.

FLOW OF CAPITAL FROM LATIN AMERICA TO THE UNITED STATES

Mr. MOSCOSO. One of the difficulties we have, Mr. Chairman and members of the committee, is that we have had a net flow of funds back from Latin America rather than a flow of funds from the United States into Latin America.

Mr. PASSMAN. Are there attractive investments in Latin America for U.S. capital?

Mr. MOSCOSO. Apparently there is still some, because some money is still going in.

Mr. PASSMAN. The nations still expropriate American capital, and now the flow is back to the United States, rather than out of the United States to Latin America, is that correct?

Mr. MOSCOSO. We tend to generalize, Mr. Chairman. In some nations that is the case, and they are not getting the amount of private investment that they need.

Mr. PASSMAN. More capital out of Latin America is coming back to the United States than is going in?

Mr. MOSCOSO. These are really earnings, Mr. Chairman. These are profits that are earned from Latin American investments. Therefore, it looks as if the investments are still earning profits.

Mr. PASSMAN. Did you make the statement, though, that the flight of capital was out of Latin America to the United States?

Mr. MOSCOSO. The flow of money.

Mr. PASSMAN. They are bringing it back into the United States at a faster rate than they are putting it into Latin America?

Mr. MOSCOSO. They are bringing profits back at a faster rate than they are plowing back money.

Mr. PASSMAN. The amount of money U.S. investors have coming out of Latin America, back to the United States, is greater than the amount of money of U.S. investors going into Latin America. Would that be a statement of fact?

Mr. MOSCOSO. The total income from U.S. investments in Latin America——

Mr. PASSMAN. You have not answered my question. Is that correct?

Mr. MOSCOSO. That is right.

Mr. PASSMAN. Thank you, sir.

Mr. MOSCOSO. Now I will give you the amounts. The total income from U.S. investments in Latin America in 1960 was $721 million; and in 1961, $860 million.

Mr. RHODES. What was the last figure?

Mr. MOSCOSO. Total income from U.S. investments in Latin America.

Mr. PASSMAN. There is more coming out that going in?

Mr. MOSCOSO. That is right.

Mr. PASSMAN. Are those guaranteed investments of U.S. property holders in all Latin America?

Mr. MOSCOSO. No; not necessarily. As you know, there are only——

EFFECT OF POLITICAL CONDITIONS ON U.S. INVESTMENT

Mr. PASSMAN. There is some reason U.S. investors are no longer attracted to Latin America to the extent they have been in the past?

Mr. MOSCOSO. Yes, sir; that is true.

Mr. PASSMAN. No one can deny the fact that we have some great industrialists in America, some great bankers, and I have yet to meet politicians who possess greater knowledge of the individual countries, their economies, their possibility for profits, than American business people and American bankers.

Mr. MOSCOSO. I agree.

Mr. PASSMAN. So, here is a politician trying to superimpose his wisdom upon that of the great bankers and the great industrialists of America. Do you not think this fact within itself, would justify a good slice of this money for an investigation as to what is back of this?

Mr. MOSCOSO. No, sir.

Mr. PASSMAN. You would not want to know why they do not have that confidence?

Mr. MOSCOSO. Yes, I have a pretty good idea.

Mr. PASSMAN. Do you not think it would be well to investigate well and find out why they no longer have that confidence to plow their investments back into Latin America?

Mr. MOSCOSO. I think we have that information.

Mr. PASSMAN. Give it to us, please.

Mr. MOSCOSO. "Political instability" is one of the reasons. The other one has been the fact, Mr. Chairman, that having the Castro operation close by has spilled over into other areas of Latin America and created political conditions which have made not only U.S. capital but also local capital——

Mr. PASSMAN. And the expropriation of U.S. investors' property has entered into the matter, has it not?

Mr. MOSCOSO. Yes, sir.

Mr. PASSMAN. When you say "political instability," that just about covers it all. That simply means the government, regardless of what we may promise them in the way of aid, evidently believes that we are gullible enough to continue the aid, notwithstanding the fact that they are going to expropriate properties owned by U.S. firms. Governments do continue to expropriate, even in spite of the fact that aid is coming in, do they not?

Mr. MOSCOSO. We are tending to generalize, Mr. Chairman. This situation that we all know about took place in one state. In a state of one country.

Mr. PASSMAN. That was done by the brother-in-law of the President. There has been more than one instance of properties in Latin America being expropriated in recent years.

Mr. MOSCOSO. Yes; but this is a very crucial one——

AID RECIPIENTS IN LATIN AMERICA

Mr. PASSMAN. Do you know of any Latin American country that is not getting aid, other than Cuba?

Mr. MOSCOSO. Not getting aid?

Mr. PASSMAN. Yes.

Mr. Moscoso. Right now at this moment, as you know, we have suspended the program for Peru.

Mr. PASSMAN. That is just about 10 days old. Do you know of any other country not getting aid in Latin America?

Mr. Moscoso. No, sir.

EXPROPRIATION OF PROPERTY

Mr. PASSMAN. I made my point, that they are going to get aid, notwithstanding the expropriation of U.S. nationals' property.

Mr. Moscoso. But there have been expropriations, Mr. Chairman, in which just compensation was given and, therefore, there was no reason——

Mr. PASSMAN. I am familiar with the "just compensation." In many cases it may represent 8 or 10 percent of the actual value, and the courts in those countries may take 30 years finally to hand down a decision. You do some checking. Cite us some decisions recently where they have expropriated property. Give us the date it was expropriated, the investor's declared value, and the cash settlement received. Can you document something for us?

Mr. Moscoso. Yes.

(The information follows:)

RECENT EXPROPRIATIONS

The information which the Department of State has been able to furnish on expropriation of investments of U.S. nationals is reprinted beginning at page 91 of the Report of the Senate Foreign Relations Committee on the Foreign Assistance Act of 1962 (S. Rept. No. 1535). This information includes a list of major instances of expropriations known to the Department dating back to World War II. As indicated in connection with that list, there is little information available to the Department on expropriation cases where fair compensation has been paid and where the interest of the U.S. national has not become a subject of international diplomatic intercourse. The list is as follows:

MAJOR INSTANCES OF EXPROPRIATION OF PROPERTY BELONGING TO U.S. NATIONALS SINCE WORLD WAR II

Like the United States, most countries maintain procedures for nationalization or expropriation of property for governmental or other public purposes. Where property of U.S. nationals is subjected to such procedures abroad, the Department of State would not ordinarily become involved unless the taking or provision for compensation did not comply with international law standards, and the adversely affected U.S. national complained. Consequently, a number of expropriation actions are not reported at all or, if reported, are not recorded for purposes of compilation nor collected for ready reference. So far as is known, no complete list is maintained by any U.S. Government agency.

Subject to the foregoing qualification, the list below does include the major instances of expropriation in the period since the end of World War II. A case-by-case breakdown could not be prepared without extremely extensive and time-consuming research.

1945–50

Eastern Europe: General nationalization of land and business properties including U.S.-owned property in Yugoslavia, Poland, Czechoslovakia, Bulgaria, Rumania, and Hungary.

Settlement:

Claims agreement between United States and Yugoslavia, July 19, 1948—lump-sum settlement.

Claims agreement between United States and Rumania, March 30, 1960—lump-sum settlement.

Claims agreement between United States and Poland, July 16, 1960—lump-sum settlement.

Claims of U.S. nationals against Czechoslovakia, Bulgaria, and Hungary have been paid in part out of vested assets of respective countries in United States by legislation: International Claims Settlement Act of 1949, as amended, title III (Public Law 285, 84th Cong.—Hungary, Bulgaria, Rumania) and title IV (Public Law 85-604—Czechoslovakia).

Communist China: General nationalization of land and business properties, including U.S.-owned property. United States does not maintain diplomatic relations.

Settlement: None concluded.

October 31, 1952

Bolivia: Nationalized tin mines including the Patino interests of which one company was partially owned by U.S. stockholders. None of nationalized companies incorporated in United States.

Settlement: Interim payments pending final settlement made to U.S. stockholders out of proceeds of tin sales under agreement between Bolivia and Patino interests in 1953, renewed in 1956. Final settlement now under negotiation between company and Government.

March 5, 1953

Guatemala: Expropriation of 234,000 acres of subsidiary of United Fruit Co. for purposes of agrarian reform.

Settlement: United States submitted formal claim against Guatemala after company exhausted local remedies, but expropriation was rescinded by new Government which took power in 1954.

July 26, 1956

United Arab Republic: Nationalization of Suez Canal Co. which had some U.S. stockownership.

Settlement: Compensation agreement signed July 13, 1958, by United Arab Republic and representatives of stockholders. International Bank afforded good offices in negotiations between United Arab Republic and stockholders.

July 7, 1958

Argentina: Municipal government of Toberia in Buenos Aires Province expropriated subsidiary of American & Foreign Power Co. (ANSEC).

Settlement: Overall settlement between Government and company for this property and other properties expropriated, seized, and intervened previously by local governments in Argentina made November 28, 1958, with all American & Foreign Power electric facilities in Argentina transferred to Argentine Government. Settlement contract called for court evaluation of properties which was issued April 26, 1961, and accepted by company.

December 26, 1958

Yugoslavia: Nationalization of urban dwellings, business premises, and underdeveloped building lots, including U.S.-owned property.

Settlement: United States and Yugoslavia have agreed to begin negotiations soon for settlement of claims arising after 1948.

May 11, 1959

Brazil: Governor of Rio Grande do Sul issued order expropriating American & Foreign Power Co. holdings in state.

Settlement: Case now pending in Brazilian courts.

June 3, 1959

Cuba: Agrarian reform law provided for expropriation of estates over a certain size including U.S.-owned sugar plantations. U.S. note to Cuban Government protested inadequate provision for compensation.

Settlement: None concluded to date.

July 5, 1960

Cuba: Law authorized nationalization of all U.S.-owned properties to be carried out as applied to particular properties by subsequent decrees. Law was in specific retaliation against United States cutting Cuban sugar quota. Probably all or nearly all U.S.-owned property in Cuba has been taken under this or other expropriation law. Several U.S. notes to Cuban Government protested discrimination and inadequate provision for compensation.

Settlement: None concluded to date.

1962

Brazil: Governor of Rio Grande do Sul expropriated International Telephone & Telegraph properties in that State.

Settlement: Presently under negotiation between company and Government.

Ceylon: Requisition of certain assets of oil companies, including American.

Settlement: Formal note from Ceylon Government received stating its intention to make prompt and effective compensation for all assets requisitioned.

1945–62

Mexico: From time to time Mexico expropriates U.S.-owned and other property under its agrarian reform program.

Settlement: While there has been no overall settlement of claims, there have been isolated instances of individual settlements.

Inquiry made subsequent to the furnishing of that list has not disclosed any cases in which all the requested information is available. "Declared value" is not the standard used in eminent domain cases in U.S. courts or otherwise where property is taken for a public purpose. In order to assess the fair market value or other applicable standard of value for foreign expropriations, it would be necessary to review balance sheets, financial statements, profit and loss records, comparative earnings in the same industry or sector of investment and other materials which are ordinarily made available to the Department only when it undertakes formal espousal of a claim.

For example, on July 31, 1958, the Cananea Cattle Ranch in Mexico was expropriated. Ownership of the ranch was vested in an estate and six heirs, some of whom later sold their interests to Mexican nationals. These interests were reflected in shares owned in two Mexican holding companies—one for land and one for cattle. On February 4, 1959, the former owners of the ranch signed with Mexican officials an agreement providing compensation for the expropriated properties. No overall figure was set; the compensation was in terms of $8 per hectare for the land, and, for the cattle, $300 per head for sires and $80 per head for the rest. These terms represented a negotiated price, taking into account such factors as possible tax claims of the Mexican Government against the estate. Certain questions of interpretation of the agreement arose—for example whether calves born after the agreement were to be paid for—and final payment was not received by the last heir until 1960. All of the owners, or their assignees, have now been paid in accordance with the agreement. However, at no time did the Department of State receive documented evidence of the actual or alleged total value of the ranch properties.

Mr. PASSMAN. Have you anything this morning?

Mr. MOSCOSO. No.

Mr. PASSMAN. I yield to Mr. Rhodes.

INCOME FROM U.S. INVESTMENTS IN LATIN AMERICA

Mr. RHODES. I might refer you to a study on the subject of expropriation which the gentleman from Massachusetts, Mr. Conte, put in the Congressional Record at the time of the debate on the foreign aid authorization legislation in the House. It was very thorough. Also, I would like to ask one or two questions concerning the 700-plus million dollar figure you gave as the flow of capital from the United States into South and Central America. I presume that this includes Mexico, does it not?

Mr. MOSCOSO. This is total income from the U.S. investments in Latin America.

Mr. RHODES. Total income from U.S. investments?

Mr. MOSCOSO. Yes, sir. Income coming back to the United States from the investments in Latin America.

Mr. RHODES. The $800 million figure was the amount of capital going out of the United States?

Mr. Moscoso. No, sir; this was two different years. For 1960, we obtained profits of $729 million, and the profits increased in 1961 and went up to $800 million.

U.S. EXPENDITURES IN LATIN AMERICA

Mr. Rhodes. What was the outflow of capital?

Mr. Moscoso. The outflow in the year 1960 was $90 million, and in 1961 was $203 million.

Mr. Rhodes. This is from the private sector only?

Mr. Moscoso. Yes, sir.

Mr. Rhodes. What was the outflow from the public sector?

Mr. Moscoso. We would have to supply that.

Mr. Rhodes. Can you furnish at this point the total outflow of capital from all sources?

Mr. Moscoso. From both sectors; yes, sir.

(The information follows:)

Outflow of private capital and public expenditures from the United States to Latin America

[In millions of dollars]

	1960	1961
Net private direct investment [1]	95	203
U.S. Government expenditures (grants and long-term loans) [2]	437	791
Total	532	994

[1] U.S. Department of Commerce (March 1962).
[2] AID program statistics, includes all U.S. economic assistance but excludes military.

PRIVATE SECTOR INVESTMENTS

Mr. Passman. My questioning had to do with U.S. investments by the private sector. You understood that?

Mr. Moscoso. Yes, sir.

Mr. Passman. Would it not be rather difficult for you to ascertain whether or not it was just profits coming back or maybe a reduction of the capital investment? I am interested in whether or not the outflow of the U.S. investors' dollars from Latin America back to the United States exceeded the amount of money that was going back in.

Mr. Moscoso. Yes, sir. We will give you that.

There has been more coming back than going in.

Mr. Passman. You said "political instability" had a lot to do with this condition.

Mr. Moscoso. That is right, the Castro——

Mr. Passman. The spillover and the expropriation of American property?

Mr. Moscoso. In this particular country, yes.

Mr. Passman. Not just in that particular country. In Latin America?

Mr. Moscoso. I think you are right, Mr. Chairman, in the sense that, unfortunately, these things that happen in one country have repercussions in other countries.

Mr. PASSMAN. We have aid going into every Latin American country, other than Cuba. Peru's is only temporarily suspended.

Mr. MOSCOSO. That is correct.

Mr. PASSMAN. Your area covers all of the countries where we know of numerous instances in which they have expropriated American property.

Mr. RHODES. Was the flow of capital in dollars?

Mr. MOSCOSO. In dollars; yes, sir.

EXPROPRIATIONS SINCE 1945

Mr. MILLER. Mr. Chairman, Mr. Rhodes mentioned the study made by the gentleman from Massachusetts, Mr. Conte, on the floor of the House. In that connection, he listed a number of expropriations that had occurred. Of those, my recollection is that there were seven instances of expropriation, other than by Communist countries, which had occurred since 1945. Of those, I believe there were five in Latin America. Those five consisted of (1) the expropriation by Bolivia of the tin mines, (2) expropriation of a utility in Argentina, (3) an expropriation in Brazil by the State of Rio Grande do Sul of a utility in that State, (4) some expropriations in Mexico, and (5) the recent expropriation in Rio Grande do Sul, by the Governor, of the I.T. & T. property.

Mr. RHODES. You will have to read further. I don't recall the whole statement, but I recall there was an expropriation of the Hilton Hotel in Ecuador, among one or two other things.

Mr. MILLER. We have studied that. It was not an expropriation because that involved a management contract which was terminated. There was no property right involved and it is our understanding, it was not, at least, an expropriation within the usual definition.

Mr. RHODES. Off the record.

(Discussion held off the record.)

AID TO BOLIVIA

Mr. PASSMAN. You mentioned the expropriation of the tin mines in Bolivia. Did we discontinue aid to Bolivia after that happened or did we continue the aid?

Mr. MILLER. It is my understanding——

Mr. PASSMAN. Did you continue the aid to Bolivia?

Mr. MILLER. Yes.

Mr. PASSMAN. How much have we given to Bolivia in the way of aid since they expropriated the tin mines?

Mr. MOSCOSO. The mines were expropriated in 1952.

Mr. PASSMAN. I want the total from the time they expropriated the tin mines to date.

Mr. MOSCOSO. The total military and economic assistance has been $222 million.

Mr. PASSMAN. Since the expropriation of those mines?

Mr. MOSCOSO. The expropriation was in 1952 so you will have to deduct from that about $22 million. About $200 million.

Mr. PASSMAN. Did you make any cash contribution to the expropriated, confiscated tin mines in Bolivia?

Mr. Moscoso. We have assisted the Government corporation which is running the tin mines.

Mr. PASSMAN. That is the same thing. Even though they expropriated the mines, you made a cash contribution to the expropriated tin mines in what amount?

Mr. Moscoso. We can give you the figure. I will have it in a moment.

Mr. PASSMAN. I said cash contributions. That covers all fields, development credits, and outright grants.

Mr. Moscoso. I would like to put this in proper context if you will please allow me.

Here you have a situation in Bolivia which is very good illustration of the difficulties we were talking about a few minutes ago: the flight of capital, the export of capital by the local people.

The owners of these mines, and preponderantly the biggest mine of them all, were people who lived primarily in Europe and who had investments all over the world. They were not investing in their own country. The other day when the Presidential party went to Mexico we stayed in a hotel in Mexico financed by profits which came from those Bolivian mines.

When you do not get an evolutionary change, a democratic change, such as we are trying to implement through this program, Mr. Chairman, then you get revolutionary changes such as the one in Bolivia. The one in Bolivia was not a bloody one and was a short-lived one.

Those mines were made to work and operate in behalf of the people rather than in behalf of those taking funds from the country.

When you substitute public management for private management, you know what happens. There was a drop in productivity. The workers thought they didn't have to work because now they owned the mines. It has taken time to rehabilitate the mines.

That is why we have, together with the German Government and Argentine Government, tired to rehabilitate these mines.

I hope someday these mines will go back into the hands of private operators who will perhaps administer them better and more efficiently.

The fact is that one of the primary reasons those mines were taken away is that the private owners were not investing profits back in the country.

REASON FOR EXPROPRIATION OF PROPERTY

Mr. PASSMAN. There is always some reason behind why it was expropriated.

Mr. Moscoso. I will try to see whether what I heard from you is exactly what you wanted to know.

Mr. PASSMAN. I simply said that regardless of the nature of the expropriation of U.S. property, or any other properties in these countries, the other side can always give some explanation as to why it was considered necessary to expropriate the property.

Mr. Moscoso. That is right.

Mr. Moscoso. Sometimes, Mr. Chairman, the reason can be a good one and legal one. For instance, sometimes a public utility will get a concession in a country to provide it with power, we will say. The franchise will state for 20 years you will have a monopoly to provide power in this country.

Then at the end of that time the property, whatever the value is, will revert to the country itself, less a certain amount of compensation.

Mr. PASSMAN. It is a foregone conclusion that our Christian attitude and our apparent belief that we are wealthy enough to reform the world makes us quite forgiving, but it follows, nevertheless, that many Americans who had investments in Latin America had their properties expropriated, and that fact and political instability account for more American investors' capital coming out of Latin America than is going in. It is a combination of events which created that situation.

Would you agree with that statement?

Mr. MOSCOSO. I will say, Mr. Chairman, that aside from the humanitarian reasons, and there may be some of that in it, this program is one to defend our way of life.

Mr. PASSMAN. I stated that because of the fact American property has been expropriated, along with political instability in the countries, and a combination of events, regardless of how broad or how just or unjust, this is bound to have created the situation we are now in, that there are more dollars coming out of Latin America to U.S. investors than investors are putting in Latin America. Is that a valid statement?

Mr. MOSCOSO. That is right.

U.S. EXPORTS TO LATIN AMERICA OVER 5-YEAR PERIOD

Mr. PASSMAN. What has been our exports to Latin America, by year, for the past 5 years?

Mr. MOSCOSO. I will give you the figures.

It is interesting to find that in view of the fact the terms of trade of Latin America have been suffering considerably; that is, the price of things they buy from us have been going up much faster than the price——

Mr. PASSMAN. Give us the figures.

Mr. MOSCOSO. There has been a reduction in the amount of exports to Latin America.

Mr. PASSMAN. Can you give the data by years?

Mr. MOSCOSO. Yes, sir.

Mr. PASSMAN. What has been the amount of our exports to Latin America by year for the past 5 years?

Mr. MOSCOSO. In 1957, excluding Cuba, $3,960 million; in 1958, excluding Cuba, $3.537 billion; in 1959, excluding Cuba, $3.88 billion; in 1960, excluding Cuba, $3.254 billion; in 1961, $3.366 billion.

Mr. PASSMAN. An estimate for 1962?

Mr. MOSCOSO. We don't have it.

Mr. PASSMAN. We must answer a rollcall at this time.

(Short recess taken.)

Mr. PASSMAN. We had just finished listing our exports to Latin America for calendar years 1957 through 1961.

IMPORTS FROM LATIN AMERICA OVER 5-YEAR PERIOD

Can you give us the imports from Latin America for the same years?

Mr. Moscoso. Yes, sir.

In 1957 the United States imported from Latin America, not counting Cuba, $3.287 billion.

In 1958, the imports, excluding Cuba, were $3.061 billion; in 1959 the amount was $3.127 billion; in 1960 the amount was $3.171 billion; in 1961 it was $3.179 billion. In all cases this excludes Cuba.

As you will notice, only in the year 1959 were the imports from Latin America higher than the exports. In the rest of the years I mentioned there was a U.S. export surplus. In other words, we exported more to them than they brought in.

Mr. PASSMAN. Our exports to Latin America would include commodity purchases with aid dollars, also?

Mr. Moscoso. That is right.

COMMODITY COMPONENT OF AID PROGRAM

Mr. PASSMAN. Do you have any general idea as to the commodity component of the total aid program?

Mr. Moscoso. I shall be very happy to supply that for you.

Mr. PASSMAN. We had better get it now, gentlemen.

Give us the commodity component of the total aid program. Can we not go to your books and get it?

Mr. Moscoso. We will have to get it from the Department of Commerce.

Mr. PASSMAN. Will you give it to us for 1 year, gentlemen?

Mr. STERNFELD. Mr. Chairman——

Mr. PASSMAN. Can you give us the commodity component for fiscal 1963?

Mr. STERNFELD. $19,935,000 for development grants.

Mr. PASSMAN. When we look at this, especially when we read——

Mr. STERNFELD. We can compare it to 1961 which is $5,562,000 for development grants.

Mr. PASSMAN. But the total aid for the 5 years, of all types, is what amount?

Mr. STERNFELD. We would have to get this from the Department of Commerce reports.

TOTAL AID TO LATIN AMERICA OVER 5-YEAR PERIOD

Mr. PASSMAN. Give us total amount of aid to Latin America for the 5 years, excluding Cuba.

Mr. STERNFELD. Total amount of aid which would not be compared to the amount of our exports?

Mr. PASSMAN. What has been the total of aid from the United States in all categories to Latin America during the same 5 years? Give it to us for 1957.

Mr. STERNFELD. 1957, economic aid, $642.4 million; in 1958 it is $377 million; in 1959 it is $621 million; in 1960 it is $380 million; in 1961 it is $981 million.

Mr. PASSMAN. It was our understanding that by building up the economy of these countries, and with these tremendous aid programs to Latin America, it would greatly enhance our exports to that region.

On page 7, here, it states that in the long run the Foreign Aid program will help develop our own national economy, that prosperous countries are the best customers of the United States.

If we actually go to the statistics it would appear that this thing is working in reverse.

Our exports, if we take 1957, to Latin America, amounted to $3.960 billion. That year you had an aid program to Latin America of $642 million.

The following year our exports dropped down to $3.538 million, but that year you had an aid program of $377 million.

In 1959 it dropped even further, to $3.088 billion. You had an aid program, however, of $621 million.

In 1960, we had exports of $3.254 million, with an aid program of $380 million.

In 1961 we had exports of $3.366 billion, with an aid program of $981 million.

It would appear that there is no growth, that there is no increased market thus far, notwithstanding that in the totals on our exports we have included our Food for Peace program, and we have included all of the commodities that we shipped out and paid for through the aid program.

When we see that in 5 years our exports have dropped by about $600 million, and during that same year you had an aid program of almost $1 billion, this is food for thought.

Mr. MOSCOSO. But there was a U.S. export surplus of $1,287 million during those same years. In other words, we shipped more to them than we bought from them.

Mr. PASSMAN. It follows, nevertheless, that you stated earlier the shipments to them included all exports against the aid program. They are included in our exports.

Mr. MOSCOSO. That is right.

Mr. PASSMAN. So you are not dealing with actual situations, but with an artificial situation.

If you add up the aid program it is far in excess——

Mr. MOSCOSO. These are not all commodities, Mr. Chairman.

Mr. STERNFELD. These are commitments.

Mr. MOSCOSO. These are commitments, some of which have not been put in place as yet.

Mr. PASSMAN. You gave us the figures.

They show that our exports were $600 million less to Latin America in 1961 than in 1957.

Mr. MOSCOSO. I will give you the reason for that, Mr. Chairman.

In the meantime the terms of trade with Latin America—the value of the products which they sell to us, and the value of the products we sell to them—have moved in this fashion:

From 1950 to 1961 there has been an increase of 32 percent in the value of what they buy from us.

At the same period of time there has been an increase of only 4 percent in what we buy from them. In other words, the things they produce have not been increasing in value and the things they buy from us have been increasing in value.

Mr. PASSMAN. Which means that we have had a very high inflationary spiral in the United States. Is that what you are saying?

Mr. MOSCOSO. It means they are paying more, the price of what they buy from us has been going up.

Mr. PASSMAN. Up and up, until we just about are out of world markets, and we are driving them into other markets. Is that not just about the situation?

Mr. MOSCOSO. At least they have not been able to earn the dollars to be able to increase purchases from us.

Mr. PASSMAN. Mr. Ambassador, I am not trying to argue, but to be factual. Actually, through our generosity, we have just about forced ourselves out of the world market. Even through our aid is increasing by leaps and bounds, our exports to Latin America are still far below those of 5 years ago.

I agree that what you said is correct. You made my point for me. It is something for us to think about. What we are selling is continuing to go up in price, and we have driven them into other markets of the world.

I hope the time will come when we can have some adjustments to bring them back as our customers. The more money you put in, and the greater the development, the more would be their need for what we produce. Is that right?

Mr. MOSCOSO. If I may give you one figure that is dramatic.

Mr. PASSMAN. You did not answer my question, sir.

Mr. MOSCOSO. I shall answer the question.

Mr. PASSMAN. The greater the aid program, in hundreds of millions of dollars, if development of their economy should increase, their demand to us for goods we produce——

Mr. MOSCOSO. It should increase.

Mr. PASSMAN. We expect it.

Mr. MOSCOSO. That is right.

Mr. PASSMAN. When it drops by $600 million in 5 years it does not look good.

EFFECT OF PRICE FLUCTUATIONS ON TRADE STATISTICS

Mr. MOSCOSO. But if the prices of things they can produce as of now, before this program has its full effect, are not increasing commensurate with the prices of things they buy from us, you will not get that result.

Besides, take one single commodity they produce in large quantities—a 1-cent drop in the price of coffee results in a loss of $41 million.

Mr. PASSMAN. What if we had a 3-cent drop per pound in beef cattle? What would it mean to us? These things are relative.

Mr. MOSCOSO. We do not export great amounts of beef.

Mr. PASSMAN. I refer to a drop of 3 cents a pound.

Anyway, have I stated those figures correctly?

Mr. MOSCOSO. Yes, sir.

Mr. PASSMAN. Notwithstanding the tremendous aid program for Latin America, and let us say you have good and sufficient reasons, we actually exported $600 million less in 1961 than we did in 1957. Is that an accurate statement?

Mr. Moscoso. Mr. Chairman, as has been said by others, if the terms of trade were not as they are we perhaps would be able to live with a smaller amount of an aid program.

With this tremendous discrepancy in terms of trade this has been——

Mr. PASSMAN. Even though we had almost a billion dollar aid program for Latin America in fiscal 1961—certainly the money is yet to be completely expended, but you are spending large sums allocated in prior years—we exported $600 million less to Latin America than we did 5 years before.

Mr. Moscoso. Yes, sir.

LATIN AMERICAN IMPORTS FROM OTHER COUNTRIES

Mr. PASSMAN. Can you tell us the import figures for Latin America from the other nations of the world covering the same 5 years?

Mr. Moscoso. Yes.

Mr. PASSMAN. Give it to us by year, and give us the authority for your statistics.

Mr. Moscoso. United Nations statistics because these are worldwide figures.

In 1957, these are the imports of 19 Latin American countries, always excluding Cuba, and this is from all sources, $8,473 million.

In 1958 the amount is $7,678 million.

In 1959 it is $7,232 million.

In 1960 it is $7,769 million.

The year 1961 has not been made available as yet. You see how there has not been an increase from elsewhere.

Mr. PASSMAN. I shall not agree with you, because when you stepped up the aid program—as the record will indicate—in 1959 when you had $621 million in aid, we had exports of $3.088 billion, but they bought from other nations $7.232 billion; the following year, when we would expect that perhaps our exports would increase substantially, it jumped up by only about $150 million, and their increased purchases from other nations went up by $500 million.

Mr. Moscoso. If I may correct you on something. These are imports from all sources.

Mr. PASSMAN. You mean all sources of what?

Mr. Moscoso. United States and the whole world.

Mr. PASSMAN. That is not the question I asked you.

Mr. Moscoso. It is simple to subtract one from the other. We shall be glad to do it.

Mr. PASSMAN. It will make the figures even more startling, in all probability.

Mr. Moscoso. From all the other sources, outside of the United States, for 1957, $4.500 million. These have been rounded off.

In 1958 it is $4,100 million.

In 1959 it is $4,100 million.

In 1960 it is $4,500 million.

DECLINING LATIN AMERICAN IMPORTS FROM UNITED STATES

Mr. PASSMAN. Four and a half billion dollars against our $3,860 million. If you go to the last year where you have complete figures, our exports dropped from $3,960 million to $3,366 million, whereas theirs had gone back up to the original 1957 amount of $4,500 million. Is that correct?

Mr. MOSCOSO. Yes, sir. May I suggest that the Alliance has apparently been asked to do something which is impossible to do. It has not yet had a chance.

Mr. PASSMAN. We agreed this morning that the Alliance must work. We have to make it work, but we must give the people these statistics, that presently it is working in reverse.

Mr. MOSCOSO. Because the investments have not yet been made, Mr. Chairman.

Mr. PASSMAN. We agreed earlier that more dollars are coming out of Latin America to U.S. investors than U.S. investors were plowing back into Latin America. Is that right?

Mr. MOSCOSO. If I have the privilege of still being in this job and have the privilege of appearing before this committee, I say in 2 or 3 years let us look at this. Then we will be able to say this has been the result, successful or otherwise, of the Alliance program. It has not yet had a chance.

Mr. PASSMAN. This aid program was started in 1942. But, I ask you to forget about that, and pick up the aid program as we know it from the beginning of the Marshall plan.

The statistics speak for themselves.

Our aid program is greatly enhanced over previous years.

We find ourselves now $600 million less in exports than 4 years previously whereas exports from other countries of the world to Latin America are holding their own.

That is something for those people to think about. You do not say it in these words, but you indicated that we have priced ourselves out of world markets, that we are no longer competitive.

Gentlemen, let us recess until 2 o'clock this afternoon.

AFTERNOON SESSION

Mr. PASSMAN. The subcommittee will come to order.

ACT OF BOGOTÁ

The Act of Bogotá was signed, I believe, in 1960?

Mr. MOSCOSO. Yes, sir; in 1960.

Mr. PASSMAN. In return for a promise of aid from the United States, the Latin American countries were to initiate certain actions, especially in the field of tax reform and land reform?

Mr. MOSCOSO. Yes, sir.

COUNTRIES HAVING INITIATED EFFECTIVE REFORM MEASURES

Mr. PASSMAN. Would you cite for the record what countries have initiated effective land and tax reforms?

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Mr. Moscoso. Mr. Chairman, we have, of course, paid considerable attention to the question of these reforms which are envisaged in the Act of Bogotá.

Mr. PASSMAN. Thank you.

What nations have initiated reforms?

Mr. Moscoso. We have two reports which I will give you for the record, but I will give you briefly——

Mr. PASSMAN. You just pass along to us now, Mr. Ambassador, all the material you wish. Is this a book here?

Mr. Moscoso. Since part of the funds from the Act of Bogotá are administered through the Inter-American Bank——

Mr. PASSMAN. Let us take this under advisement and get back to the specifics.

What countries have initiated effective land and tax reforms—by name, please.

Mr. Moscoso. I shall mention a number of them, Mr. Chairman.

Mr. PASSMAN. All right.

Mr. Moscoso. Argentina.

Mr. PASSMAN. Let us get them in the record, and then we shall examine concerning each one.

Mr. Moscoso. A substantial change was made in the tax laws in Argentina.

Mr. PASSMAN. Give me the names of the countries, Mr. Ambassador, and then we shall ask the questions and let you comment. No. 1 is Argentina.

Mr. Moscoso. Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, and Venezuela.

Mr. PASSMAN. Seventeen.

Let us have the list, please.

ARGENTINA

TAX REVENUES IN ARGENTINA

Let us start with Argentina. Give us the amount of taxes paid into the treasury of Argentina in the period 1955 to 1960, inclusive, by year.

Mr. Moscoso. We do not have that here, Mr. Chairman.

Mr. PASSMAN. Give the committee the amount of taxes paid into the Government. I said "effective measures." Introducing bills and writing a lot of voluminous reports is not necessarily an effective program. We want to know how much additional taxes have been paid into these treasuries as a result of the tax reforms, beginning with 1955 and coming up through 1960. Do you not have to have that information before you could evaluate an effective program, to know how much extra taxes were coming in?

Mr. Moscoso. We do, Mr. Chairman.

Mr. PASSMAN. I am asking you to tell us.

Mr. Moscoso. I do not have the 1955 figure here.

Mr. PASSMAN. What is the latest year you have? We want the amount of taxes, by year, paid into the treasury of Argentina.

Mr. Moscoso. This is the 1961 figure, Mr. Chairman.

Mr. PASSMAN. You had to have something with which to compare it, Mr. Ambassador. You could not compare 1961 with 1961.

Mr. MOSCOSO. We can give you some estimates of the revenue increases of 1962 over——

Mr. PASSMAN. We asked for the amount of taxes by category. You may have budgetary support pouring in from our country through indirect methods and from the spigot through which you draw out foreign aid, which would show more money in the treasury. We want to know what they collected from the people.

Mr. MOSCOSO. As a percentage of the gross national product——

Mr. PASSMAN. No, sir, that is not what we want. We want to know the amount of taxes that the Argentine Government collected from its people, 1955 through 1961, by year, inclusive. Then we shall have something to compare, one year against the other. Could we receive that data?

Mr. MOSCOSO. It is relatively simple to calculate from the gross national product the percentage——

Mr. PASSMAN. That will not get the job done. We want the amount of taxes collected.

Mr. MOSCOSO. In the year 1959, $800 million in the case of Argentina; in 1960, $1.107 billion; and in 1961, $1.753 billion.

Mr. PASSMAN. That was the amount of taxes paid in by the people to the Government of Argentina?

Mr. MOSCOSO. Yes, sir; domestic revenues of the Government.

JUSTIFICATION FOR AID TO ARGENTINA

Mr. PASSMAN. Why are they in such very bad shape at this time?

Mr. MOSCOSO. There are quite a number of reasons for that, Mr. Chairman.

Mr. PASSMAN. If they are increasing their revenues by that amount, why are we giving aid?

Mr. MOSCOSO. In the first place, Mr. Chairman, we have had a very small program in Argentina over the past years.

Mr. PASSMAN. $349 million, I believe, in 1959, in gold and foreign exchange; and, in 1961, did you not have gold and foreign exchange of $518 million?

Mr. MOSCOSO. The bulk of this, Mr. Chairman, is Export-Import Bank loans which have been primarily given to private industry.

Mr. PASSMAN. Did you give us 2 years on Argentina?

Mr. MOSCOSO. I gave you 3 years.

Mr. PASSMAN. Can you tell us what part of that sum was budgetary support from the United States?

Mr. MOSCOSO. No.

Mr. PASSMAN. From whose bookkeeping system do you extract those figures?

Mr. MOSCOSO. The tax collections of the Government?

We get them from our mission in Buenos Aires.

FINANCIAL PROBLEMS IN ARGENTINA

Mr. PASSMAN. Argentina is in about the worst financial condition it has been in for some time, is it not?

Mr. MOSCOSO. Yes, sir.

Mr. PASSMAN. In view of the facts that we have had a substantial aid program pouring into Latin America and that they have increased their budgetary receipts from their own people, what is the explanation?

Mr. Moscoso. The explanation for the increase in their taxes has been due to the reforms that they have initiated.

Mr. PASSMAN. I am talking about their financial plight today.

Mr. Moscoso. Their financial plight today, Mr. Chairman, is due to a number of factors. When the dictatorship of Mr. Peron was in power in Argentina, one of the things he did was to start a program of nationalization of the railroads and the utilities. As a result of that nationalization program, quite a number of enterprises had to be run by the state, and the rates which they were charging or collecting were not increased sufficiently to cover the costs of operation. As a result, budgetary deficits started to emerge out of these public enterprises, primarily the railroads, and they had to be covered from the regular budget in Argentina.

Another thing that the dictatorship did was to utilize some of these enterprises as a sort of gigantic job-procurement operation. There is a surplus of employment in every one of these enterprises, very substantial in the case of some of them.

Mr. PASSMAN. How did they manage to increase the revenues from the people so substantially, if they had that condition?

Mr. Moscoso. The increase in revenue took place because of reforms in the tax-collection system. The Bureau of Internal Revenue assisted them in setting up new methods of tax collection, and the new methods were so effective that they have increased substantially the revenues of the Government.

Mr. PASSMAN. In Argentina they increased substantially by the new methods the receipts of the treasury from the people of Argentina, and that was happening during the same period that we were increasing the aid program. Is that correct?

Mr. Moscoso. For the part of the 1962 program that pertains to our agency, as you can see, Mr. Chairman, the programed amount is $3.7 million in grants and $39 million in loans.

Mr. PASSMAN. You are talking about those development credits. It was available to Argentina, nonetheless?

Mr. Moscoso. That is right.

Mr. PASSMAN. While the Argentine Government was collecting more taxes from its people, and with a very substantial increase—about five times—in the aid program, they are now in one of the worst financial crises they have been in in many years. Is that correct?

Mr. Moscoso. There was a substantial amount of that money which was invested——

Mr. PASSMAN. Is it a statement of fact that we have greatly increased our aid program during the 2 years you have mentioned, and those are the 2 years when they had the greatest increase in taxes through treasury receipts; is that correct?

Mr. Moscoso. That is correct.

Mr. PASSMAN. Now, notwithstanding those two factors, they are in worse financial shape than they have been in many years?

Mr. Moscoso. There have been quite a number of reasons for that.

Mr. PASSMAN. We are going to get to the reasons. Have I made a statement of fact?

Mr. MOSCOSO. Yes, sir.

Mr. PASSMAN. We shall sum up the reasons later. Since they have these reforms, would you mind going through the countries, establishing first their true situation dollarwise, and then we will go back and get the reasons. We are trying to find out whether the program has helped. What is the next nation you named? Bolivia?

BOLIVIA

COMPARISON OF REVENUES WITH AID LEVELS

Mr. MOSCOSO. In the case of Bolivia, the revenue has grown from $20.9 million in 1959 to $27.3 million in 1960, to $31.9 million in 1961.

Mr. PASSMAN. Now let us get the aid for the same years.

Mr. MONTOYA. Would you repeat the figures on Bolivia?

Mr. MOSCOSO. $20.9 million for 1959, $27.3 million for 1960, and $31.9 million for 1961.

Mr. PASSMAN. Now the aid program for the same years.

Mr. MOSCOSO. Grants and loans totaling $24.5 million in 1959, $14.8 million in 1960, and $12.5 million in 1961.

Mr. PASSMAN. I am afraid we should not abbreviate so drastically. Let us go to page 33 of your own justifications. You had a very substantial supporting assistance grant aid program there of $22.5 million, did you not?

Mr. MOSCOSO. Yes, sir.

Mr. PASSMAN. You forgot to mention that in connection with the development credits of $3.8 million.

Mr. MOSCOSO. Because this does not go into the budget, you see.

Mr. PASSMAN. That changes the situation, does it not? If I am correct, our aid is about 30 times their own increase in revenue. Is that about right?

I just cannot follow your line of reasoning. You were pointing out these development credits of $3.8 million, and you were about to omit the grant aid of $22.5 million. So, the two together, just those two spigots, for 1961 amount to $27.9 million. Is that correct?

Mr. MOSCOSO. That is correct.

Mr. PASSMAN. And in 1962, it was $20.8 million.

Mr. MOSCOSO. Correct.

Mr. PASSMAN. You had better give us the total. This covers only about half of fiscal 1962. Could you give us your latest estimate on the aid?

Mr. MOSCOSO. $31.955 million.

FINANCIAL CONDITIONS IN BOLIVIA

Mr. PASSMAN. What is the financial situation of the Government of Bolivia now?

Mr. MOSCOSO. In the case of Bolivia, Mr. Chairman, they made a strenuous effort to increase taxes and, as a matter of fact, one of the taxes they increased was the tax on gasoline.

Mr. PASSMAN. You have already put in the record that they increased them. What is the present financial condition of the Government of Bolivia?

Mr. MOSCOSO. It has improved over the last year.

Mr. PASSMAN. Is it still serious?

Mr. MOSCOSO. It is serious, yes; but it has improved over what it was the last year.

They have increased their revenue, Mr. Chairman, as you can see, rather substantially.

Mr. PASSMAN. I am speaking about their balance-of-payments situation and whether they are able to meet their commitments to projects in their own country.

Mr. MOSCOSO. They have not been able to take care of all their expenses; no, sir.

Mr. PASSMAN. Again, we do not seem to have made much progress so far as balancing the overall.

Could you tell us about Brazil?

BRAZIL

Mr. MOSCOSO. In 1959, $801 million; in 1960, $1.225 billion; and in 1961, $1.502 billion.

Mr. PASSMAN. Can you tell us how much aid you had for Brazil during the same 3 years?

Mr. MOSCOSO. Our program in 1959 was $8.9 million; and then in 1960, $11.3 million; and then in 1961, $7.5 million.

Mr. PASSMAN. In 1962?

Mr. MOSCOSO. $85.293 million.

Mr. PASSMAN. Have they solved their balance-of-payments situation, with these tremendous increases in aid?

Mr. MOSCOSO. No, sir; unfortunately, they have not solved all of their problems.

Mr. PASSMAN. I did not ask if they had solved all of them. To what extent have they reached the point that they would be self-supporting? They are in very serious difficulty at this time, are they not?

Mr. MOSCOSO. One of the things I wanted to mention, Mr. Chairman, is the type of assistance this includes. With the exception of the technical assistance part of it, it was addressed primarily to trying to resolve a critical situation that emerged early in 1961 during the first few months of the Quadros regime, which was a democratic regime friendly to the United States. It was thought at that time desirable and advisable to try to correct some of the imbalances and bring about a degree of monetary and economic stability which would then permit some economic development to take place. As you know, a very unfortunate political situation developed there. A crisis of the first order in this, which is by far the largest country in Latin America, with even a larger territory than the United States, with almost half of the total population of Latin America. That, Mr. Chairman, is the reason it has been so difficult to bring Brazil forward.

Mr. PASSMAN. But with all the tens of millions of dollars we have poured into that country, they still may be at this time in worse shape in their balance-of-payments situation than they were 2 years ago?

Mr. MOSCOSO. They have made definite improvements in their economy, Mr. Chairman, over time. They have been growing substantially. As a matter of fact, the rate of growth of the Brazilian economy is one of the best in Latin America. It has been unfortunately interrupted by this political situation.

Mr. PASSMAN. Are they not in a rather serious balance-of payments situation at this time?

Mr. MOSCOSO. Yes, they are.

Mr. PASSMAN. That is all I want to know. We are trying to pin down whether they have made any progress, whether they are going forward or backward.

I had better read this from the record, because it is yours and it is confidential. You will take it out, but maybe the other members are interested:

(Off the record.)

Mr. PASSMAN. That is with reference to Brazil.

In Brazil, it would appear that you have about $ ———— tentatively programed for fiscal 1963.

Mr. MOSCOSO. Yes, sir. We are hoping, as I said yesterday, Mr. Chairman, that the results of the elections will allow the stabilization of the political situation. Then this money can do the most good.

Mr. PASSMAN. Let us hope that in this generation we can solve these problems.

GOLD AND FOREIGN EXCHANGE BALANCES

Mr. RHODES. I notice on page 29, and also on page 46, under the category "Gold and foreign exchange," in both Argentina and in Brazil there have been rather significant increases in gold and foreign exchange from 1959 through 1961. I am at a loss to explain this as a result of the testimony about balance of payments.

Mr. MOSCOSO. In Argentina, there has been a reduction.

Mr. RHODES. Wait. I said, or meant to say, from 1959 through 1961. My book shows that in Argentina there was $349 million in 1959, $658 million in 1960, and $518 million in 1961, which is a rather large increase over 1959.

Mr. MOSCOSO. There has been a drop in the reserves from 1960 to 1961.

Mr. RHODES. That is right. If their balance-of-payments picture has been bad throughout, as I understood you to say, why do we have any increase at all?

Mr. MOSCOSO. One of the difficulties, Mr. Rhodes, is that the foreign-held debts are not shown in this figure.

Mr. RHODES. You mean this is not a net figure?

Mr. MOSCOSO. No, this is the figure of gold and foreign exchange. It does not show how much they owe outside.

Mr. RHODES. Would that also be true of Brazil?

Mr. MOSCOSO. Yes, sir, the same thing holds true of Brazil. There is a very substantial foreign debt there.

Mr. RHODES. They apparently are not paying their foreign debt, and are in default.

Mr. MOSCOSO. They are not promptly paying some of their foreign debt.

CHILE

Mr. PASSMAN. Now, let us consider Chile.

Mr. MOSCOSO. The domestic revenues in Chile increased from $674 million in 1959 to $773 million in 1960, and $890 million in 1961.

Mr. PASSMAN. Tell us, if you will, the amount of the aid program for Chile in the same 3 years.

Mr. MOSCOSO. In 1959 it was $3.2 million; in 1960, $18.9 million; and in 1961, $31.2 million.

Mr. PASSMAN. In 1962, did you have an aid program for Chile?

Mr. MOSCOSO. That is right.

Mr. PASSMAN. How much was that?

Mr. MOSCOSO. $142,736,000.

Mr. PASSMAN. How are they getting along?

Mr. MOSCOSO. That includes, of course, the $100 million for the earthquake rehabilitation.

Mr. PASSMAN. If you eliminated that—and, of course, that $100 million is not too easy to sweep under the rug—it still would be from $3.2 million up to $142 million from 1959 to 1962, is that correct? It is $142,736,000——

Mr. MOSCOSO. For 1962; yes, sir.

Mr. PASSMAN. How are they getting along with their balance-of-payments situation?

Mr. MOSCOSO. They are having some difficulty, sir.

AID TO CHILE DESPITE LACK OF PLEDGED REFORMS

Mr. PASSMAN. Is this the country we observed headlines on Tuesday, July 10, 1962, "U.S. Holds Up Aid to Chile, Lagging in Pledged Reforms."

Mr. MOSCOSO. Yes, sir.

I must say, Mr. Chairman, that this was a composite view that the reporter took of information that he had gotten from a number of sources.

Mr. PASSMAN. We are not holding up any aid to Chile, then?

Mr. MOSCOSO. Right now we are not.

Mr. PASSMAN. I am not talking about right now.

Mr. MOSCOSO. This refers to——

Mr. PASSMAN. Have we any time during recent months held up aid to Chile?

Mr. MOSCOSO. We have not.

Mr. PASSMAN. Even though they are not keeping their promises on reforms?

Mr. MOSCOSO. They have kept their promises on part of the reforms, Mr. Chairman.

As you know, we have a substantial program which is based on their performing the promises they have made.

Mr. PASSMAN. It states here, July 10, 1962, Washington Post, page A4:

> U.S. aid to Chile under the Alliance for Progress has been held up because of that country's reluctance to fulfill promises of social and economic reforms made in April. So far none of the $120 million, $80 million in projects and $40 million in surplus agricultural commodities, committed to Chile for 1962 has been released. However, the United States may agree to the shipment of more than $20 million in farm products by the end of this month in addition to $40 million of project assistance.

Is this article 100-percent wrong?

Mr. MOSCOSO. Partly wrong.

Mr. PASSMAN. Partly is not 100 percent, so we shall not waste time.

BALANCE-OF-PAYMENTS PROBLEMS

They are in difficulty with their balance-of-payments situation?

Mr. MOSCOSO. Yes, sir.

Mr. RHODES. I notice on page 49 at the bottom, on the left-hand side, the per capita GNP has declined steadily since 1950.

I look in the tables on page 53 and I find that for the years 1959, 1960, and 1961 the per capita GNP is 584 the first year, the second year it is 585, and for the third year it is 585. That indicates the decline has been arrested, at least.

Mr. MOSCOSO. Stagnant rather than what it states here.

Mr. RHODES. Thank you.

Mr. PASSMAN. That certainly pinpoints something very specifically here.

COLOMBIA

We shall move to discussion of Colombia.

Mr. MOSCOSO. Their revenues in 1959 were $318 million; in 1960 it is $365 million; in 1961 it is $416 million.

Mr. PASSMAN. Can you give us the amount of aid to Colombia during these same 3 years?

Mr. MOSCOSO. In 1959 it is $2 million; in 1960 it is $2.4 million; in 1961 it is $28.2 million.

Mr. PASSMAN. For fiscal 1962?

Mr. MOSCOSO. $38,156,000.

Mr. PASSMAN. Are they in any difficulty with this balance-of-payments situation?

Mr. MOSCOSO. Mr. Chairman, almost every country in the process of development has precisely that characteristic. That is one of the characteristics of development.

Mr. PASSMAN. Process of development?

Mr. MOSCOSO. Yes, sir. We had it here in the United States. We had a process of development.

Mr. RHODES. Don't we still have it? When did we quit having it?

Mr. MOSCOSO. This is a temporary situation.

Mr. RHODES. Mr. Moscoso, you mean a 12-year temporary situation?

Mr. MOSCOSO. It depends on standards and many other things.

U.S. BALANCE-OF-PAYMENTS DEFICIT

Mr. PASSMAN. From 1952 through 1961, inclusive, the U.S. balance-of-payments deficit was $19.6 billion. In only 1 year in all those 10 years did we have a credit, and that was in 1957 for only one-half billion dollars.

The record speaks for itself. Our gold holdings dropped from $23 billion-plus at the end of 1952 to less than $17 billion at the end of 1961.

The "free nations," during that same period, increased their gold holdings from $13 billion to $23-plus billion.

We were worried about the short-term dollar assets of foreign nations in 1952 being $10 billion-plus. But, we find now they have pushed this item up to $22.5 billion.

We must also take into account that some of our friends in Europe are now coming to our rescue, and repaying some of their dollar loans as much as 35 years in advance of the due date, so as to lessen the impact on our balance-of-payments deficit.

Even so, it is anticipated that we shall have another balance-of-payments deficit of possibly as much as one and a half billion dollars for fiscal 1963.

STEEL IMPORTS

We move to another point. For the first 5 months of this year we exported 801,000 tons of steel, and we had to collect $174,779,000 for it. During that same period we imported 1,689,000 tons of steel, and we were able to buy it for $198,675,000.

Therefore, at that point in calendar 1962, worldwide, we have imported over twice the amount of steel we have exported, and it appears at just a little bit more than half the price we have to pay for our own steel.

EFFECT OF COFFEE PRICES ON LATIN AMERICAN ECONOMY

Mr. MOSCOSO. I want you to know that the terms of trade of these Latin American countries have been working against them, as I said this morning. One of the principal products, or the principal product of two of the countries you mentioned, happens to be coffee.

While we are drinking a cheaper price coffee than we were before, every time that price drops 1 cent, $41 million is lost to these countries.

Since the past 3 or 4 years I am sure you have been aware the price of coffee has dropped considerably. That has worsened this situation.

Mr. PASSMAN. Has that fact not been true ever since they have been raising coffee?

Mr. MOSCOSO. No, sir.

Mr. PASSMAN. If coffee goes down they lose revenue?

Mr. MOSCOSO. That is right.

Mr. PASSMAN. Coffee has been going up and down for years, has it not?

Mr. MOSCOSO. It was going up rather steadily since after the war and then it started to come down since the war.

Mr. PASSMAN. In 1959 the pitch on Colombia was:

"Colombia's most pressing problem is to pay off her backlog of commercial debt in the face of weakening coffee prices without completely disrupting a praiseworthy trend of economic development."

Mr. Moscoso. That is right.

Mr. Passman. Is that not about the same story we get today?

Mr. Moscoso. That is right, it is a very bad situation because——

Mr. Passman. We are not arguing about the situation. Are we solving it?

Mr. Moscoso. As I said this morning, prices of products we sell them, and we sell substantial amounts to them, have been going up 28 percent in the last 10 years.

IMPACT OF U.S. PRICES

Mr. Passman. And I think we agreed partially that it is forcing them to turn to other markets of the world, on account of our prices being so high that we are just about out of the world market.

As long as we continue this artificial period of trying to create prosperity, I am sure you and I agree that it will get that much worse. This so-called $500 billion gross national product consists of about $137 billion plugged in it to take care of taxes we have to get if we continue our generosity, on the part of State, National, and local governments.

You can do nothing about it, and neither can I. We recognize that we are rapidly pricing ourselves out of the world market.

Mr. Moscoso. You will notice that the total imports of Latin America have been dropping. They haven't the money to import much more from us, and not much more from anybody.

MORE AID BUT LESS EXPORTS TO LATIN AMERICA

Mr. Passman. Nevertheless, the amount of our exports to Latin America from 1957 to 1961, inclusive, during the period they were getting the greatest amount of foreign aid percentagewise, dropped by $600 million. Is that right?

Mr. Moscoso. That is right.

Mr. Passman. During that same period foreign exporters held their own with Latin America.

Mr. Moscoso. No, those also dropped.

Mr. Passman. You said in 1957 they bought from other countries $4,500 million and that we sold them $3,960 million.

But in 1960 ours dropped all the way down to $3,254 million, and what they purchased from other countries of the world was about the same figure that you gave us for 1957, and that is $4.5 billion, rounded out.

If I am wrong I want these figures corrected. Are those the figures?

Mr. Moscoso. These are the figures that are in the record.

Mr. Passman. So I have made a statement of fact.

Mr. Moscoso. Yes, but, Mr. Chairman, in the first place we are talking about calendar year figures here for the imports. You mentioned the fact that the aid program has been going up and up. The aid program has been going up in the past year or so. We are talking here of a 5-year span. The Alliance program has not yet had an opportunity to show the impact of the aid.

Mr. Passman. I agree with you, but your own supporting witnesses said we started the aid program in 1942.

I ask you, however, to pick up only subsequently to World War II. Do you remember that exchange of yesterday, where I said let us just go to 1946?

Mr. Moscoso. Before 1961, we had primarily a technical assistance program.

COSTA RICA

Mr. PASSMAN. How about the situation in Costa Rica?

Mr. Moscoso. The revenue in 1959 was $68.2 million. In 1960 it is $72 million. In 1961 it is $78.5 million.

Mr. PASSMAN. How about the aid to this country, picking up the same years?

Mr. Moscoso. $1.4 million in 1959; $1.3 million in 1960; $10 million in 1961.

Mr. PASSMAN. Fiscal 1962?

Mr. Moscoso. $1.968 million.

Mr. PASSMAN. How about their balance-of-payments situation?

Mr. Moscoso. Right now at this moment they are having a little balance-of-payment difficulties.

Mr. RHODES. Are these figures with the military assistance?

Mr. Moscoso. Budgetary difficulties is what they are having and not balance of payments.

Mr. PASSMAN. While the amount of taxes go up their budget becomes more critical.

We have something in common with them. We are having the same kind of troubles here.

ECUADOR

Mr. PASSMAN. Now, let us take up Ecuador.

Mr. Moscoso. The revenue in 1959 was $121 million. In 1960 it was $133 million. The 1961 figures are not yet available.

The aid during those years was $6.7 million in 1959, $8.1 million in 1960, and $9.6 million in 1961.

Mr. PASSMAN. Fiscal year 1962?

Mr. Moscoso. $20,050,000.

Mr. PASSMAN. Are they having any balance-of-payments difficulties?

Mr. Moscosco. They are having budgetary difficulties.

Mr. RHODES. May we go off the record for a moment?

(Discussion held off the record.)

Mr. PASSMAN. Mr. Ambassador, the situation in the other Latin American countries would be similar to those we have discussed, would it not?

Mr. Moscosco. There are some exceptions, Mr. Chairman.

Mr. PASSMAN. On the whole, would they be similar?

Mr. Moscoso. Yes, sir.

Mr. ROONEY. In what regard? Similar where?

REVENUES OF LATIN AMERICAN COUNTRIES

Mr. PASSMAN. We were getting ready to put in some inserts, to save time, regarding the increase in revenues in several of the countries, and the balance-of-payments situation, as well as their budgetary difficulties. I believe the question I asked was this: Would conditions

in the other countries, with the exceptions indicated, be similar to those in countries we have discussed?

Mr. Moscoso. Yes, sir; with exceptions, that is right.

Mr. PASSMAN. It would be fair to you to extract from the record and insert in the permanent record the taxes, revenues accruing to the budget, the same as in the previous cases, so that whoever is reading the record gets it all the way through.

(The information follows:)

Domestic revenues of selected Latin American countries, 1961

[In millions of dollars]

	1959	1960	1961		1959	1960	1961
Argentina	$800	$1,107	$1,753	Honduras	$34	$36	$37
Bolivia	21	27	32	Mexico [1]	767	977	[3] 1,000
Brazil [1]	801	1,225	1,502	Nicaragua [2]	34	35	37
Chile	601	674	773	Panama	52	58	61
Colombia [1]	318	365	416	Paraguay	22	25	27
Costa Rica	68	72	79	Peru	244	278	341
Ecuador	121	133	[3] 145	Uruguay	77	147	200
El Salvador	[4]	77	73	Venezuela	1,584	1,524	1,590
Guatemala [2]	88	86	91				

[1] Nonnational revenue significant, being as much as 20 percent of the total.
[2] Fiscal year June 30.
[3] Estimated.
[4] Not available.

LOANS TO U.S. INVESTORS FOR FOREIGN INVESTMENTS

Can American firms borrow money from one or more of the facets of foreign aid for industrial development in Latin America, for factories, or other enterprises?

Mr. Moscoso. Yes, sir.

Mr. PASSMAN. That being so, it is unsual that the U.S. business flight of dollars from Latin America is in excess of the dollars going in. You would think it would be just the reverse, as they can borrow dollars from the aid program to open up businesses.

The increased program certainly would increase the amount of dollars which would be available to American business to go into business in Latin America, and you certainly responded to the point this morning when you said it was "political instability"——

Mr. Moscoso. Monetary and financial instability.

Mr. PASSMAN. Do you have any hopes, Mr. Ambassador, in the foreseeable future, with this added incentive, to provide U.S. capital for U.S. business firms to go in business in Latin America, and that this situation can be reversed?

Mr. Moscoso. Yes, Mr. Chairman. As a matter of fact, even in the past couple of years there has been a change.

As I mentioned this morning, the figure for 1960 indicated about $90 million of investment, and in 1961 that went up to $203 million, so there has been some increase.

Mr. PASSMAN. But the flow of capital out still exceeds the flow of capital in.

Mr. Moscoso. This is due primarily to investments which have been made in previous years in Latin America. These are profits that have been taken out.

Mr. PASSMAN. We agreed that we are talking about dollars. If you have a healthy environment, and political stability, where they can make profit, they would want to leave the dollars in the project. Is that right?

Mr. MOSCOSO. They would in some instances. In some instances that has happened, Mr. Chairman.

Mr. PASSMAN. Do you see any reason for alarm over the fact that, even with this new program, where American enterprise can borrow money to go into business in Latin American countries, the flow of dollars out is greater than the flow of dollars in?

Mr. MOSCOSO. As a matter of fact, Mr. Chairman, I am very much interested in seeing that as much U.S. investment as possible is made in Latin America.

Mr. PASSMAN. Surely you are.

NECESSITY OF GOOD POLITICAL-ECONOMIC CONDITIONS

Mr. MOSCOSO. We hope to be able to work with our Latin American friends and convince them of the necessity of achieving the type of investment climate which will make attractive these investments.

As you are well aware, one of the difficulties for investment is monetary instability and with rampant inflation it is difficult to get people to invest.

One of the reasons why assistance was given to Brazil, as I understand it—I was not here at the time in 1961—was to see if they could stem inflation in such a way as to induce investment to continue.

I hope through persuasion, through example of some of the countries which are following good monetary policies and are attracting investment, we will be able to show the other nations of Latin America how growth can be achieved.

We have had a mixture of political stability and monetary stability in Mexico and money has been invested there as a result. We have had almost something similar to that in the case of Colombia, and also there is a substantial amount of investment going on.

In the case of Argentina we did have a substantial amount of investment going on in the past few years. It is unfortunate that the political incidents which took place a few months ago have reversed that, or stagnated the economy. There were substantial amounts of U.S. investments going into Argentina.

FLIGHT OF CAPITAL FROM MEXICO

Mr. PASSMAN. On page 105 of your own justifications you say:

> As a result Mexico last year suffered a flight of capital and consequent balance-of-payments crisis which began to right itself in the last month of 1961.

Mr. MOSCOSO. That is right.

Mr. PASSMAN. It is an ever-changing situation.

(Off the record.)

Mr. MOSCOSO. However, there was a change in the policy of the administration and it was immediately felt in investment circles. That is the reason for that.

CAPITAL LOANED TO U.S. ENTERPRISES IN LATIN AMERICA

Mr. PASSMAN. Can you tell us how much capital you have provided American enterprise in the past 5 years in order to invest in Latin America?

Mr. MOSCOSO. Loans made to American enterprise?

Mr. PASSMAN. Right.

Mr. MOSCOSO. The primary source of these investment loans in Latin America for private enterprise is in the Export-Import Bank. We unfortunately do not have the figures here.

Mr. PASSMAN. Have you had applications out of the Alliance for Progress?

Mr. MOSCOSO. We have had applications for investment guarantees, which, as you know, is part of the overall aid program.

INVESTMENT GUARANTEE PROGRAM

There is a very substantial amount requested for investment guarantees.

Mr. PASSMAN. You do have the incentive program for American enterprise to go into Latin America. They are guaranteed investments?

Mr. MOSCOSO. That is right.

Mr. PASSMAN. Notwithstanding that incentive, there are more U.S. business dollars coming out of Latin America than are going in?

Mr. MOSCOSO. In the first place the incentive program, insofar as our part of it is concerned, has not been operating long enough to be able to see its effect. There is a substantial number of applications for investment guarantees to Latin America.

Mr. PASSMAN. I shall ask the question again. It is being repetitious, but I know you are not purposely being evasive.

Mr. MOSCOSO. No, sir.

Mr. PASSMAN. We agree that you have investment guarantees for U.S. business in Latin America?

Mr. MOSCOSO. Yes, sir.

Mr. PASSMAN. Which should be an incentive to American enterprise to go into Latin America?

Mr. MOSCOSO. That is right; and it is.

Mr. PASSMAN. Notwithstanding that fact, there are more dollars coming out than are going in?

Mr. MOSCOSO. Because the investment guarantee program has not had a chance to develop yet, Mr. Chairman.

Mr. PASSMAN. You have not said yet whether or not that is correct.

Mr. MOSCOSO. I cannot say it, Mr. Chairman. It would mean that the investment guarantee program had been in operation and, therefore, despite that——

Mr. PASSMAN. How long has the investment guarantee program been in effect?

Mr. MOSCOSO. The present program in Latin America has been in effect only since passage of the Foreign Assistance Act of 1961.

Mr. PASSMAN. During that period, have we put more U.S. dollars out of the free-enterprise system into Latin America than we have brought out of Latin America, speaking of dollars?

Mr. MOSCOSO. No, sir.

Mr. PASSMAN. That is an indirect answer, but it is just as good.

And the number of dollars going in would include the investment guarantees?

Mr. MOSCOSO. Yes, sir. I shall get you that information, Mr. Chairman.

Mr. PASSMAN. What information?

Mr. MOSCOSO. The investment guarantee program and the amounts.

Mr. PASSMAN. You told us you had Export-Import Bank figures but not the others. It was understood you would insert it in the record.

(The information follows:)

LOANS TO U.S. INVESTORS IN LATIN AMERICA

The major elements of direct governmental assistance to U.S. private enterprise for investment in Latin America are: (1) Cooley loans, made under Public Law 480, section 104(e) and, (2) investment guarantees.

In addition, the Export-Import Bank makes long-term loans to Latin America to finance specific U.S. exports. From fiscal years 1958–62 these loans totaled $1,784 million.

The total for the Cooley loan program, which began in 1958, is $102,811,000 in 54 loans to U.S. firms.

The investment guarantee program, as of June 30, totaled $173,263,750 for 70 guarantees to U.S. firms in 8 Latin American countries.

FUNDS AVAILABLE FOR LOANS TO U.S. FIRMS

Mr. MONTOYA. Mr. Ambassador, you mentioned American firms who desired to invest in Latin America could borrow money under this program. From which facet of the program can American firms borrow?

Mr. MOSCOSO. They can borrow Cooley loan funds, Mr. Montoya. These are Public Law 480 funds which are generated out of the program of surplus foods. They can also borrow from the Export-Import Bank.

Mr. MONTOYA. To whom do they go to borrow those Public Law 480 funds?

Mr. MOSCOSO. To the mission primarily, sir.

Mr. PASSMAN. Off the record.

(Discussion held off the record.)

Mr. MOSCOSO. They can also borrow from AID.

Mr. MONTOYA. Can they also borrow from the Inter-American Bank for projects in Latin America?

Mr. MOSCOSO. They can; yes, sir.

Mr. MONTOYA. Have they borrowed?

Mr. MOSCOSO. I cannot tell you.

Mr. MONTOYA. Will you find out how many applications by American firms have been made, how many have been granted, and how many have been turned down, and what the amounts are?

Mr. MOSCOSO. In the Inter-American Bank?

Mr. MONTOYA. Yes. I venture to say not one American firm has been able to borrow a nickel out of there.

Mr. PASSMAN. Do you want it in all categories? You want all the different facets?

Mr. MONTOYA. In the Inter-American Bank.

Mr. MOSCOSO. U.S. firms?

Mr. MONTOYA. Yes. Do you know of any U.S. firms which have borrowed money from the Inter-American Bank?

Mr. MOSCOSO. No, sir.

Mr. MONTOYA. You say there have been applications made?

Mr. MOSCOSO. I refer to the applications made for the investment guarantees.

Mr. MONTOYA. I speak of the Inter-American Bank.

Mr. MOSCOSO. I don't know of any.

Mr. MONTOYA. But they can make applications for loans?

Mr. MOSCOSO. They can; that is right.

INVESTMENT GUARANTEES AVAILABLE SINCE 1948

Mr. PASSMAN. Would it be fair to state how long investment guarantees have been available for Latin American investment on the part of American firms?

Mr. MOSCOSO. 1948.

Mr. PASSMAN. It is 14 years and not 2 years, is it not?

Mr. MOSCOSO. Fourteen years; yes, sir. But the countries that have not signed the bilateral agreement could not take advantage of it.

Mr. PASSMAN. But the program has been open and available since 1948?

Mr. MOSCOSO. Only for certain specific risks.

Mr. PASSMAN. During this period, percentagewise, relatively few Americans took advantage of the investment of capital under the guarantees?

Mr. MOSCOSO. Here are some of the companies that did.

INVESTMENT GUARANTEE PARTICIPATION

Mr. PASSMAN. Can you give us the amount?

Mr. MOSCOSO. Yes, $19,436,000 in the case of Bolivia.

Mr. PASSMAN. Can you give us the total amount for all the countries and then you can insert that statement in the record, unless there is some advantage to reading it in. We want to know the total amount of capital.

Mr. MOSCOSO. There is no total for Latin America but by countries.

Mr. PASSMAN. We shall still get the total.

Mr. MOSCOSO. Yes, sir. Costa Rica, $873,000.

Mr. PASSMAN. That is the total?

Mr. MOSCOSO. This is the total for the country of Costa Rica for expropriation guarantees.

Mr. PASSMAN. That is the amount available or is that the amount that went into the country?

Mr. MOSCOSO. The amount that went into the country which was guaranteed.

Mr. PASSMAN. Can you get the total and put the whole total in the record? You can do it at a subsequent date.

Mr. MOSCOSO. Very well.

(The information requested follows:)

Investment guarantees issued through June 30, 1962, to U.S. firms in Latin America

Investor	Product	Convertibility	Expropriation
Argentina:			
Ford Motor Co	Automotive vehicles	$14,000,000	
Do	do	55,200,000	
American Life Insurance	PASA Project	251,669	
Chase International (CIIC)	Petrochemicals	5,201,181	
Chemical International (CIF)	do	838,901	
Cities Service Company [1]	do	8,880,000	
Continental Oil Company [1]	do	8,880,000	
Eli Wishnick Foundation	do	167,781	
Empresas Electricas Argentinas	do	1,677,800	
Keystone Custodian Funds, Inc	do	671,120	
Do	do	671,120	
Lazard Freres	do	1,887,524	
Levy, Janet W	do	167,781	
Morgan Guaranty International Finance Corp.	do	838,901	
Philadelphia International (FIIC)	do	838,901	
Underwriters Bank, Inc	do	335,560	
United States Rubber Co.[1]	do	8,880,000	
Witco Chemical Co. Inc.[1]	do	4,810,000	
Witco Foundation	do	167,781	
Totals		114,366,020	
Bolivia:			
Andes Oil Co	Oil exploration and drilling		$300,000
Andes, Sohio & Hancock	do		2,000,000
Big Chief International Corp	do	500,000	2,000,000
Do	do		2,000,000
Chaco Petroleum (Union Petroleum Boliviana, S.A., Monsanto Bolivia Inc., Murphy Oil de Bolivia, S.A.).			10,000,000
Pan Geo Atlas Corporation	Oil well services		51,344
Do	do		84,957
South American Placers, Inc	Gold dredging		3,000,000
Totals		500,000	19,436,301
Costa Rica:			
American Broadcasting-Paramount Theaters, Inc.	TV station	105,000	105,000
Do	do	31,250	26,250
Do	do	28,125	23,625
Do	do	12,500	10,500
Do	do	9,555	7,791
Standard Fruit Co	Banana processing plant		700,000
Totals		186,430	873,166
Guatemala:			
Farmen & Son Logging Co	Logging operation	177,000	177,000
Farmen, Oliver	do	70,000	70,000
Goodyear Tire & Rubber Co	Rubber and rubber products		100,000
Do	do		1,900,000
Koppers Co., Inc	Timber operation		325,000
R. J. Noble Co	Sand and gravel operation	200,000	200,000
Totals		447,000	2,772,000
Haiti:			
Continental Copper & Steel Ind. Inc.	Copper mining and exploitation	1,770,000	1,340,000
Louis Scharf, et al	Chocolate and associated products	63,000	63,000
Do	do	117,000	117,000
West Indies Fruit & Steamship Co	Banana products and processing		1,000,000
Totals		1,950,000	2,520,000
Honduras:			
American Broadcasting-Paramount Theaters, Inc.[1]	Television	150,000	150,000
Pure Oil Co. of Honduras	Exploration for oil		1,900,000
Standard Fruit Co	Banana processing plant		1,200,000
Totals		150,000	3,250,000

[1]Issued since Mar. 31, 1962.

Investment guarantees issued through June 30, 1962, to U.S. firms in Latin America—Continued

Investor	Product	Convertibility	Expropriation
Paraguay:			
Dugger-Holmes	Agricultural products	$785,000	$785,000
First National City, Morgan Guaranty, and Imperial Agriculture.	Cattle raising and farming	3,127,000	3,127,000
Pure Oil Co. of Paraguay, Inc. (Williams Bros. Corp., Sinclair Paraguayan Oil Co., Tidewater Oil Co., and Paraguay Gulf Oil Co.).	Exploration and exploitation for oil.		3,000,000
Totals		3,912,000	6,912,000
Peru:			
General Foods Corp	Food processing	50,000	
Do	do	74,000	
W. R. Grace & Co	Caustic soda, chlorine	3,000,000	
Do	Synthetic fertilizer	112,600	
Do	Folding boxes	222,800	
Kellog Credit Corp	Telephone service	8,220,468	
Totals		11,679,868	
Grand total		135,563,023	37,699,727
Total of all investment guarantees to U.S. firms in Latin America.		173,262,750	

Investment guarantee applications in process, June 30, 1962

Country	Convertibility	Expropriation	War risk	Total
Total, Latin America	$856,213,873	$192,160,766	$6,040,345	$1,054,414,984
Argentina	366,555,076			366,555,076
Bolivia	9,429,075	9,977,537		19,406,612
Chile	67,960,000			67,960,000
Colombia	82,007,500			82,007,500
Costa Rica	28,697,000	27,491,000		56,188,000
Dominican Republic	8,559,100	5,497,050	3,918,345	17,974,495
Ecuador	10,401,756	10,738,556		21,140,312
El Salvador	3,673,500	3,601,450		7,274,950
Guatemala	51,835,766	47,865,766		99,701,532
Haiti	61,850,200	41,793,200		103,643,400
Honduras	22,250,000	22,275,000		44,525,000
Nicaragua	8,825,707	9,028,707	1,090,000	18,944,414
Panama	1,610,000	1,610,000	1,032,000	4,252,000
Paraguay	16,300,000	10,300,000		26,600,000
Peru	55,599,500			55,599,500
Uruguay	1,000,000	1,000,000		2,000,000

AID TO OAS COUNTRIES VOTING AGAINST EXPULSION OF CUBA

Mr. PASSMAN. At the recent Punta del Este Conference several of our Latin American neighbors did not agree with the desire of the United States to oust Cuba from the OAS. That is a statement of fact, is it not?

Mr. MOSCOSO. Some did not; yes.

Mr. PASSMAN. Can you give us the names of the nations which did not vote with us?

Mr. MOSCOSO. Mexico, Brazil, Bolivia, Ecuador, Chile, and Argentina.

May I say, Mr. Chairman, that they did, however, vote on the resolution expressing the views that communism was incompatible——

Mr. PASSMAN. First, let us get the facts in the record. There were six of these nations?

Mr. Moscoso. That is right.

Mr. PASSMAN. Can you give us the amount of aid you had for these nations in fiscal 1962, referring to all aid?

Mr. Moscoso. Mexico $20.7 million; Brazil $85.3 million; Bolivia $32 million; Ecuador $20 million; Chile $143 million; and Argentina $22 million.

Mr. PASSMAN. Now, can you give us the estimate for fiscal 1963 for the same countries? That includes the development credits as well as the grants. Give us the total.

Mr. MONTOYA. Does that include Public Law 480?

Mr. PASSMAN. No.

Mr. Moscoso. Development grants and loans.

Mr. PASSMAN. Military and all the others come up later.

Mr. Moscoso. In the case of Mexico $———.

Mr. PASSMAN. Did that include the token commitment, when the President went down, for $20 million?

Mr. Moscoso. That is in 1962.

Mr. PASSMAN. You put that back in fiscal 1962?

Mr. Moscoso. It was a loan agreed upon.

Mr. PASSMAN. You surely obligated that in a hurry.

Next, Brazil?

Mr. Moscoso. Brazil $———; Bolivia $———; Ecuador $———; Chile $———; and Argentina $———.

Mr. PASSMAN. It seems that is quite a compensation for their attitude, does it not?

Mr. Moscoso. I wouldn't call it——

Mr. PASSMAN. I am not asking you to buy, subscribe to, or underscore it, or anything like that.

(Discussion held off the record.)

DIRECT BUDGETARY SUPPORT

Mr. PASSMAN. Where you do not have direct budgetary support, so as to indicate a higher budget collection, do you let them do that indirectly? How much of the funds that we have been discussing would you say is completely pinned down for projects, to the point that it could not be diverted to budgetary support?

Mr. Moscoso. Development loans are pinned down to projects.

Mr. PASSMAN. I think you would not want the record to show that you have all these commitments, because you really do not; do you?

Mr. Moscoso. No, sir. As I explained the first day, when you are in a lending operation you cannot——

Mr. PASSMAN. But you do have commitments?

Mr. Moscoso. What year were you speaking about, Mr. Chairman?

Mr. PASSMAN. Fiscal 1962 and 1963.

Mr. Moscoso. For 1962 we have commitments.

Mr. PASSMAN. With reference to budgetary support. Could you tell us the amount of the total direct budgetary support?

Mr. STERNFELD. You mean cash transfers to the budget?

Mr. PASSMAN. Cash transactions. Give it to us for fiscal year 1961 if you have it.

Mr. STERNFELD. For 1961, the cash transactions were $35 million.

Mr. PASSMAN. And fiscal year 1962?

Mr. STERNFELD. $48 million estimated.

Mr. PASSMAN. Now could you give us the estimate for fiscal 1963?

Mr. STERNFELD. $———.

Mr. PASSMAN. That is the direct cash transactions, or budgetary support, as we understand it?

Mr. MOSCOSO. That is right.

Mr. PASSMAN. When we get into the indirect budgetary support, that would be in the field of guessing; would it not?

Mr. MOSCOSO. It is very difficult to estimate.

Mr. PASSMAN. We would be in the field of guessing.

SHORT-TERM LOANS BY U.S. COMMERCIAL BANKS

Do the Latin American countries make use of the access they have to, shall we say, the money markets of America, whereby they may borrow from individual lenders?

Mr. MOSCOSO. Yes. They have used short-term credits primarily in New York banks and sometimes California banks.

Mr. PASSMAN. And sometimes New Orleans banks, I imagine.

Mr. MOSCOSO. Perhaps; yes.

Mr. PASSMAN. So that is another source from which they can draw?

Mr. MOSCOSO. Usually for short terms; yes.

Mr. PASSMAN. How long they can borrow for depends on the negotiations between the lenders and the borrowers?

Mr. MOSCOSO. Yes, but normally in the commercial banks from whom they borrow the terms are usually not longer than 3 to 5 years.

CONTINGENCY FUND ALLOCATIONS, 1959–62

Mr. PASSMAN. Could you tell us how many of the countries in your area for which you had a contingency allocation in fiscal years 1959, 1960, 1961, and 1962?

Mr. MOSCOSO. We have 1961 and 1962.

Mr. PASSMAN. How much did you allocate out of the contingency fund for 1961?

Mr. MOSCOSO. We have 1962.

Mr. PASSMAN. I am talking about fiscal 1961.

What was the total aid program for Latin America in fiscal 1962?

Mr. MOSCOSO. $482 million.

Mr. PASSMAN. Compared to how much in the previous year?

Mr. MOSCOSO. $258 million.

Mr. PASSMAN. Almost double.

Did you have anything under the contingency fund for 1962?

Mr. MOSCOSO. Yes, sir.

Mr. PASSMAN. How much?

Mr. MOSCOSO. $87 million.

Mr. PASSMAN. How accurate, how up to date, are those figures?

Mr. MOSCOSO. These are figures as of May 31, sir.

Mr. PASSMAN. Do you have the June 30 figure?

Mr. TENNANT. As of June 30, $81,347,000.

Mr. STERNFELD. The difference is due to the fact one country was reduced.

Mr. PASSMAN. Which country did you reduce?

Mr. STERNFELD. Haiti.

Mr. MOSCOSO. Where, instead of $8.250 million, it is $2 million.

SUPPORTING ASSISTANCE FOR FISCAL YEAR 1962

Mr. PASSMAN. Did you have any supporting assistance for any of the countries in Latin America in fiscal year 1962?

Mr. MOSCOSO. Yes, sir.

Eight countries.

Mr. PASSMAN. Would you tell us what countries and in what amounts?

Mr. STERNFELD. These are preliminary figures as of June 30, 1962.

Mr. PASSMAN. At the time that you prepared this statement as of May 31, I believe you only indicated three countries, did you not, Mr. Tennant?

Mr. TENNANT. I believe that is correct for supporting assistance.

ALLOCATIONS FROM CONTINGENCY FUND

Mr. PASSMAN. Could you tell us on what date you allocated from the contingency fund any amounts to these countries?

You may insert the information in the record.

Mr. MOSCOSO. Yes, sir.

(The information follows:)

Fiscal year 1962 contingency fund allocations to Latin American countries

Date of allocation	Country	Amount
Nov. 8, 1961	British Honduras	[1] $300,000
Dec. 14, 1961	Ecuador	8,000,000
Dec. 27, 1961	Peru	6,000,000
Jan. 17, 1962	Panama	9,900,000
Feb. 15, 1962	Dominican Republic	10,000,000
Feb. 21, 1962	do	15,000,000
Do	Colombia	30,000,000
Mar. 28, 1962	Haiti	[2] 2,250,000
June 26, 1962	Honduras	25,000
Total		81,475,000

[1] As of June 30, 1962, obligations were only $244,000 (preliminary).
[2] As of June 30, 1962, obligations were only $2,178,000 (preliminary).

FISCAL YEAR 1962 AID FOR BALANCE-OF-PAYMENTS PURPOSES

Mr. PASSMAN. Could you break out for us the amount of aid that has been extended in fiscal year 1962 to all of Latin America for strictly balance-of-payments purposes?

Mr. MOSCOSO. By country, sir?

Mr. PASSMAN. Yes, by country; but if you want to, you can give us the total now and insert it in the record by country.

Mr. STERNFELD. We do not have the total.

Mr. PASSMAN. Read it into the record by country. This is for balance-of-payments purposes.

Mr. MOSCOSO. Colombia, $30 million.

The Dominican Republic, $25 million.

Brazil, $74.5 million.

Argentina, $20 million.

That is a total of $150 million.

Mr. PASSMAN. We closed the year with a very substantial operating deficit of $6,300 million, plus the invoices that did not get in line for

payment, and we also had a substantial balance-of-payments deficit ourselves.

Mr. Moscoso. Yes, sir.

Mr. PASSMAN. Thank you.

We had notice that the estimate of the aid program for Latin America, as we were thinking in terms of the Alliance for Progress, was approximately $600 million for fiscal 1963; but when we picked up all the cups under all the spigots and poured it in one pitcher it is $1,378,250,000, with the possibility it could be greater than that if the Export-Import Bank approves the applications for loans, and it could be less than that if they should disapprove some of the applications.

Is that a fair statement?

Mr. Moscoso. Yes; except we also have to say, Mr. Chairman, that part of these funds will be available from international lending agencies.

Mr. PASSMAN. I think I said all spigots, and I think we estimated those.

Mr. Moscoso. At $370 million, of which $200 million would be from IBRD and the other $170 million from the Inter-American Development Bank.

Mr. PASSMAN. And, of course, we contribute very substantially to all the international funds?

Mr. Moscoso. That is right.

ALLOCATIONS TO BRITISH POSSESSIONS

Mr. PASSMAN. Could you tell us the amount of funds allocated to the British possessions in your area in fiscal 1962?

Mr. Moscoso. $1,400,000 to British Guiana; British Honduras, $468,000; in the eastern Caribbean, which includes a number of islands, $2,900,000; and Jamaica $1 million. That is all.

Mr. PASSMAN. That is four British possessions?

Mr. Moscoso. Yes.

Mr. PASSMAN. Do you have possessions of other countries in the area?

Mr. Moscoso. Yes; Surinam, $470,000.

Mr. PASSMAN. Could you give us your projected program for the British possessions in fiscal 1963?

Mr. Moscoso. Well, in the meantime a couple of them will be independent nations.

Mr. PASSMAN. They are now British possessions?

Mr. Moscoso. That is right.

Mr. PASSMAN. How much is projected for them in fiscal 1963?

Mr. Moscoso. $——— for British Guiana; $——— for British Honduras; for the eastern Caribbean, $———; and Jamaica, $———. That takes care of the British part of it. Then for Surinam, $———.

Mr. PASSMAN. Let us add these up, before we get out of the British possessions.

Mr. Moscoso. $——— for the British possessions in 1963.

Mr. PASSMAN. In fiscal 1962, for the British possessions, you had $5,768,000?

Mr. Moscoso. $5,800,000.

Mr. PASSMAN. What you gave does not add up to that figure.

Mr. TENNANT. My figures were rounded, sir.

Mr. PASSMAN. Then my figure is correct, $5,768,000?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. You have a planned aid program for the British colonies, or possessions, of $——— in fiscal 1963?

Mr. MOSCOSO. This is not exactly planned, Mr. Chairman.

Mr. PASSMAN. It is your estimate?

Mr. MOSCOSO. Yes. You see, quite a substantial amount of this will be in loans.

Mr. PASSMAN. You still have a projected, planned program, or estimate, of $——— against $5,768,000 in 1962, which is almost a —— percent increase in the aid for the British possessions in your area.

Mr. ROONEY. Off the record.

(Discussion off the record.)

DEVELOPMENT OF SAVINGS AND LOAN ASSOCIATIONS

Mr. PASSMAN. Mr. Ambassador, as we have discussed with other witnesses in other areas, under your technical and grant aid sections, you are training these people—I am speaking now of the villagers, the people you are actually trying to help——

Mr. MOSCOSO. That is right.

Mr. PASSMAN. How to develop into bankers, and how to apply for credits or loans, and how to operate their own small industries? We have development bank projects, and we train them how to be bankers, and then give them a course on how to operate the banks, once they have been trained.

Mr. MOSCOSO. We are assisting quite a number of countries in setting up savings and loan associations. I hope they do a little bit better job than some I have seen around here. We have brought in a number of the more expert savings and loan associations——

Mr. PASSMAN. From America?

Mr. MOSCOSO. From America, getting some from the South, to train some of these new personnel in the operation of savings and loan associations.

In Peru we have been quite successful. A number of them have been set up and already they are showing some progress. We are having some success also in Venezuela and in several other Latin American countries.

Mr. PASSMAN. After they become proficient in the field they become eligible for loans?

Mr. MOSCOSO. Normally we try to assist them by making what we call a seed loan.

Mr. PASSMAN. They are eligible for a seed loan.

Mr. MOSCOSO. And that has been matched by a local country contribution.

Mr. PASSMAN. You develop it to where they are eligible for loans?

Mr. MOSCOSO. That is right.

Mr. PASSMAN. And we assume the loans are approved, based on the worthiness of the application, but the request for capital could be very substantial over all these countries?

Mr. MOSCOSO. And the amount of capital they will mobilize in these countries will also be substantial, Mr. Chairman.

Mr. PASSMAN. But, if they have been properly trained, it would require additional capital?

Mr. MOSCOSO. A little bit of assistance from us to begin with.

Mr. PASSMAN. We are not going beyond the seed capital stage?

Mr. MOSCOSO. That is correct.

Mr. PASSMAN. Do you plan to go beyond the seed capital phase?

Mr. MOSCOSO. No, sir.

Mr. PASSMAN. Do you have hundreds of small financial institutions in your region?

Mr. MOSCOSO. No; we do not have hundreds.

Mr. PASSMAN. I thought there were hundreds?

Mr. MOSCOSO. No, sir.

Mr. PASSMAN. Will you make a check of that matter, because I discussed it with your friends and I though they were doing a job down there. Maybe you call them credit unions. That is a form of making loans, it it not?

Mr. MOSCOSO. Yes. I will get you the information.

(The following was submitted for the record:)

FINANCIAL INSTITUTIONS IN LATIN AMERICA

Hundreds of small financial institutions in Latin America have sprung over the past few years as a result of U.S. assistance and efforts on the part of the governments and of individuals.

Although AID does not give direct assistance to all the small financial institutions which have been created, it encourages the establishment and development of such organizations.

Aid has been given in two forms: (1) Technical assistance in the formative stages, and (2) seed capital upon establishment. For example, as a result of technical assistance, Chile established a nationwide network of new private savings and loan associations. A DLF loan of $5 million, approved in May 1961, provided seed capital for the Central Savings & Loan Bank of Chile, which has now formed 18 private savings and loan associations. Savings are coming into the system at the rate of about $1 million a month.

In the latter part of 1960, the Government of Columbia established a system of mutual funds for the purpose of encouraging private savings which could be funneled into public and private investments. Every company which has a capitalization of over 500,000 pesos ($250,000) and employs at least 20 persons may participate in the system. The Government of Columbia is also promoting the establishment of private financial corporations by according certain credit privileges and tax concessions. Three such corporations have now been established.

An example of an individual's effort is that of an American priest, Father Daniel McClellan, of the Maryknoll order. He was responsible for the establishment of credit unions in Peru, of which there are now 248.

In fiscal year 1962, AID had 14 grant projects which had as part of their objective the establishment of such financial insitutions as credit unions, savings and

loan associations, agricultural credit organizations, or industrial credit organizations. These projects are as follows:

Fiscal year 1962 obligations

	Thousands
Bolivia:	
Supervised agricultural credit	$19
Industrial development	110
Brazil: agricultural economics and cooperatives	97
Chile: Develoment bank for small industry	1
Colombia: Agricultural credit and cooperatives	57
Ecuador: Housing—Savings and loan	91
Panama: Assistance to housing—Savings and loan, and mortgage insurance institution	15
Paraguay: Credit cooperatives and marketing	10
Peru:	
Housing and urban development—Savings and loan; and advice on finance and loan procedures	80
Agricultural credit and cooperatives	17
Venezuela:	
Rural improvement	9
Industrial development (strengthen staff, methods, and procedures of the Development Corporation and the Commission for Loans to Small Industry)	80
Housing	9
Latin America—Regional: Credit union leadership training	160
Total	755

The four following loans providing seed capital were approved by AID in fiscal year 1962:

	Thousands
Chile: Chilean Development Corporation (CORFO)	$40,000
Ecuador: Industrial Credit Corporation	5,000
Mexico: Nacional Financiera (for supervised agricultural credit)	20,000
Venezuela: Agricultural and Livestock Bank (for supervised agricultural credit)	10,000
Total	75,000

Mr. PASSMAN. Would we under any circumstances try to nullify, either by agreement, or could we use the word "subsidy," and settle a claim of any Latin American country while that same claim is pending in the U.S. courts?

Mr. MOSCOSO. I do not think we would.

Mr. PASSMAN. Has the Dominican Republic——

Mr. MOSCOSO. Now I see your point.

DOMINICAN REPUBLIC CLAIMS

Mr. PASSMAN. Is the claim of the Dominican Republic for $22 million surtax, or whatever you call it, still pending in the courts?

Mr. MOSCOSO. Yes; it is still pending in the courts.

Mr. PASSMAN. Has any decision been made?

Mr. MOSCOSO. As far as I know, no.

Mr. PASSMAN. Under our system of law, and under international law, we usually wait for the court to determine these cases before we settle the claims, do we not?

Mr. MOSCOSO. Yes, I understand that is the case.

AID OBLIGATIONS OF SOCIAL PROGRESS FUND

Mr. PASSMAN. You recall that last year we had the bill implementing the Bogotá agreement in the amount of $500 million, and you had an additional $100 million for Chile?

And we brought the bill out intact, even though the documented list could not be built beyond $394 million, the reason being that we were considering it during a time when we had some emotional and political upsets. In that appropriation, we provided $100 million for the ICA, now AID.

Could you tell us how you allocated that $100 million, for which you had no program at the time?

Mr. MOSCOSO. We have obligated, as of June 30, $57,829,000.

Mr. PASSMAN. Of that special bill we brought out?

Mr. MOSCOSO. Yes.

Mr. PASSMAN. You have only obligated how much?

Mr. MOSCOSO. $57,829,000.

Mr. PASSMAN. Will the other lapse?

Mr. MOSCOSO. No.

Mr. PASSMAN. This will remain available until expended?

Mr. MOSCOSO. That is right, sir. Mr. Chairman, as you know, I came into the picture in November when the agency was going through a reorganization and the whole program was being turned around, and so forth. I decided I would much prefer to be slow about the way we did go ahead with the implementation of this.

Mr. PASSMAN. It follows, nevertheless, that we brought the bill out in advance of the regular bill, and there was no planned program for it at the time; we brought it out intact, but at this time, 14 months later, you still have how much unobligated?

Mr. MOSCOSO. $42 million.

Mr. PASSMAN. $42 million unobligated?

Mr. MOSCOSO. Yes, but let me tell you, Mr. Chairman——

Mr. PASSMAN. You have $42 million unobligated?

Mr. MOSCOSO. Yes, sir.

Mr. PASSMAN. But you do have a plan in the making whereby you can utilize the $42 million advantageously?

Mr. MOSCOSO. Better than that, Mr. Chairman. We have been able to make obligations in the past few days for important programs.

Mr. PASSMAN. I thought I had said it clearly, that you will use it to good advantage in the program and that you will need all the money?

Mr. MOSCOSO. That is right.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. I yield to my distinguished friend and colleague, the able member of this committee from New York, Mr. Rooney.

Mr. ROONEY. Mr. Chairman, I should like to first say that I regret that circumstances have been such that I have not been able to be present throughout the testimony of Ambassador Moscoso. I have been delighted, during the progress of it, though, to have been informed a number of times by our distinguished chairman of the great impression he has received from your testimony. In the time I have sat here, I have been impressed with your frankness and your direct

ness and your ability to answer the questions with regard to your program. I assure you that I shall read the record of the parts of your testimony given when I was not present.

Mr. PASSMAN. Will the gentleman yield?

Mr. ROONEY. Yes, Mr. Chairman.

Mr. PASSMAN. I am greatly impressed with your sincerity, Mr. Ambassador, and the manner in which you are trying to grasp this program. I heard last evening, in talking with Mr. Rooney, that you are actually hard-boiled with these people, and you are endeavoring to get the best return you can in every instance. I hope your reputation for dealing that way becomes even more stern in the future, because I think we are in accord that is the only way in which we can accomplish our objectives.

Mr. ROONEY. Off the record.

(Discussion off the record.)

Mr. PASSMAN. Mr. Rhodes do you have any general questions?

Mr. RHODES. I have no general questions at all, Mr. Chairman.

Mr. PASSMAN. We shall recess until tomorrow at 1 o'clock p.m.

FRIDAY, JULY 27, 1962.

Mr. PASSMAN. The committee will come to order.

UNEXPENDED BALANCE AS OF JUNE 30, 1962

You gave us as unexpended $6,712,500,000.

Mr. TENNANT. There is one item on this list that you wanted dropped out which was borrowing authority from the old ECA transactions.

Mr. PASSMAN. But it is still a part of it?

Mr. TENNANT. Technically, it is a part of it.

Mr. PASSMAN. Then, I can just put in "miscellaneous" $500,000, and I would be accurate?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. The figure would be $6,712,500,000?

Mr. TENNANT. That is right.

Mr. PASSMAN. I hope you have found for us development assistance, and will tell me what accounts from which to get those items.

Mr. TENNANT. I have in those schedules an amount on development assistance.

Mr. PASSMAN. Tell us what accounts, I will subtract those when I start breaking them out. If I added them to this list, would that inflate it?

Mr. TENNANT. Those figures are in the total.

You will notice in the last sentence of the text on development assistance it shows that $14,217,000 is in the development grants account and $5,339,000——

Mr. PASSMAN. So, I would merely take them out of the figures above?

Mr. TENNANT. Yes. They are the figures above.

PIPELINE FOR ALL FOREIGN AID PROGRAMS AS OF JULY 1, 1961

Mr. PASSMAN. The fiscal year 1962 appropriations for foreign aid, including the Inter-American Development Bank and the International Development Association, as well as funds reappropriated from sales and miscellaneous and unexpended funds from prior years, gave a pipeline of $10,078,319,114 as of July 1, 1961, covering available funds for expenditure and/or obligation for fiscal year 1962. I would like for the Controller to have a look and see if I have stated the figures accurately.

Mr. TENNANT. Yes, sir, these are the unexpended figures including the fiscal year 1962 appropriations and the IDA, IDB and the Peace Corps.

Mr. PASSMAN. And the list that you gave me here, in the unexpended, is the same as the pickup from the previous fiscal year dealing with those international agencies, and it was not included in the carryover.

Mr. TENNANT. I did not include those international agencies.

Mr. PASSMAN. And I did not include them in my carryover from June 30, 1961. I think it is important that we indicate that fact.

Mr. TENNANT. That is right, in this other listing that you had, sir.

Mr. PASSMAN. All of the $10,078,319,114 was available for expenditure, had you acomplished the work for which the money was obligated. Any part, or all of it, could have been expended had the projects been completed to where you could have made payment? There is no restriction as to when you would actually expend the money, if the contract had been entered into and services rendered for it; is that a statement of fact?

Mr. TENNANT. That is right. Of the $10 billion, roughly $5.8 billion was obligated.

Mr. PASSMAN. But the point is, had the services been rendered and the statements made for payment, you would have had the money to pay for everything that came in?

Mr. TENNANT. That is correct, sir.

EXPENDITURES AGAINST 1962 APPROPRIATION

Mr. PASSMAN. Of the $10,078,319,114 total last year, the reappropriations amounted to $4,229 million; have I stated that figure correctly?

Mr. TENNANT. That is correct, sir.

Mr. PASSMAN. If we subtract from the $10,078,319,114 the $6,712,-500,000 on hand June 30, fiscal year 1962, it would indicate that you drew out of the pipeline for the operation of this program during fiscal year 1962 $3,365,819,114; is that correct?

Mr. TENNANT. That is correct on that computation, sir, which includes some Peace Corps and these other agencies——

Mr. PASSMAN. I am keeping it all together. You did not include the Peace Corps in your recapitulation?

Mr. TENNANT. No, sir; I did not.

Mr. PASSMAN. It is a part of the foreign aid, as far as I can see.

Mr. TENNANT. I have only included in my recapitulation the items included in the Foreign Assistance Act. I understood you to request the——

Mr. PASSMAN. What amount was on hand for the Peace Corps?

Mr. TENNANT. Since the Peace Corps isn't under our jurisdiction, I would have to obtain that from the Peace Corps, sir, which I would be glad to do.

Mr. PASSMAN. The Peace Corps appropriation was $30 million for fiscal year 1962, so it would not make a great change.

Mr. TENNANT. That is correct.

Mr. PASSMAN. In effect, it means, then, the amount of money withdrawn from mutual security out of the $10,078,319,114 was $3,365,819,114; is that correct?

Out of the same recapitulation we have been talking about?

Mr. TENNANT. The figures are strictly on mutual security.

Mr. PASSMAN. I know that. I am not including Peace Corps.

Mr. TENNANT. The mutual security figures——

Mr. PASSMAN. We certainly have to get the record straight. You have the recapitulation sheet I just gave you.

Mr. TENNANT. The figures are roughly in the same magnitude.

Mr. PASSMAN. Then the total amount of Peace Corps on the recapitulation, from which we are subtracting, was $31,202,609; is that correct?

Mr. TENNANT. That is correct, sir.

Mr. PASSMAN. We could not change these figures but a few million dollars by deleting the Peace Corps, could we?

Mr. TENNANT. That is generally correct but there is also in there the Inter-American Bank and the IDA.

Mr. PASSMAN. Would you be able to tell us whether or not International Monetary funds are included?

Mr. TENNANT. They are not included. I do not believe.

EXPENDITURE AVAILABILITY

Mr. PASSMAN. Then let us go back if we may. The figures I have indicated are correct, but let us just consider mutual security. If we limit it to mutual security, leaving out IDA, Inter-American Development Bank and Peace Corps, the total available for expenditure was $9,910,100,000; is that correct?

Mr. TENNANT. That is correct.

Mr. PASSMAN. And you had available for expenditure this entire amount, had the service been rendered and the vouchers and invoices been submitted?

Mr. TENNANT. That is correct, sir.

Mr. PASSMAN. But you only actually drew out of the pipeline and expended $3,198,100,000?

Mr. TENNANT. That is correct.

Mr. PASSMAN. You left unexpended in this category, then, $6,712,000,000?

Mr. TENNANT. That is correct, sir.

I think it should be pointed out many of the obligations that occurred during fiscal year 1962 would not be reasonably expended during the fiscal year.

Mr. PASSMAN. I did not suggest that they did. Have I been stating the figures accurately?

Mr. TENNANT. That is correct.

Mr. PASSMAN. You have had large funds on projects from prior years that had built up, some of them many years old?

Mr. TENNANT. Yes——

Mr. PASSMAN. So, this simply means that we put into the pipeline about $2 billion more than we pulled out of the pipeline in fiscal year 1962, if we take the total from that recapitulation. It is a fact that we appropriated at least $1 billion or $1.5 billion more than you needed last year, because you have actually only pulled out $3,198,100,000, whereas the pipeline has gone from June 30, 1960, from $4,713 million to June 30, 1961, to $5,443 million to June 30, 1962, to $6,712,500,000.

Now, have worked with you to be sure we get accurate figures. I can get up my recapitulation sheets from this data, and it will be correct, and it is understood that I am to add $500,000 miscellaneous, so as to show in the pipeline at $6,712,500,000; is that correct?

Mr. TENNANT. That is correct.

Mr. PASSMAN. I thought in conference that we were appropriating too much money, but I am not the only person in that conference who has a vote.

DOMESTIC REVENUES IN LATIN AMERICA

Now, Mr. Ambassador, we shall get back to consideration of Latin America.

I had a tabulation made of the domestic revenues accruing to the credits of the central governments, 19 of them in number, in 1961, or the latest date given for each country in the justifications, and the total is $8,695 million; is that correct?

Mr. MOSCOSO. It sound like it. I haven't made the full tabulation.

Mr. PASSMAN. I wonder if we can take a little time and verify it now.

Mr. FORD. I did not hear the question, Mr. Chairman.

Mr. PASSMAN. Mr. Ambassador, we had a tabulation of the domestic revenues accruing to the central governments, 19 in number, for 1961, or the latest available year as indicated on the general economic data sheet, for each country in your justification, and the total is $8,695 million. We just wanted the figure verified.

Mr. STERNFELD. I presume it is correct if it came from these sheets—we have not added these figures up.

Mr. PASSMAN. I wonder if you would in your spare time this afternoon, add them up, and verify it.

As we refer to these items, we call them budgetary receipts; is that correct?

Mr. STERNFELD. Domestic revenues.

Mr. MOSCOSO. Domestic revenues.

Mr. PASSMAN. Are the budgetary receipts as indicated in these books a part of the revenue accruing to the treasuries of these countries?

Mr. STERNFELD. Do you mean the receipts from the United States, are they part of these figures?

Mr. PASSMAN. I did not say that. You have direct budgetary support to the governments of these countries. Would that be a part of the total?

Mr. STERNFELD. No. I presume if the data were taken from the line on the general economic data sheet called "domestic revenues," it did not include the budgetary receipts.

SOURCES OF BUDGETARY RECEIPTS

Mr. PASSMAN. Gentlemen, that is where we are going to have to do a little research. There is no indication that this does not include the substantial budgetary, or cash receipts, that we made available to their budgets. Do you get my point?

Mr. STERNFELD. Yes, sir.

Mr. PASSMAN. When you say "budgetary receipts," we cannot just say "thank you" and move to the next question. We want to know where they got these budgetary receipts. We want to know what percentage they actually collect from their people, what percentage was brought into the budget from cash contributions from the United States through various types of aid programs, and the means by which it got into the budget. Would you give us some research on that?

Mr. STERNFELD. We can add it up. It is all included in the general economic section.

Mr. PASSMAN. You add it up. We want you to do the research on that matter.

(The information requested follows:)

DOMESTIC REVENUES OF LATIN AMERICAN COUNTRIES [1]

The table set forth below lists domestic revenues of Latin American countries, first for 1961 and secondly for the latest year available in the case of each country, as those figures have been made available. Those figures, as taken from the national budget figures of the countries, do not include foreign aid of any kind or receipts from foreign or domestic borrowing. The figures are made up, in most cases, and usually in excess of 90 percent, of taxes in the usual sense of the word and of customs. The balance, where there is one, usually arises from one or more of the following types of source: receipts from governmental services, net receipts from lotteries, profits from government-owned utilities and enterprises, and other miscellaneous domestic revenue sources.

[1] Figures do not include state and local tax receipts. In the case of Brazil, Colombia, and Mexico, these have an importance comparable to that in the United States.

1961

[Dollar equivalents in millions]

	Amount	Latest year available		Amount	Latest year available
Argentina	$1,753	$1,753	Honduras	$37	$37
Bolivia	32	32	Mexico	(2)	[3] 977
Brazil	1,502	1,502	Nicaragua	[4] 37	37
Chile	773	[1] 890	Panama	61	61
Colombia	416	416	Paraguay	27	27
Costa Rica	79	79	Peru	341	341
Dominican Republic	129	129	Uruguay	200	[5] 220
Ecuador	(2)	[3] 133	Venezuela	1,590	1,590
El Salvador	73	73			
Guatemala	[4] 91	91	Total		[6] 8,421
Haiti	27	[1] 33			

[1] 1962 budget estimate.
[2] Not available.
[3] 1960.
[4] Fiscal year June 30.
[5] AID estimate.
[6] Including a total of $274,000,000 from British Honduras, British Guiana, the Caribbean, Jamaica, Surinam, and Trinidad (not included in the countries listed), the total becomes $8,695,000,000.

INCOME TAX LAWS

Mr. PASSMAN. Could you tell us how many of the Latin American countries have an income tax law, as we think of an income tax law?

Mr. Moscoso. Mr. Chairman, would you like them by country?

Mr. PASSMAN. Yes.

Mr. Moscoso. There are 19 countries with laws which provide for collection of income taxes.

Mr. PASSMAN. You may put them in the record.

(The requested information follows:)

INCOME TAX ON INDIVIDUALS

All countries in Latin America except Guatemala have enacted and have in force substantive income tax laws applicable to individuals. (Guatemala has a proposed income tax law applicable to individuals pending before its legislature.)

The structure of the income tax on individuals in a number of Latin American countries differs somewhat from the structure of the U.S. system. This is largely because it is based on European tax systems. As in the case of the U.S. system, where there are different rates of tax on ordinary income and on capital gains, so, in a number of Latin American countries, the basic tax consists of a number of so-called schedular taxes, each schedule relating to a different type of income. One or more of the taxes under these schedules are often imposed at a flat rate on all income of the type of question; at times they are imposed at graduated rates, with top brackets.

In the table below, where there is a schedular system (noted by the letters "S" and "C" on different lines immediately following the name of the country), a dash is inserted in the first column where the tax is at a flat rate. Where one or more of the schedules are graduated, the top-bracket amounts for both the schedule with the lowest top-bracket amount and for the one with the highest top-bracket amount are inserted. Similarly, in such cases, in the "Top rates" column, the lowest and highest of the graduated rates on such schedules are inserted.

Where the schedular system is in effect, there is usually imposed, as an additional tax (over and above the sum of the taxes imposed under the different schedules) a so-called complementary tax. This is a tax imposed on total taxable income, sometimes after the deduction of the schedular taxes themselves. The complementary tax is usually imposed on a graduated basis. As a result, in the table set forth below, the total effective tax in countries with a schedular and a complementary tax system is the sum of the taxes imposed at the varying rates noted under the column "Top rates" for both such taxes.

If the table below is to be used as a reflection of the effective tax burden imposed by a country on its citizenry and residents as a whole, the following major points should be considered—

1. In most countries, and markedly so in many, the role of the income tax on individuals (both rich and poor) is small as compared to the taxes resulting from taxes on corporations, from sales and other forms of indirect taxes, and from customs levies and the like. This was the case in the United States prior to 1914.

2. Even as regards the income tax on individuals, the proportion of the total that is imposed on persons in the top brackets is usually not a large proportion of the whole. The number of taxpayers in those brackets is also relatively small.

Information with regard to top rates applicable to individual incomes

	Top bracket amounts [1]	Name of currency	Official conversion rate to US$1	Top rates (percent) [1]
Argentina (S [2])		Pesos	85.00	9.
(C [2])	4,000,000	do	85.00	45.
Bolivia (S)	22,000,000	Bolivianos.	12,000.00	21 and 25.
(C)	70,000,000	do	12,000.00	36.
Brazil (S)		Cruzeiros	400.00	1 and 21.
(C)	800 times minimum wage.	do	400.00	60.
Chile (S)		Escudos	1.05	33.
(C)	20 times minimum wage	do	1.05	30.
Colombia	2,000,000	Pesos	6.70	51.
Costa Rica	500,000	Colones	6.65	30.[3]
Dominican Republic (S)				2 and 8.[4]
(C)	40,000	Pesos	1.00	40.
Ecuador	100,000 and 200,000	Sucres	18.00	19 and 22 and, in some cases, with a surtax, 30.1.
El Salvador	195,000	Colones	2.50	76.5.
Haiti	500,000	Gourdes	5.00	40.
Honduras	1,000,000	Lempiras	2.00	30.
Mexico (S)	400,000 and 2,000,000	Pesos	12.50	25 and 50.[5]
(C)		do	12.50	15.[5]
Nicaragua	500,000	Cordobas	7.00	35 (on total income and not solely on last backet amount).
Panama		Balboas	1.00	34.
Paraguay		Guaranies	126.00	19.
Peru (S)	100,000—1 schedule graduated.	Soles	27.00	5 and 25.
(C)	100,000	do	27.00	30.
Uruguay (S)		Pesos	11.00	10.
(C)	1,000,000	do	11.00	30.
Venezuela (S)		Bolivares	3.35	3 and 5.
(C)	28,000,000	do	3.35	45.

[1] Where more than 1 figure is given, they represent, for practical purposes, the range of top bracket amounts and rates from lowest to highest as between schedules. Where the tax is not graduated but is imposed at a flat rate on all amounts, no figure is given.

[2] S=schedular; C=complementary.

[3] Latest change effective June 30, 1962.

[4] Higher rates are in existence for income of nonresidents and with regard to remittance of dividends and the like abroad.

[5] Limitation on effective rate of total taxes imposed to 30 percent of total taxable income.

Mr. PASSMAN. Some of these are just recently enacted laws? Costa Rica is one of them?

What is the top bracket for individuals?

Mr. MOSCOSO. The top bracket would be in El Salvador I believe, Mr. Chairman.

Mr. PASSMAN. What is that?

Mr. MOSCOSO. It is about 74 percent.

Mr. PASSMAN. Let us find out about it by country.

Mr. Moscoso. I am afraid I haven't got it with me, Mr. Chairman, but I would be very happy to get it. If my memory serves me right, the highest I have encountered——

Mr. PASSMAN. Let us not put in just the highest, let us spread it out, because some are as low as 12 percent. Some of your friends down there are laughing at us. They think we are downright stupid, that we would tax ourselves up to 92 percent to provide aid for them, when they tell you they have no intention of doing any such thing.

Mr. Moscoso. I have, Mr. Chairman, made several speeches on the necessity for increasing those taxes, as you well know.

Mr. PASSMAN. Some of your friends in Argentina, for example, will tell you they have no intention of taxing themselves 90 percent for the benefit of others.

Mr. Moscoso. Mr. Chairman, there is an interesting note: For the first time in the history of Latin American countries a nonpaying taxpayer has been indicted and will go to jail in Chile.

Mr. PASSMAN. What penalty was imposed?

Mr. Moscoso. I do not know what the final sentence has been, but I will be happy to find out about that. But it became an item which was——

Mr. PASSMAN. One man in Latin America?

Mr. Moscoso. Well, you start with one man.

EDUCATION SECTOR REQUEST

Mr. PASSMAN. Could you tell us the total amount of funds requested for the education sector of this area?

Mr. Moscoso. $29,394,000.

Mr. PASSMAN. That is the development grant part, is it not?

Mr. Moscoso. Yes, sir.

Mr. PASSMAN. Could you tell us how much you may have under the development credit sector?

Mr. Moscoso. For education? I do not have it with me.

Mr. PASSMAN. The $29 million is grant aid?

Mr. Moscoso. That is right.

Mr. PASSMAN. You would also have development credits and all the other spigots available, would you not, for education?

Mr. Moscoso. We have some applications, sir, already for educational projects which I could give you the total of but since this is a lending operation, Mr. Chairman, I do not know how many will be coming in or how many will be approved.

Mr. PASSMAN. How much for education in 1962 out of development credits? I will be helpful and say those are the things you refer to as loans.

Mr. Moscoso. A few I referred to as loans.

Mr. PASSMAN. In fiscal year 1962 what amount did you have for construction——

Mr. Moscoso. We will have to go through the various loans, Mr. Chairman——

Mr. PASSMAN. Do you have the total?

Mr. Moscoso. Yes.

Mr. PASSMAN. Let us take our time because we want to know how much it is.

Mr. Moscoso. There are none.

SCHOOL CONSTRUCTION

Mr. PASSMAN. Let us get down to construction of educational facilities.

Mr. MOSCOSO. This is the latest estimate; $9,960,000.

Mr. PASSMAN. That is for construction alone?

Mr. MOSCOSO. Construction alone.

Mr. PASSMAN. That has nothing to do——

Mr. STERNFELD. And equipment.

Mr. PASSMAN. It has nothing to do with——

Mr. MOSCOSO. Training of teachers.

Mr. PASSMAN. This is strictly for educational facilities? Are colleges and universities in this?

Mr. MOSCOSO. Yes, sir.

ILLUSTRATIVE NATURE OF PROJECTS

Mr. PASSMAN. All projects described in the justifications of the project book are illustrative, are they not?

Mr. MOSCOSO. Yes, sir.

Mr. PASSMAN. And they may, or may not, be carried out in 1963, depending on funds, changes in priority, changes in countries' needs or programs?

Mr. MOSCOSO. That is right.

Mr. PASSMAN. It is, in effect, a blanket appropriation, and this is more or less a guideline as to the fields in which you work?

Mr. MOSCOSO. Yes.

Mr. PASSMAN. But as far as actually pinning down the new projects, you could not tell us the countries or the programs for which the money would be obligated?

Mr. MOSCOSO. Well, the chances, are——

Mr. PASSMAN. Let us be specific. You do have the right, I believe you said, to transfer from one country to the other, from one project to the other, to discontinue and start new projects, or to select a higher priority of project than is in the book?

Mr. MOSCOSO. That is right.

Mr. PASSMAN. So, in summary, this is a "confidence" appropriation, leaving it to the Executive to select the countries, the programs, and projects for which the money will be spent?

Mr. MOSCOSO. Yes, I would say that is correct.

Mr. PASSMAN. Thank you.

Mr. MILLER. It should be noted that of the projects listed in this project book——

Mr. PASSMAN. A lot of them are continuing projects. That is what you are going to say?

Mr. MILLER. They are continuing——

Mr. PASSMAN. And all of them can be discontinued as of tomorrow, if you should so desire?

Mr. MILLER. The vast majority and in substances these programs——

POWER OF AGENCY TO DISCONTINUE PROJECTS

Mr. PASSMAN. They could be discontinued tomorrow, or any other day, if the Administrator, or the head of the AID mission, should decide they should not be continued?

Mr. MILLER. The projects that are listed here could, if it were determined by the appropriate authority——

Mr. PASSMAN. That is all I asked you. There is nothing permanent. You have the right to discontinue any project that you want to, do you not, and to initiate new projects?

Mr. Moscoso. Using the best judgment——

Mr. PASSMAN. Even transferring to another country for obligation; is that correct?

Mr. Moscoso. It pretty much depends, Mr. Chairman, in connection with continuing projects on the terms of the commitments that have been made, of course.

Mr. PASSMAN. I am talking about your right under the legislation. That it is illustrative. You may or may not obligate funds that we give you for any projects. You may spend it on continuing projects, or you may take continuing projects, or discontinue and start new projects; is that right?

Mr. Moscoso. That is right but, Mr. Chairman, as of the day this book was put together, it represents the best judgment of a group of pretty experienced people. They used their best knowledge, judgment, and experience about the program and at that moment in time decided these would be the type of things——

Mr. PASSMAN. Of course, when we go through the justifications, the discrepancies are so frequent and so broad—and the record will speak for itself—that it is almost embarrassing to people on either side of the table. I wanted the record to show again that a double standard is being practiced. Here in America, we must have a project, we must justify it on the basis of a favorable cost-benefit ratio, we get one slice of funds, and we continue it. With few exceptions, we justify and we spend the money on the project for which we justify the funds. One exception would be the Lower Mississippi River and its tributaries, where you must still spend the money on an authorized project that has been fully justified with respect to a cost-benefit ratio. The cost-benefit ratio must be favorable. But here, you are not asked to justify or project on a cost-benefit ratio. Neither do you have to justify proper engineering. You start the project even before it has been mentioned to Congress.

Mr. Moscoso. No, sir.

Mr. PASSMAN. Oh, yes, you do. You have dozens that you have started that the committee and the Congress did not know anything about.

Mr. Moscoso. Section 611 is the law, as I recall——

APPROPRIATIONS FOR COUNTRY PLANS

Mr. PASSMAN. We are even now appropriating money to a country plan. Is that correct, sir?

Mr. Moscoso. We are authorized to——

Mr. PASSMAN. I know it is authorized. I admit that you have authorization that permits you to do it, but we have reached the place

today where we are appropriating funds to a country plan; are we not?

Mr. Moscoso. I understand it has been done in other——

Mr. Passman. Do you have plans such as that in your area?

Mr. Moscoso. We do not have anything like that yet.

Mr. Passman. Do you like your present system better?

Mr. Moscoso. Well, quite frankly, I believe when you are able to get a country plan put together it is a preferable way of getting quite a number of things done by the country itself, preferable to doing it piecemeal through projects. That is why this program concept is utilized in certain instances.

Mr. Passman. But do you like the plan you are following in your area? Is it satisfactory?

Mr. Moscoso. In some instances it may not be, Mr. Chairman.

Mr. Passman. You do know, of course, that under the legislation that you have the right to appropriate funds to a plan for your section?

Mr. Moscoso. That is right, and if we have——

CONSULTATIONS ON POSSIBLE COLOMBIA DEVELOPMENT PLAN

Mr. Passman. Now how far in advance do you have a plan for any country?

Mr. Moscoso. Colombia would appear to be the country that comes closest to that.

Mr. Passman. Have you made a commitment to a plan yet?

Mr. Moscoso. No, we haven't made a commitment to a plan. The World Bank will be the head of the consultative group, or consortium, as it used to be called. The Bank has been examining the Colombia plan. So have the Panel of Experts of the Organization of American States. After this examination and review, recommendations will be made for some alterations to the Government of Colombia. When they accept it, the World Bank will call the meetings of the possible participants in the financing of this plan. The Europeans will, of course, be called. They have already been consulted informally on the plan. Not only have the Colombians themselves gone to Europe to see about the participation of the more industrialized nations——

Mr. Passman. You do not have any plan in the making?

Mr. Moscoso. No, sir.

Mr. Passman. You have some correspondence, but you have not progressed to the point of saying that you have a plan?

Mr. Moscoso. What is called brass tacks; no, sir.

Mr. Passman. But you do have a successful program operating in your area, under the present system of operation under the Alliance for Progress?

Mr. Moscoso. I would say it is starting to operate.

Mr. Passman. It is not for lack of funds that you do not have a successful plan?

Mr. Moscoso. We need an organization and men.

Mr. Passman. Do you agree with me it is not for lack of money?

Mr. Moscoso. I agree with you it has not been for lack of money. I hope we will have funds sufficient not only to continue the program, but to accelerate it.

Mr. Passman. To go faster?

Mr. Moscoso. It means to try to get these countries on their own feet as soon as possible.

Mr. Passman. If we succeed in borrowing money to continue this program, the chances are it will be speeded up. Nevertheless, I think the record is clear that the Congress appropriated more last year than you could prudently use.

Mr. Rhodes. Will you yield?

Mr. Passman. I yield.

SECTION 202(b) PROPOSALS

Mr. Rhodes. Do I understand, Mr. Ambassador, that you have no plans afoot for the perfection of a 202(b) plan in this area?

Mr. Moscoso. We are looking into the formulation of such plans, but we do not have anything jelled which is of that nature. It has not been agreed to.

Mr. Rhodes. How close to jelling is it?

Mr. Moscoso. It should be close to 3 or 4 months.

Mr. Rhodes. What countries will that be?

Mr. Moscoso. Just Colombia. Chile may, but it is still a little further off. It will be 6 months there.

Mr. Rhodes. Colombia is more congealed than Chile?

Mr. Moscoso. I would say yes. It will come closer to it.

Mr. Rhodes. Do you have any others with a higher specific gravity than the others?

Mr. Moscoso. I believe that Panama and Honduras may present their plans to the Panel of Experts of the OAS within the next few months. Venezuela has indicated that they probably will present their plan. It may take about 6 months or a year before that comes.

Mr. Rhodes. I think that is six countries. I haven't counted them. All of these countries may perfect plans which you might present to Congress under 202(b) within this next fiscal year.

Mr. Moscoso. I do not think we will be able to get more than three, Mr. Congressman.

Mr. Rhodes. In this next fiscal year?

Mr. Moscoso. Yes, sir.

Mr. Passman. Did you not just tell us that you had only one country, Colombia?

Mr. Moscoso. In which we had sufficient information.

Mr. Passman. You are still in the paperwork stage?

Mr. Moscoso. Yes. Well, studying.

Mr. Passman. No contracts have been entered into, and nothing is pinned down?

Mr. Moscoso. Not with Colombia.

Mr. Passman. Not with any other country in Latin America?

Mr. Moscoso. No.

Mr. Passman. Colombia is the most advanced, and that is still in the paper stage?

Mr. Moscoso. That is right.

FISCAL YEAR 1962 PROGRAM FOR COLOMBIA

Mr. PASSMAN. Would that be in addition to the program presently underway in Colombia, in which you had $38,077,000 for fiscal year 1962?

Did that figure hold firm or is it up?

Mr. STERNFELD. $38,156,000 is the preliminary estimate we have.

FISCAL YEAR 1963 PROGRAM

Mr. PASSMAN. It is revised upward a bit. You are requesting ——— for fiscal year 1963?

Mr. STERNFELD. ——— for fiscal year 1963.

Mr. PASSMAN. And, of course, they would be eligible for funds out of the other spigots, with the international organizations and the Export-Import Bank and the Inter-American Development Bank and the International Development Association?

Mr. Moscoso. They would be expected to participate in this.

Mr. PASSMAN. They are eligible for all the funds out of the other spigots for foreign aid?

Mr. Moscoso. Yes, sir.

Mr. PASSMAN. Would the so-called plan that evidently is in the making be in addition to all this?

Mr. Moscoso. No. I would think, Mr. Chairman, that the development grant part of it, which is in the case of Colombia about ———.

Mr. PASSMAN. Would the request here be a part of any future plan?

Mr. Moscoso. Yes. In other words, our participation in any future plan would have to come from these funds.

Mr. PASSMAN. From the funds that you are requesting and funds that you have obligated for the projects?

Mr. Moscoso. We haven't obligated anything because we have not gotten the appropriation, Mr. Chairman.

Mr. PASSMAN. What did you do with this $38,156,000 last year?

Mr. Moscoso. That is 1962.

Mr. PASSMAN. You have that obligated for projects?

Mr. Moscoso. Yes.

Mr. PASSMAN. If you work out a plan, would your plan encompass those projects?

Mr. Moscoso. In the case of Colombia, Mr. Chairman, the amount of $30 million, which you see as part of the 1962 program, was a balance-of-payments loan tied, of course, to U.S. procurement. The rest of the money is really development grants in connection with the various programs that we have the details for here.

Mr. PASSMAN. If we go through your page on Colombia, we notice many projects for which you have obligated money.

Mr. Moscoso. That is right, sir.

Mr. PASSMAN. If you come up later with a plan for a country, namely, Colombia, where it will be a plan to a country under 202(b), you would have a money request attached to that plan?

Mr. Moscoso. That is right.

U.S. CONTRIBUTION TO PROPOSED COLOMBIAN LONG RANGE PLAN

Mr. PASSMAN. Have you reached the point to where you have any idea of what the U.S. contribution would be to this plan, if it materializes?

Mr. MOSCOSO. We have an idea.

Mr. PASSMAN. About how much is it?

Mr. MOSCOSO. It is about ———. It is ————.

Mr. PASSMAN. For the plan?

Mr. MOSCOSO. Yes.

Mr. PASSMAN. So you have a request for funds for fiscal year 1962 almost equal to what the plan may be, if it ever comes into being?

Mr. MOSCOSO. The plan is much bigger than that, sir.

Mr. PASSMAN. I asked you about the plan.

Mr. MOSCOSO. You mean the participation?

Mr. PASSMAN. I am talking about the U.S. contribution to a plan under 202(b).

Mr. MOSCOSO. What we have tried to do, Mr. Chairman——

Mr. PASSMAN. Could you tell us if you have any idea as to what the amount of this plan may be?

Mr. MOSCOSO. We have an idea, but we do not know what the exact figure will be.

Mr. PASSMAN. Could you give an estimate?

Mr. MOSCOSO. ——— million.

Mr. STERNFELD. That is not what the plan itself calls for.

Mr. PASSMAN. You are the people who administer this program, are you not?

Mr. STERNFELD. Yes, sir.

Mr. PASSMAN. How could you work out a plan when you have no idea what it is going to be?

Mr. STERNFELD. Are you asking for the total amount——

Mr. PASSMAN. Of a plan that may be brought into being at a subsequent date.

Mr. STERNFELD. Of Colombia's plan?

Mr. PASSMAN. Yes.

Mr. STERNFELD. Colombia has contemplated itself out of its own funds——

Mr. PASSMAN. I am talking about our contribution to a proposed plan that is in the making.

Mr. STERNFELD. I have various figures, Mr. Chairman.

Mr. PASSMAN. Give us the amount of the U.S. contribution in this proposed paper plan.

Mr. STERNFELD. We are still making our analysis of Colombia's plan. We are waiting to see to see what the World Bank's position will be.

Mr. PASSMAN. Could you give us some information on the analysis you now have as to what part of the total cost of the plan would come from the United States, in the way of dollars?

Mr. STERNFELD. At this point in time on the basis of our analysis, we are only able to project in the fiscal year 1963——

Mr. PASSMAN. Give us your projection as to the cost.

Mr. STERNFELD. The cost to the United States would be, for the aid program, between ———

Mr. PASSMAN. That is to the plan at a subsequent date to the country, and not to individual projects?

Mr. STERNFELD. That would encompass individual projects in the plan.

Mr. PASSMAN. Are you the people who would administer this plan?

Mr. STERNFELD. No, sir. The Colombian Government.

AID PARTICIPATION IN DEVELOPMENT PLAN

Mr. PASSMAN. I am talking about here—all of this would come under your jurisdiction, would it not?

Mr. MOSCOSO. The plan would be administered by the country itself, sir.

Mr. PASSMAN. So far as the top echelon approval and working it out are concerned, would it be under your direction?

Mr. MOSCOSO. No, sir.

Mr. PASSMAN. You would not have anything to do with working up the plan?

Mr. MOSCOSO. I would certainly have something to do about the participation for the aid program.

Mr. PASSMAN. You are Director of the Alliance for Progress. As the coordinator for the Alliance for Progress, you would look at the figures and have something to do with its approval, up or down?

Mr. MOSCOSO. You mean the cooperation of the United States in a consortium put together by the World Bank? We would look at it together before it was approved; yes, sir.

Mr. PASSMAN. What would be your prerogatives in formulating this plan, as the coordinator of the Alliance for Progress, with all of the aid program, for these 19 countries under your jurisdiction, as we think of aid? Would you look at the plan, the top figure, and the bottom figure, and have something to do with setting the amount?

Mr. MOSCOSO. The final figure as it emerges from the study that the World Bank makes will be a global figure of foreign exchange required in order to finance this plan. As I understand these consortia—and by the way, sir, I have never participated in one—I am looking to get some experience on this——

Mr. PASSMAN. I hope you get experience before you start dealing with it.

Mr. MOSCOSO. I assure you, Mr. Chairman, I will be as hard headed about our participation as is possible.

Mr. PASSMAN. As the coordinator for the aid program for Latin America, all of the 19 countries and the British territories are under your overall supervision?

Mr. MOSCOSO. That is right.

Mr. PASSMAN. Have you revealed this afternoon your knowledge of the plan and how it would work in Latin America?

Mr. MOSCOSO. Oh, no——

Mr. PASSMAN. Have you given for the record your knowledge of how it operates?

Mr. MOSCOSO. If I——

Mr. PASSMAN. Understood it?

Mr. MOSCOSO. No, if I can explain to you, Mr. Chairman, how this is supposed to work, I will be very happy to do so.

Mr. PASSMAN. You have not done so. One says ——— is what you would have for a plan for this country; then he says you do not mean that. You say "I do." He says, "You did not." Later you put it in the record ———. You have an aid program that large for Colombia.

Mr. MILLER. Mr. Chairman, perhaps this would help.

Under section 202(b) the President may enter into agreements, under the terms and conditions of the title committing funds authorized to be appropriated under the title subject only to annual appropriation of such funds. A plan might be drafted by a country, and section 202(b) allows the United States——

Mr. PASSMAN. Tell us, so far as you know and understand, what our commitments would be to this plan that may be formulated by Colombia, when it is put into effect, as you said, 3 or 4 months hence.

PROCEDURE FOR DEVELOPING COLOMBIAN PLAN

Mr. MOSCOSO. I explained a moment ago, sir, that the procedure for the Colombian plan in particular is as follows: The Colombian planning board prepared a 10-year plan. The plan was submitted to the Committee of Experts of the Organization of American States, or the OAS.

Mr. FORD. When was that submitted?

Mr. MOSCOSO. It was submitted around January of this past year. Then it was also submitted simultaneously to the World Bank. The World Bank sent a team of experts to Colombia. The Organization of American States also sent a team of the planel of experts down there in late March. They have been examining this plan for the past 4 months or 5 months. A preliminary report of the World Bank in connection with this plan has been made available to the Government of Colombia. The Committee of Nine of the OAS is about ready to issue their report on the plan.

When that is issued, we will have a much more exact idea of what this amount is going to be. In the meantime we have copies of the Colombian plan, and we have been making estimates of the foreign currency requirements in order to implement that plan.

Mr. FORD. What are those figures?

Mr. MOSCOSO. Those figures indicate that it will be in the range of between ———.

UNLIQUIDATED BALANCE AS OF JUNE 30, 1962

Mr. PASSMAN. We have a very broad and expensive program going on in Colombia, at this time, with American aid. We have unliquidated to the credit of Colombia—what is your figure on that, Mr. Controller?

Mr. TENNANT. Colombia as of June 30, 1962, we estimate unliquidated $50,750,000.

Mr. PASSMAN. That is out of AID?

Mr. TENNANT. Out of AID funds.

Mr. PASSMAN. It does not include military assistance?

Mr. TENNANT. No, it does not.

Mr. PASSMAN. It does not include the food for peace program?

Mr. TENNANT. No, sir.

Mr. PASSMAN. It would not include the Export-Import Bank, or international organizations, would it?

Mr. TENNANT. It would not include those.

Mr. PASSMAN. If you put all of those together, you would have an extremely high unliquidated credit to Colombia as of June 30, 1962. And, of course, you have other spigots and international organizations from which you can draw? You do not have that either, do you, such as the U.N.?

Mr. TENNANT. No, sir. These are just AID figures.

OVERALL SOURCES OF FINANCING DEVELOPMENT PLAN

Mr. PASSMAN. For this one program we are discussing you are requesting ——— for Colombia?

Mr. MOSCOSO. It might be more. It might be as much as ———.

Mr. PASSMAN. In addition to that amount, they would have all the other spigots of aid available?

Mr. MOSCOSO. That is right.

Mr. PASSMAN. We could wind up with maybe $150 million of committed funds for programs covering almost every program that the mind of man could conceive. Then, in addition, you would come up with a country plan. What we were trying to find out would be whether or not with reference to the money that we are now giving for the illustrative programs and to continue certain programs, if you were going to stop there or this would be in addition to the huge sums just mentioned.

Mr. MOSCOSO. Mr. Chairman, when the plan was worked out by the Colombian authorities, and in the revisions being made by the World Bank, consideration has been given to the fact that there has been financing made available.

Mr. PASSMAN. That would be in addition to all the things I have just mentioned?

Mr. MOSCOSO. If I may make an explanation.

Mr. PASSMAN. You are asking for money for some specific plans that are already underway, continuing projects; is that correct?

Mr. MOSCOSO. That is correct.

Mr. PASSMAN. You have illustrative projects for the money you are requesting for fiscal year 1963?

Mr. MOSCOSO. Remember, most of these projects are development grant projects for technical assistance. In the preparation of the Colombian plan, they took into consideration the fact that they had already obtained financing not only from us, from the World Bank, for instance——

Mr. PASSMAN. The only thing I have been trying to clear up is whether or not the cost of the plan would be in addition to what you already have and will receive in fiscal year 1963.

Mr. MOSCOSO. That is right.

Mr. PASSMAN. Am I correct?

FUNDS TO FORMULATE DEVELOPMENT PLAN

Mr. MOSCOSO. The plan is included in our presentation. Our participation in the plan is included in the——

Mr. PASSMAN. So, there would be no additional funds if you got what you had this year? You could have all kinds of plans but you would not have any request for any more money?

Mr. Moscoso. No, sir. We would have in the case of the plan, Mr. Chairman, to agree under section 202(b) to the participation.

Mr. PASSMAN. You are saying that if you had not received this money our contribution to the plan would have been larger?

Mr. Moscoso. I did not get the question, Mr. Chairman.

Mr. PASSMAN. Are you telling the committee that if you had not had the funds that we have been discussing available for going and planned projects, then our contribution to the subsequent plan would have been higher, or the request would have been?

Mr. Moscoso. Yes sir. It probably would have been.

Mr. PASSMAN. We are trying to find out whether or not this would have been higher if you had not had these funds. Is that right, sir?

Mr. Moscoso. That is right.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. I think that you and other witnesses have said that the other countries would be similar to this so far as plans, programs, operations, and so forth. I am afraid time is running out on us and we shall never be able to get right down to the details.

Mr. Andrews?

COUNTRIES PARTICIPATING IN ALLIANCE FOR PROGRESS

Mr. ANDREWS. Mr. Ambassador, how many countries are we helping in one way or another under the Alliance for Progress in South America?

Mr. Mocoso. In Latin America we are helping 19 countries, sir.

Mr. ANDREWS. All of those countries participated in the Bogotá meeting 2 years ago, did they not?

Mr. Moscoso. Yes, sir. Cuba, I believe, at that time was still in the OAS and they participated with 20 of them.

BOGOTÁ AGREEMENT

Mr. ANDREWS. At that meeting in Bogotá, if I remember correctly, these countries who were to receive our aid promised to do certain things on their part.

Mr. Moscoso. That is right, sir.

Mr. ANDREWS. Those two things that they promised principally were tax reform and land reform programs?

Mr. Moscoso. That is right.

Mr. ANDREWS. We started shortly after that Conference at Bogotá to give them aid in one form or another, did we not?

Mr. Moscoso. That is right.

Mr. ANDREWS. That was nearly 2 years ago?

Mr. Moscoso. Well, the funds were made available in 1961.

Mr. ANDREWS. I mean the Conference.

Mr. Moscoso. The Conference was in 1960, but the funds were made available late in 1961. Because of the reorganization of the Agency from ICA into AID and the absorption or merger of DLF into the

Agency and the transferring of some of the responsibilities for lending (specifically, Cooley loans) from the Export-Import Bank, plus the fact that there was quite a substantial number of personnel charges, we really did not get going until the beginning of this year.

REFORM MEASURES NOT COMPLETED

Mr. ANDREWS. Has any one of the 19 countries that participated in the Conference of Bogotá carried out in full at this time the promises made and the conditions precedent to receiving aid from us?

Mr. Moscoso. Yes, sir. They have in varying degrees.

Mr. ANDREWS. I said 100 percent at this time.

Mr. Moscoso. No, sir; not 100 percent. I do not think we ever expected that they would.

Mr. ANDREWS. Some of the countries have carried out those promises?

Mr. Moscoso. That is right.

Mr. ANDREWS. To a certain degree?

Mr. Moscoso. They have been able to get most of the reforms through.

Mr. ANDREWS. How many of the 19 countries have made some progress toward fulfilling the commitments that they made?

Mr. Moscoso. May I read them to you, Mr. Andrews?

Mr. ANDREWS. Yes.

BOLIVIA TAX AND LAND REFORM

Mr. Moscoso. Starting with Bolivia, in the case of land reform, Bolivia granted 71,000 land titles in an accelerated program of land reform. In the case of taxes, I do not have the book here; but I know that in Bolivia they increased the taxes on fuel, which was an unconscionably low tax. They did it under the worst possible circumstances. There was a lot of political opposition, but the Government had sufficient strength to maintain its position and maintain the tax on fuel. As a result, riots took place and over 40 people were hurt, some of them killed.

I mention this to you to show that a real effort has been made in some of these countries to put into effect tax measures and reform measures.

COLOMBIA AGRARIAN REFORM LEGISLATION

In the case of Colombia, agrarian reform legislation was enacted by the Congress in November of 1961. It provides for colonization, resettlement, and parcelization of land. The Agrarian Reform Agency was established and given broad powers to carry out the reform bill.

Mr. ANDREWS. That is two countries.

VENEZUELA LAND REFORMS

Mr. Moscoso. In the case of Venezuela, a land reform program was adopted and as of now—this report is about 4 months old because that is when the book was put together—but as of now they have distributed 55,000 titles of parcels of land in the land reform program.

In the case of the tax law they approved a small increase in personal taxes and a larger increase in the corporate tax structure?

Mr. ANDREWS. Have either of these three countries, Colombia, Bolivia, Venezuela, imposed an income tax?

Mr. MOSCOSO. Yes, sir.

Mr. ANDREWS. All three of them?

ECUADOR TAX REFORMS

Mr. MOSCOSO. All three of them. In the case of Ecuador, I was rather elated to get the information from President Arosemena when he was here that the income tax reform law they had introduced had been finally approved while he was up here and the announcement was made in the local press.

In the case of the Dominican Republic——

Mr. ANDREWS. Has Ecuador done anything about land reform?

Mr. MOSCOSO. No. The land reform bill is now before the Congress, sir.

Mr. ANDREWS. They have not started collecting taxes but they passed legislation which will permit the collection of taxes?

Mr. MOSCOSO. That is right. However, they have a small income tax now and they have been collecting. The new law will reform not only the method of collection but also the rates which will be changed.

Mr. ANDREWS. That is four.

DOMINICAN REPUBLIC TAX AND LAND REFORM

Mr. MOSCOSO. In the case of the Dominican Republic, they were very fortunate in being able to get a very rapid approval, not only of a land reform law, but also of tax reforms. This is probably about the fastest movement we have seen in any country in Latin America. Perhaps that is due to the fact that these people have been under such a repressive dictatorship that they now want to catch up with the rest of the continent.

PENDING CHILEAN REFORM LEGISLATION

In the case of Chile, a tax bill and a land reform bill are now before this session of the Congress.

Mr. PASSMAN. Those same bills have been before the Congress for the last 3 years every year, have they not?

Mr. MOSCOSO. These have been revised.

Mr. PASSMAN. They are still before the Congress, though?

Mr. MOSCOSO. They are still before the Congress.

Mr. PASSMAN. These matters before the Congress were initiated several years ago?

Mr. MOSCOSO. It was probably before my time, but I do know that they have been before, and now they are being revised.

Mr. PASSMAN. But they are still before the Congress?

Mr. MOSCOSO. They are still before the Congress.

Mr. ANDREWS. No legislation has been enacted into law?

Mr. MOSCOSO. In the case of Chile, no. They do have an income tax law, Mr. Andrews.

Mr. ANDREWS. How long have they had that?

Mr. MOSCOSO. It has been in the books for quite a while.

Mr. ANDREWS. Have they made a serious effort to collect taxes under that law?

Mr. Moscoso. Yes. As a matter of fact, they have a very strong program of training for tax collectors. Mr. Caplin, the Director of Internal Revenue, has been cooperating with us to train tax collectors.

Mr. ANDREWS. How much have taxes increased since the Conference of Bogotá?

Mr. Moscoso. In the case of Chile, the 1962 revenue is estimated to have increased by $24 million over 1961.

That is 3.1 percent, as a percentage of the national revenue. That is the increase.

Mr. ANDREWS. I believe you stated our Internal Revenue Service assisted the Chilean tax officials?

Mr. Moscoso. Yes, sir. They are giving technical assistance.

Mr. ANDREWS. Are we financing that program?

Mr. Moscoso. Yes, sir.

Mr. ANDREWS. Under what project?

Mr. Moscoso. It is under one of the public administration technical assistance programs that we have with Chile.

Mr. ANDREWS. Do you know how much it costs?

Mr. Moscoso. Yes, sir. This is the internal tax administration program.

Mr. STERNFELD. Through 1961 we obligated $360,000 and our estimate in 1962 is $190,000.

Mr. ANDREWS. So Chile has legislation pending to carry out these reforms?

Mr. Moscoso. The agrarian reform; yes, sir.

The legislation in part has been delayed because there has been quite a lot of dissatisfaction with the type of bill being prepared.

Mr. PASSMAN. Will the gentleman yield?

Mr. ANDREWS. Yes.

CRITICISM OF ALLIANCE FOR PROGRESS

Mr. PASSMAN. It is a foregone conclusion that our public officials, from the President on down, know very well that this program in Latin America got off to a slow start. It is not progressing as we had hoped it would.

I shall quote from a pertinent newspaper report:

> In Santiago, the influential Chilean newspaper Mercurio commented sardonically that the Argentine and Peruvian experiences showed the United States was "disposed to make political compromises with the Punta del Este charter, which does not admit distinctions among dictatorships, be they Cuban, Peruvian, or any other country."
>
> In Argentina, the widely read Economic Survey accuses the Alliance of distorting the aims of Punta del Este, of encouraging total state control of planning, of permitting the whole alliance idea to become bogged down in heavy-handed state bureaucracy.
>
> It accused the Alliance of playing into the hands of extreme leftists by "stirring up social bases in our countries" and then showing no results.

BUDGETARY RECEIPTS

What is the population of all Latin American countries?

Mr. Moscoso. 200 million people.

Mr. PASSMAN. And the total amount of budgetary receipts was about $8 billion-plus, and that covered all types of receipts.

Mr. Moscoso. That is the Central Government.

Mr. PASSMAN. We just would not want the record to show that they are getting ready to pay off all the public debts with the relatively little bit of increased revenues that have been received down there.

TRANSFER OF U.S. DIPLOMAT FROM CHILE

Mr. ANDREWS. Now, Mr. Ambassador, I am looking at a news story by the Star staff writer, Earl H. Voss, in the Star, dated the 5th of April 1962, in which he says:

Chile has forced the transfer of a U.S. diplomat who pressed in private conversations for economic and social reforms to make aid under the Alliance for Progress more effective.

Are you familiar with that situation?

Mr. Moscoso. Yes, sir.

Mr. ANDREWS. Mr. Chairman, I would like to insert this in the record at this point.

Mr. PASSMAN. It will be inserted in the record at this point.

(The article follows:)

[From the Evening Star, Apr. 5, 1962]

U.S. DIPLOMAT FORCED TO GET OUT OF CHILE

(By Earl H. Voss)

Chile has forced the transfer of a U.S. diplomat who pressed in private conversations for economic and social reforms to make aid under the Alliance for Progress more effective.

Lawrence Elsbernd, second secretary of the U.S. Embassy in Santiago, and a specialist in economic affairs, has been transferred to Washington. He is expected to be reassigned to Argentina.

It was the first reported case of official resistance by a Latin American country to the Alliance for Progress "strings" attached to U S. aid.

The Chilean Government demanded Mr. Elsbernd's transfer after Communist newspapers and radio stations reported conversations he had with two stock exchange brokers.

UNITED STATES CHARGES DISTORTIONS

Washington officials emphasize Mr. Elsbernd was not declared persona non grata, as the Communist radio station, Emisoras Nuevo Mundo, indicated.

The Chilean request for the second secretary's transfer, officials here said, was "based on exaggerated and distorted reports of a conversation held in confidence in embassy offices in discharge of official duties."

In view of the problem in Chile and the aims of U.S. policy there, however, "we are getting a new second secretary," one official here said.

PART OF PROGRAM

Requirements for land and tax reform and other economic and social improvements are part of the Alliance for Progress program and are included in the charter of Punta del Este, approved by the Organization of American States, officials here pointed out.

Secretary of State Rusk acknowledged today the general proposition that any significant American foreign aid program involves a measure of intervention in the recipient country's internal affairs.

"It does involve intervention," he told the Senate Foreign Relations Committee in commenting on the general problem, unrelated to any specific country, "but we are trying to work this out by agreement with the governments concerned so that we are together on the needs and methods for economic development."

The United States actually has been encouraged with Chilean moves toward reform.

BILLS BEFORE CONGRESS

An agrarian reform bill is before the Chilean Congress. The Cabinet is considering a tax law to raise needed Government revenue.

Chilean Foreign Minister Carlos Martinez Sotomayor called in the American minister counselor, John Joseph Hova, to request Mr. Elsbernd's transfer.

Emisoras Nuevo Mundo gave this account of Mr. Elsbernd's conversation with the two stockbrokers:

The two Chileans came to Mr. Elsbernd to ask about the U.S. aid program to Chile and the date of arrival of funds voted by Congress.

Mr. Elsbernd said the funds would be provided after Chile presented complete plans for reconstruction and development and "statements of account" for such items. Chile could in no case use the funds to ease balance-of-payments problems.

DISASTER FUNDS INVOLVED

Mr. Elsbernd reportedly told the two brokers that $27 million of the $100 million loaned to Chile after its big earthquake have been handed over and that the balance would be withheld until Chile presented an accounting of reconstruction expenses.

The American diplomat was said to have been pessimistic about future American investments in Chile, especially in copper, because of the lack of guarantees against expropriation and tax demands on foreign firms, which, he reportedly said, were the highest in the world.

The Communist radio said Mr. Elsbernd had characterized as "deficient" Chile's planned agrarian and tax reforms, thus making U.S. aid more difficult.

Mr. Elsbernd is said to have complained that responsibility for correcting reform programs was shifted from ministry to ministry without anyone bothering about them.

Communist newspapers and radio reported Mr. Elsbernd had said the United States is not interested in "bailing out" all Latin countries since two or three small countries to be dominated by "ultra-Communists" might be a lesson for other more important countries.

American officials said Mr. Elsbernd merely had cautioned his interviews to remember the opposition of Congress and American public opinion to waste of American aid funds and their interest in strict criteria for expenditures.

The brokers reportedly asked Mr. Elsbernd whether he would invest his own money in Chile. Mr. Elsbernd is said to have answered he would prefer "any other type of investment such as mutual funds, as they are called in the United States, before investing money in Chile, because of the risks that the investor runs in a country of this type."

REFORM MEASURES TIED TO ASSISTANCE FOR CHILE

Mr. Moscoso. This is a very delicate situation because we have made it a condition of our assistance to Chile.

Mr. Andrews. That is what I asked you about. It all goes back to that conference at Bogotá 2 years ago where as a condition precedent to our helping those countries they would take certain affirmative actions in two fields, land reform and tax reform.

Mr. Moscoso. Yes, sir. It so happens, Mr. Congressman, that in the case of Chile, we agreed to assist them on a program, a financial program, provided that they would adhere to the Alliance for Progress measures.

Mr. Andrews. That same thing applied to all countries.

Mr. Moscoso. But in this particular case it was specific. One of the difficulties that we find in Latin America is that in generic terms they will accept this Act of Bogotá pledge. When it comes time for specific financial projects or financing, however then they feel—or the opposition makes it appear—that they are bound to the U.S. demands. This is used, of course, by Communist elements, leftists, et cetera, to say that the country is losing its sovereignty and that they are being forced to do things in order to be able to get this assistance.

(Off the record.)

Mr. Andrews. All that has been done in Chile is to have bills introduced that have not become the law?

Mr. Moscoso. That is correct, sir.

U.S. RECOMMENDATIONS ON TAX LEGISLATION

Mr. Andrews. They have stepped up their tax collection modestly?

Mr. Moscoso. That is right. As a matter of fact, we are recommending in many instances that some of these countries, where they have difficulties in getting changes to their taxes through their legislatures—and mind you, in some countries they have about the same difficulties we have here; we have been having trouble getting relatively minor amendments to our tax bill approved; it has taken almost 2 years and we have not gotten it yet—we have recommended that they immediately look into the possibility of improving implementation of their present tax laws. In most instances where they have accepted the recommendation, the results have been rather surprising to them. For instance, in the case of Argentina, in the first 8 months of 1961, the increase in taxes was 44 percent. This was primarily due to the fact that Mr. Caplin and the Treasury Department gave us personnel to teach the Argentines how to handle tax collections better.

Mr. Andrews. You mentioned 6 countries out of the 19 who have at least introduced bills in the legislative bodies to carry out these reforms. What others are there?

Mr. Moscoso. Mexico, Honduras.

Mr. Andrews. What have they done?

Mr. Moscoso. Panama.

TAX IMPROVEMENTS IN MEXICO

Mr. Andrews. Tell me about Mexico. What changes have taken place?

Mr. Moscoso. In the case of Mexico new rates and new schedules for income tax and improved administration have resulted in 1962 in an increase of $68 million.

Mr. Andrews. From what?

Mr. Moscoso. In the tax revenue. Income tax.

Mr. Andrews. What was it before the $68 million addition was made?

Mr. Moscoso. It is an increase of 6.6 percent over 1961.

Mr. Andrews. Do you think that is due entirely to our prodding them into reforming their tax collections?

Mr. Moscoso. I did not get the question, sir.

Mr. ANDREWS. I said, do you think that is due entirely to our intervention and our insistence that they collect more taxes?

Mr. MOSCOSO. No; I would not want the Alliance to take credit entirely for this. This total increase cannot be credited to that.

LAND REFORMS

Mr. ANDREWS. What have they done with reference to land reform?

Mr. MOSCOSO. In the case of Mexico since 1921 Mexico has had probably the vastest land reforms program in the world, perhaps outside of Japan, where it was drastically imposed right after the war.

The land reform program in Mexico has gotten a new impetus with President Lopez Mateos. Just recently he announced that over 4 million hectares had been distributed in small parcels. That is a continuing program and it is the oldest that I know of in the Western Hemisphere.

Mr. ANDREWS. You feel Mexico is living up to the agreements made at Bogotá?

Mr. MOSCOSO. Yes, sir.

Mr. ANDREWS. What is the next country?

CONDITIONS SET FORTH IN ACT OF BOGOTÁ

Mr. MILLER. In order to clarify the Act of Bogotá, Mr. Andrews, it is my understanding that the undertakings in the Act of Bogotá, itself were for each country to examine their legislation and institutions in certain fields, and the clear implication was that they would improve them. The main fields were the fields you stated, tax reform and land reform legislation. There were, however, other fields which were involved.

Mr. ANDREWS. We are limiting it to these fields of tax and land reform.

Mr. MILLER. They were to examine these fields with the implication that they would improve them, although there was no specific condition precedent that they would have to achieve nor any certain level, they were to work toward this result.

Mr. PASSMAN. Will the gentleman yield?

Mr. ANDREWS. I yield to my chairman.

ASSURANCE OF NO AID BEFORE REFORMS

Mr. PASSMAN. If you will read the hearings and read the assurances given by the distinguished chairman of the Foreign Affairs Committee, you will find that it was stated repeatedly and emphatically, that no money would be given, no money would be asked, until they had brought these reforms into being.

Mr. ANDREWS. That is my recollection.

Mr. PASSMAN. Based upon that assurance, the bill was passed without a rollcall, but the administration immediately began clamoring for an appropriation. The Congress, for reasons that you understand as well as I do, approved the appropriation. They started entering into contracts and making allocations before any reforms were made.

Mr. MILLER. Mr. Chairman, my recollection of the sequence of events was that prior to the Act of Bogotá the authorizing act for the

$500 million was passed, that there were then hearings subsequent, held in the spring of 1961 for the appropriations. At that time my recollection of the hearings was that the committee was informed, as was the Senate Appropriations Committee, of the act——

Mr. PASSMAN. What Appropriations Committee?

Mr. MILLER. The Senate Appropriations Committee, I think, is the title—at that time both committees were informed of the contents of the Act of Bogotá and the Act of Bogotá says in chapter 1 that the undertakings are of each of the signatories thereto that they shall examine in certain fields their institutions and legislation which is involved; that the clear implication from the act at the Bogotá conference was that they would improve their legislation.

Mr. PASSMAN. Let me read just what Chairman Morgan of the House Foreign Affairs Committee said. You will find it on page 3 of the Inter-American programs for 1961. I quote:

> Mr. MORGAN. These programs have not yet been worked out. Before the United States appropriates funds to assist in these programs, our representatives have told the Latin American Governments that it will be necessary to have specific reforms worked out and justified in detail, and even more important that these programs will have to be accompanied by basic legislation and institutional reforms in such matters as tax structure, land tenure and legal procedure in order that new facilities provided under these programs may produce the benefits which are intended.

Furthermore, if the gentleman will go to Mr. Morgan's statements in the Congressional Record, on the floor of the House, he will certainly see that again and again and again we were told that they would not ask for any money until these reforms had been accomplished. But the pressure from downtown became so great, and for reasons with which you should be familiar, the Committee on Appropriations brought out the bill intact and passed it.

Mr. MONTOYA. In the hearings before our Appropriations Subcommittee, it is clearly reflected in unambiguous language that that was the procedure that would be followed before any allocation of funds. Our hearings also reflect the excerpts from the record of the authorizing legislation and excerpts from the Congressional Record denoting just what Mr. Morgan's assurances were to the membership.

Mr. MILLER. Could I ask that the chairman's reading be corrected in one minor respect? He used the word "reforms" I believe to be worked out and it should read, reading from page 3 of the testimony, "should have specific programs worked out." I did not mean to suggest, Mr. Montoya, that there was not going to be a step-by-step working out of the programs of social and economic reform in the Latin American countries. I just wanted to make certain that it would not appear that the Act of Bogotá itself established conditions precedent.

Each country had to reach some certain level or have a complete tax reform system or complete land reform but they would work overtime in step-by-step procedure.

Mr. PASSMAN. Did you attend the hearings on this bill?

Mr. MILLER. Yes, I did.

Mr. PASSMAN. Did you attend the House Foreign Affairs Committee hearings?

Mr. MILLER. No, I did not.

Mr. PASSMAN. Why do you not read Chairman Morgan's statement and his assurances to the House?

Mr. MONTOYA. There was also a very definite assurance given to our committee that no commitments would be made, no allocations of funds would be made unless these countries could come in and prove and show as a condition precedent that the reforms contemplated by the agreements in the Conference at Bogotá had been already enacted into law.

The principal reforms were income tax or revenue reforms and agrarian reform. These two things, among others, would be conditions precedent to the granting of any loan under the Alliance for Progress.

The program now certainly reflects that the commitments which we in turn made to the House of Representatives in justification for the appropriation have certainly not been kept.

REVIEW OF COUNTRIES HAVING INITIATED REFORM LEGISLATION

Mr. Moscoso. Mr. Montoya, I would like to mention that since July 1961, up to April 1962, which is the report that I have here, the following countries have taken the following tax reform measures.

Mr. ANDREWS. All right. You got down through Mexico. I was going to ask you about each one of them.

Mr. Moscoso. We were doing that, Mr. Andrews. We will go over them briefly and quickly again: Bolivia, which I mentioned, improved administration, an increase of $7 million; Brazil, improved administration, $10 million; Chile, improved administration, $24 million; Colombia, improved administration, plus a new income tax law, which was approved, but has not been reflected yet in the increases because it was approved only in November, $10 million; Cost Rica, $2 million in the new tax; El Salvador, income tax and new tax on shrimp, $2 million; Guatemala, improved enforcement, $2 million; Honduras, improved collections, $3 million. In the case of Honduras, this represents 8.1 percent of their national revenues. Mexico, the new rates and schedules we mentioned a moment ago, $68 million, 6.6 percent of the national revenues; Nicaragua, new taxes, $1 million; Panama, revised taxes, improved administration, $8 million; Paraguay, improved enforcement, $2 million, 7 percent; Peru, new taxes, $10 million; Uruguay, $9 million, improved collections; and Venezuela, new taxes, higher tax rates on withholding, $30 million.

COUNTRIES NOT ENACTING REFORMS

Mr. ANDREWS. How many countries are listed there?

Mr. Moscoso. Fifteen. Some have not complied. For instance, Haiti has not.

Mr. ANDREWS. Four have done nothing; is that right?

Mr. Moscoso. That is right. In the case of Argentina, which is not included here, I did not give you the figure because it was not in the report. There we have been working with the Argentine Government for the past 2 years. As I mentioned, Mr. Caplin, of the Bureau of Internal Revenue, has been giving us the technical assistance. There has resulted a substantial increase in revenue, too.

Mr. ANDREWS. In Argentina?

Mr. Moscoso. Yes, sir.

Mr. ANDREWS. What have they done about land reform in Argentina?

Mr. MOSCOSO. In Argentina land reform is a very debatable issue, as you know.

Mr. ANDREWS. I assume it is all over South America?

Mr. MOSCOSO. In this case the amount of available land is considerable and the Argentina's economy is based on extensive agriculture and hte breaking up of land into small plots would reduce considerably the productivity.

Mr. ANDREWS. What are the countries that have done nothing in either the case of land or tax reform?

Mr. MOSCOSO. Haiti is one of them.

Mr. ANDREWS. Has Haiti received any aid under this program?

Mr. MOSCOSO. Yes, sir; under supporting assistance.

Mr. ANDREWS. How about development grants?

Mr. MOSCOSO. Off the record.

(Discussion off the record.)

Mr. PASSMAN. Will the gentleman yield?

Mr. ANDREWS. Yes, sir.

ANTICIPATED REVENUE INCREASES

Mr. PASSMAN. Those figures that you enumerated deal with the anticipated increased revenue, not the actual; is that correct?

Mr. ANDREWS. Estimated 1962 increase in revenue from July 1 to April 1962.

Mr. PASSMAN. Those are projected estimates. You are not dealing with actualities, are you?

Mr. MOSCOSO. These are the reports that we got from our missions, sir.

Mr. PASSMAN. Mr. Ambassador, I merely asked you a question.

Mr. MOSCOSO. That is right.

Mr. PASSMAN. Are you dealing with projected hopeful estimates as to what will come in, rather than with actual receipts?

Mr. MOSCOSO. That is right.

Mr. PASSMAN. Let the record show that during fiscal year 1960 approximately $8 billion-plus was anticipated whereas the tax collections in 1960 amounted to about $7 billion-plus. Is that statement correct, sir?

Mr. MOSCOSO. I do not know, sir.

Mr. PASSMAN. Get the facts out of your records.

When you put it all together, the budgetary receipts plus what we have given them, you still wind up with about $40 per capita for the country.

Mr. ANDREWS. Mr. Ambassador, you said Honduras was one of the countries that had done nothing.

Mr. MOSCOSO. No, sir; Haiti. I am sorry if I said so. I think it was Haiti.

Mr. ANDREWS. What are the other three? Is Argentina one?

Mr. MOSCOSO. Argentina has done it but it was not included in this report because it did not come in from the mission. That is the one that the information I got was from the people who have been doing the technical assistance work there.

Mr. ANDREWS. All right, then, the third that has taken no action.

Mr. MOSCOSO. The Dominican Republic was not included in the list. They have already——

Mr. ANDREWS. That cuts you down to three that have taken no action; is that right?

Mr. MOSCOSO. We are waiting in the case of Ecuador. In the case of Ecuador, the income tax law was approved 2 days ago to be precise.

Mr. ANDREWS. Since the President came up here?

Mr. MOSCOSO. So really the only one who has not performed is Haiti.

AID PROGRAM IN HAITI

Mr. ANDREWS. According to your book, on page 95, in 1961, which was the fiscal year of the Bogotá Conference, Haiti got a total under this program of supporting assistance and grants of $13.5 million; is that right?

Mr. MOSCOSO. You are right.

Mr. ANDREWS. In 1962, $13.3 million?

Mr. MOSCOSO. Right.

Mr. STERNFELD. The $13.3 million did not come through just because they did not perform these reforms.

Mr. ANDREWS. Your chart on page 95 shows that.

Mr. MOSCOSO. This was prepared before we had completed our final program.

Mr. ANDREWS. How much did Haiti get in fiscal 1962?

Mr. MOSCOSO. $25,000 in development grants and $7,093,000 in support assistance. A total of $7,118,000.

Mr. ANDREWS. What do you have planned for them in 1963; ———?

Mr. MOSCOSO. Yes; ———.

May I go off the record?

(Discussion off the record.)

COMMUNIST TRAINING SCHOOL IN CUBA

Mr. ANDREWS. I read in the paper several days ago that the Cubans are running a school for spies, or diplomats.

Mr. MOSCOSO. That is right.

Mr. ANDREWS. They are sending them out from that school at a rate of about 200 or 300 periodically, following graduation from the school, and they are sending them back into the countries below the border.

Can you tell us anything about that school, and what effect those graduates have when they return to their homeland?

Mr. MARTIN. We do not have details on the school. We do know substantial numbers of young people from various Latin American countries are recruited by the local Communist parties, given scholarships, sent by various routes, some devious, to Cuba and are given training in communism and propaganda, and some of them probably in guerrilla warfare and street fighting and they find their way back.

Mr. ANDREWS. Sabotage and espionage?

Mr. MARTIN. Yes. I think espionage is not so important as sabotage and guerrilla activities.

This is a matter for concern. We have been discussing with a number of governments the problem. It is a very difficult movement to control, some of the governments do have relations with Cuba.

As far as I know, there are no governments that have been able to take the kind of action that would absolutely preclude this sort of travel. We are keenly aware of it.

Mr. ANDREWS. I think it poses a very serious threat.

Mr. MARTIN. It can. It is not very many people scattered all over Latin America, but a relatively few people can cause you a lot of trouble.

Mr. ANDREWS. That is all, Mr. Chairman.

Mr. PASSMAN. Mr. Natcher?

BENEFITS FROM AID PROGRAM IN LATIN AMERICA

Mr. NATCHER. Mr. Ambassador, what benefits, if any, have we received from our foreign aid program in Latin America during the past 3 years.

Mr. MOSCOSO. For one thing, I think we have been able to avoid any other "Cubas". I think that is something we can partly attribute to the program.

For another, sir, the amount of goods that we have been selling to Latin America—though they have not increased, as the chairman very well pointed out, primarily due to the fact the terms of trade of the Latin American countries have suffered so much——

Mr. PASSMAN. Did we not agree yesterday that one of the reasons our exports had dropped was on account of the high price they have to pay for American commodities?

Mr. MOSCOSO. I did not say that. What I said was, compared to what they sell——

Mr. PASSMAN. I think all present remember that you did so state.

Mr. NATCHER. What was your last statement in answer to my question?

Mr. MOSCOSO. Your question was, if I recall it, What advantages have the United States derived? I was saying the aid program had, to a considerable extent, helped in reducing the impact of the drop in U.S. exports to Latin America that would have taken place because of the reduced prices that Latin Americans were getting for the products they were selling. That undoubtedly has been of great assistance to them.

The other thing I think we have gotten is undoubtedly a much closer feeling between the United States and Latin America, that we have a common destiny. I believe the people who have been fortunate enough to witness the receptions given to President Kennedy in Latin America will attest to it. At least in the years I have known Latin America, never has there been such a feeling of solidarity between the countries of Latin America and the United States. I attribute it particularly to the President's sponsorship and espousal of the Alliance for Progress.

ATTITUDES OF YOUNG PEOPLE IN LATIN AMERICA TOWARD ALLIANCE FOR PROGRESS

Mr. NATCHER. Has there been any change in the attitude of the young people in Latin America generally toward this particular program and to some of the policies that we have attempted to establish in Latin America during the past few years?

Mr. Moscoso. There have been some changes, not all of those that I would like to see, or any of us would like to see—I am sure Secretary Martin agrees. There have been some changes.

In the case of Argentina, the Communists dominated the student unions. As you know, the universities are very politically minded. They form groups which split along political lines, and in the case of Argentina, the unions of the University of Buenos Aires were predominantly Communist dominated. That is not the case today.

In the case of Venezuela, the faculty of the university which responds in part to the student body, which was also Communist dominated, has now become predominantly democratic dominated.

Mr. Martin. I happen to have a telegram in my pocket which arrived today from Honduras:

> Democratic student organization resoundingly defeated Communist-dominated organization in student elections yesterday. The vote was 904 to 686—218 victory margin compared with 11-vote margin last year. Non-Communists won comfortably in all faculties except economics. Last year the Communists took all faculties except general studies. Newly elected president of the non-Communist group studied 1 year at an American university as U.S. grantee in 1955. The new secretary general was one of 12 student grantees in the United States in April and May.

The President called me last night to consult me and to receive my congratulations on this.

The Embassy has been active with university students, and there has been an American priest, Father Fisher, who has been very active and helpful. There are an increasing number of instances of that sort. I was there 2 or 3 weeks ago. They were very worried about the outcome. They won a very decisive victory.

CHANGING ATTITUDES OF LANDOWNERS

Mr. Natcher. From time to time you see in the newspaper and by television that some of the landowners in certain sections of South America in particular are taking a little better care of the people they have on their plantations and the people that work for them in their businesses.

Has there been any change in certain of the countries in South America pertaining to the people generally from the standpoint of assistance from the landowner and the one in charge?

(Discussion off the record.)

Mr. Natcher. Is there any change in the attitude of the wealthy people there generally, those people we consider the wealthy people?

Mr. Moscoso. I would say there has been generally a change in attitude. In some countries more than others.

One of the countries which I happen to know the best is Venezuela. There is undoubtedly a decided change in the attitude. Whereas philanthropy was almost unknown in Latin America, in Venezuela quite a number of philanthropic foundations have been founded, some to undertake housing, low-cost housing at no profit whatsoever, others to provide books for the children in school, others to provide infant care, and so forth.

Once you get two or three of the prominent members of the leader class in the country to become aware that this is the 20th century, that they simply cannot forget their responsibilities of human solidarity,

and so forth, you get a forward movement in social development rather fast in some of the countries.

In other instances, sir, I am sorry to say, there is still not as much advance as any of us would wish. It is going to take a little bit of time because social changes which are never finished do take some time to perform. The important thing is—are they starting to make them and are they moving forward?

"DECLINE OF DEMOCRACY"

Mr. NATCHER. Mr. Ambassador, did you happen to see the editorial that appeared in Monday's issue of National Observer?

Mr. MOSCOSO. I did not see it.

Mr. NATCHER. This editorial pertained to the mutual security program generally and it went into detail somewhat concerning the dictatorships we have now in the world and in some countries where we have rendered considerable assistance in the mutual security program. The title of this editorial is "The Decline of Democracy."

Mr. Chairman, with your permission, I would like to read a paragraph or two of this.

Mr. PASSMAN. Please do so.

Mr. NATCHER. Mr. Ambassador, one or two of the paragraphs of this editorial are as follows:

> It often seems that the prospects of popular government in this world are getting dimmer by the week. Not only do hundreds of millions of people live under the Communist yoke, more and more nations that have tried democracy are regressing to some form of dictatorship.
>
> Just last week the Peruvian armed forces did the expected. After weeks of hassling among the political parties in the wake of a seemingly free but inconclusive election, the military seized power and established a junta. The U.S. Government promptly expressed its disgust by suspending diplomatic relations with Peru, issuing a White House statement denouncing the action, and halting practically all aid to the country.
>
> Similarly, military goings on occurred in Argentina a few months ago, and today that country has a civilian President who is little more than a puppet.

This editorial, in addition, points out conditions in Ghana and certain other countries which we must admit are true.

CHANGING POLITICAL ATTITUDES IN LATIN AMERICA

Speaking of dictatorships, as far as Latin America is concerned, do you feel at the present time that this program that we have underway insofar as mutual security is concerned is assisting not only our Government, but the other free countries of the world from the standpoint of lessening this danger in Latin America?

Mr. MOSCOSO. Mr. Natcher, this program, as you are well aware—because you gentlemen have had quite a bit to do with it—states that reforms shall be undertaken. We, in our agency, are serious about this. We are striving hard to obtain those reforms. They will come slowly, but they are coming. Every time social reforms are undertaken, there are bound to be upheavals. I believe that in the case of Latin America we are going to see some setbacks.

Now we have had forward-moving representatives democracies over the past few years. Perón was deposed as a dictator. Also Rojas Pinilla in Colombia. Perez Jiminez in Venezuela was deposed. So

we do have the typical pattern of advance and progress. You move forward somewhat, and then you regress a bit, and then you move forward again.

In the case of our particular program, I think that the financial assistance that we are giving these countries is going to consolidate democracy. It is going to make for less political upheaval; but at the same time the reforms that have to take place are going to be resisted by certain groups. Therefore we must expect a certain degree of tensions.

Mr. MARTIN. May I add a point?

I suspect it has been a rare occasion in Latin America when a military group has seized power and felt compelled, as almost its first act, to announce when it is going to hold free elections, or permit them to be held. This was the case in Argentina. The civilian government at a very early date announced its plans for free elections. In Peru they have already fixed the date. It is further away than I would like, but they have fixed a day for free elections and announced very firmly the military will not run, or be candidates, but it will be the political parties.

In Argentina, they have gone so far as to say no military man, or military person retired within 2 years, can run for any office in the Argentine elections. This is not customary in Latin America. There is a new spirit.

Mr. MOSCOSO. The Secretary and I were commenting on the way to Mexico about the fact of the tremendous efforts made in Argentina to maintain the constitutionality of their actions. We have never seen anything like that in the history of Latin America. The efforts were tremendous.

DISRUPTED RELATIONS WITH PERU

Mr. RHODES. You still broke off diplomatic relations with Peru?

Mr. MARTIN. We did so before they took these steps, and we feel our actions have been a considerable incitement to them to maintain civil liberties, to minimize arrests, and announce free elections.

Mr. RHODES. According to the morning papers, at least two of the three factions down there have now gotten together and the United States stands alone.

Mr. MARTIN. The United States has not much support within Peru, but it would be incorrect to say we stand alone in the hemisphere.

Mr. RHODES. Who else broke relations?

Mr. MARTIN. Everyone except Haiti and Portugal, and several have broken relations which we did not do. We merely suspended. None of the important European powers, or Canada, or——

DELAYS IN ALLIANCE FOR PROGRESS

Mr. NATCHER. Do you feel encouraged over the situation in Latin America?

Mr. MOSCOSO. Yes, I feel that in the long run we can be optimistic about it. I think that in the short run we have been slow in getting the program started. I am sorry to say the expectations of rapid movement were built up too quickly. The AID agency, as you know, underwent a tremendous reorganization. New responsibilities were

put upon its present ones. There was a substantial change in personnel. There was a complete change and turnaround in its philosophy. All of these things have slowed down the progress we would like to have made.

Mr. NATCHER. I always have believed, and especially in the last several years, that a number of families in Latin America have caused more trouble in Latin America than anything I could name. A number of them now live in France, as you know, and they are in England and other places, and assets have been withdrawn from Latin America. I think that is good because personally I believe a number of these families have caused considerable trouble in Latin America.

Mr. Chairman, I will say to you in all frankness, I am not at all alarmed about some of the money that has been withdrawn by certain of these families because they had no interest in Latin America of the kind we would like to see them have.

Mr. MOSCOSO. That is right.

Mr. NATCHER. I think that situation has been right serious in the past.

If a number of those people who expect the people generally to remain peons or slaves move out, I think it would help Latin America.

Mr. MARTIN. May I add another comment on whether I am encouraged or discouraged?

IMPROVED CONDITIONS IN CENTRAL AMERICA

I am just back from a 12-day trip through the five Central American countries and Panama.

In every one of those countries there is a spontaneously organized group of younger businessmen, plantation owners, or sons of plantation owners, who have gotten together to see what they can do about modernizing their country in the framework of the Alliance for Progress objectives and the promotion of better opportunities for private enterprise in relation to the state and in relation to inefficiency and corruption.

I think this is an enormously healthy sign, not only because I like their objectives, but also because—on the whole—this is a group that has stood aloof from politics. They felt it was beneath them to engage in politics. We desperately need these kinds of people to become interested in the question of government. I think this is a very encouraging sign.

They are now beginning to get in touch with each other in the various countries and exchange ideas.

Secondly, I went out through the countryside a bit, and I was most impressed by the peasants, who were given a chance to get together and do something for themselves which had never occurred to them they might. They always depended on the central government. They seized this opportunity. They have gone to work and worked hard. They have built schools, dug wells, built houses, with a little outside help, with a little organization, and now they have finished these and they wonder what else they can do for themselves.

This is what the Alliance for Progress has to do if it is to succeed, mainly, that these people get out and do for themselves. We

are junior partners. They have to do the bulk of it. The spirit is there if someone can just put the spark to it.

Mr. Moscoso. And it has to be the local political leadership that has to do that.

Mr. NATCHER. Thank you, Mr. Chairman.

Mr. PASSMAN. There is a limitation on our resources and a limitation on our ability to generate money to make available these funds. There is very little proof that we are not pouring it into a bottomless pit. If we do not face up to the realities, we are going to be in very serious trouble.

EXPORTS TO LATIN AMERICA

We felt encouraged that by this extensive aid program for Latin America, we could substantially increase our exports. But, in fiscal year 1957 our exports to Latin America amounted to $3,960 million. The total dropped to $3,538 million in 1958, and on down to $3,254 million in 1960, while in 1961 it was only $3,366 million.

Now, let us take a look at other nations that are selling commodities to Latin America. In 1957 that total was $4.5 billion. It dropped to $4,100 million in 1958. It held its own, at $4.1 billion, in 1959, and went up to $4.5 billion in 1960.

During those same years, we had an aid program—in 1957, $642 million; 1958, $377 million; 1959, $621 million; 1960, $380 million, and 1961, $981 million.

The record will speak for itself.

How many laws do you know of that have been passed in Latin America since the Bogotá Conference that would increase taxes?

Mr. Moscoso. May I say something?

Remember, you have to put this in context in the drop of the prices of the products these countries export.

Mr. PASSMAN. You will notice that our exports went down to about $3.2 billion, while Latin American purchases from other nations of the world went up to $4.5 billion.

Mr. Moscoso. Only in 1 year has that happened.

I think that is primarily because the prices of the products they exported were too low.

Mr. PASSMAN. It does not make any difference. They were able to buy from other nations $4.5 billion, and from the United States only $3.2 billion.

SPECIFIC TAX LEGISLATION

Anyway, how many tax laws, specifically, have been put into effect?

Mr. Moscoso. The record I have here, Mr. Chairman, indicates there have been improved administration——

Mr. PASSMAN. I am not talking about improved administration. I am talking about tax laws.

Mr. Moscoso. In Colombia, El Salvador, Mexico, Nicaragua, Panama, Peru, and Venezuela, the Dominican Republic, and Ecuador.

Mr. PASSMAN. How many is that?

Mr. Moscoso. Eight.

Mr. PASSMAN. Insert in the record a statement on what kind of taxes were increased, and then go back to your statements as to the amount of money that was brought into the treasuries of the countries

during the time the aid program was increasing substantially. Then do your subtracting so you can ascertain whether or not they had an increase in actual taxes collected from the people, or whether or not it was budgetary support and cash transaction support and balance-of-payments support we gave to them.

(The information follows:)

LAWS INCREASING TAXES IN LATIN AMERICA

A number of tax laws have been enacted in the different countries of Latin America since the act of Bogotá. (The act of Bogotá was signed September 13, 1960.) The identification of the laws enacted and of the countries enacting the laws is as follows:

A. MAJOR TAX REFORM

1. Measures enacted

Argentina.—A tax reform bill of wide coverage was passed in February 1962, affecting income, sales, and other taxes. It is considered as a major first step in the complete reconstruction of the tax system. The law has been further implemented by a resolution, effective August 1, which materially strengthens tax administration procedures.

Bolivia.—In June 1961, a revised Customs Code was enacted. The first of a series of basic revisions in the tax structure of the country, it was enacted firstly because of the primacy of customs in the Bolivian revenue system.

British Guiana.—The tax system revisions enacted in British Guiana in 1962 represent a series of tax revisions, primarily in the income tax, that incorporate the latest features of the most advanced tax systems.

Colombia.—A basic series of tax proposals clarifying and codifying aspects of the tax system was enacted into law on December 22, 1960. The clarification involved was in itself a major accomplishment. The minimum income tax rate on corporations was raised from 31.75 to 36 percent and that on individuals from 48 to 51 percent. Structural changes in the law were also made.

Dominican Republic.—A new income tax law, effective July 1, 1962, establishes, in addition to many other changes, more progressive rates on individuals. The income of business firms is taxed at a progressive rate with a top bracket of 38 percent on profits in excess of $60,000.

El Salvador.—Decree No. 300 of September 19, 1961, was a major effort on the part of the then directorate Government to achieve progressive and complete tax reform under Alliance standards. The top income tax bracket, for example, was placed at 76.5 percent. Corporate income was taxed at graduated rates up to 15 percent. Administrative matters were also specifically covered.

Mexico.—A series of enactments, effective January 1, 1962, have affected the various tax laws of the country. Criminal penalties were initiated. A number of its income tax provisions were simplified. Thus, a progressive surtax with a top rate of 15 percent on total taxable incomes in excess of $14,400 was provided for. Gains on sales of land for buildings were made taxable at varying rates. Other structural changes were included. As a result of these and other tax reforms, $68 million will be added to the national revenues in 1962 over 1961 collections.

Nicaragua.—During the last week of June 1962, six new tax measures were enacted into law in implementation of a far-reaching tax-reform program. The program was designed to meet Alliance for Progress standards. The rate of taxation on real and personal property was materially increased. Other changes were made in the income and inheritance tax laws affecting such property and in the income tax generally. Incomes in excess of $71,430 are now taxed at a rate of 35 percent.

Panama.—Tax reform legislation was passed, effective January 1, 1961, affecting the income tax, the urban realty tax, the stamp tax and other taxes. It was designed primarily to raise at least $2 million of additional revenue. In addition, a second major reform updated the income tax and was expected to raise another $5 million in 1962 (over 1961 collections). The law also provided for improved administration. It included the establishment of procedures for the enforcement of penalties dealing with fraud and tax evasion.

Uruguay.—An income tax was enacted for the first time in the history of the country; it became effective July 1, 1961. Under the same law, other important changes in the tax system were achieved. Taxes were simplified in many areas,

and sales tax rates were raised 8 percent. A law enacted in December 1961 weakened some of the income tax provisions, but the general scope of the overall reform was allowed to stand.

Venezuela.—Two major reforms were enacted in 1961—the first in February and the second in June. The expected revenue increase on a permanent basis is $22 million a year. Top inheritance and gift tax rates were increased from 30 to 55 percent, tax incentives were introduced, and major income tax changes were made. A feature of the changes was the introduction on a broad basis of the withholding and pay-as-you-go tax mechanisms.

2. Measures in legislative process and nearing enactment

Brazil, Chile, Ecuador, and Guatemala.

B. MISCELLANEOUS SUBSTANTIAL INCREASES IN TAXES

1. Measures enacted

Argentina (miscellaneous actions designed materially to increase revenues in order to meet fiscal crises).

Costa Rica (miscellaneous actions designed materially to increase revenues in order to meet fiscal crises).

Guatemala (1962 decree substantially increasing tax yield from real estate).

Nicaragua (withholding system with respect to income from agricultural products; miscellaneous increases in indirect taxes).

2. Measures actively pending

Honduras (proposed imposition of 20 percent surcharge on incomes in excess of $5,000).

The following table for 1959, 1960, 1961, and, in some cases, 1962, illustrates the correlation from a budgetary standpoint of domestic revenue figures and foreign aid receipts.

In the table, the first column is a composite figure that shows the gross budgetary receipts of the country. These receipts are made up of domestic revenues (col. 2) and of U.S. foreign aid (grants and loans, cols. 3 and 4) and non-U.S. foreign aid (grants and loans, cols. 5 and 6).

Domestic revenue—in accepted budgetary practice and as used in this table (col. 2)—includes no element of foreign aid of any kind or from any country. All tax receipts are included in domestic revenue. They account in the case of most countries for over 90 percent of the total. The balance is made up of service charges and of certain operating types of income received by the Government.

Columns 7 and 8 reflect the repayment of foreign aid loans during the year in question. Columns 9, 10, and 11 give budgetary reflection to that repayment. Column 11 is the so-called net budgetary receipt column. It is made up of foreign aid net (cols. 9 and 10) and of domestic revenues (col. 2 as referred to above). The foreign aid net figures are the ones that appear in the basic data that is available for each country.

Column 12 sets forth the applicable cost-of-living indexes in each of the countries for the pertinent years. In five of the six countries, rises in cost of living do not account for the increases in domestic revenues.

Examples of budgetary relationship between domestic revenues and foreign aid receipts

[All in millions of U.S. dollars]

Country	Gross budgetary receipts [1]	Domestic revenue	U.S. foreign aid: gross		Non-U.S. foreign aid: gross		Repayment of foreign loans		Foreign aid net: (grants and loans)		Net budgetary receipts	Cost of living (base year: 1953=100)
			Grants	Loans	Grants	Loans	To United States	To non-United States	United States	Non-United States		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Bolivia:												
1959	37.3	20.9	12.4	0	0	4.0	0	0	12.4	4.0	37.3	2,990
1960	36.5	27.3	8.9	0	0	.3	0	0	8.9	.3	36.5	3,350
1961 [2]	47.1	29.9	12.5	0	0	4.7	0	0	12.5	4.7	47.1	3,585
Chile:												
1959	651	602	0	18	0	31	0	0	18	31	651	124
1960	686	674	0	12	0	0	0	14	12	−14	672	121
1961 [2]	854	773	20	44	0	17	0	0	20	61	854	124
1962 [3]	1,112	890	11	81	0	130	0	0	92	130	1,112	
Costa Rica:												
1959		68.2							6.4	0.8	75.4	113
1960	74.6	72.0	2.0	.6	0	0	1.2	0	1.4	0	73.4	114
1961 [2]	87.4	79.0	2.6	3.5	0	2.3	.8	0	5.3	2.3	86.6	117
1962 [3]	100.3	85.0	3.6	8.6	0	3.1	.2	1.3	12.0	1.8	98.8	
Guatemala:												
1960	94.4	88.0	6.0	0	0	.4	0	1.2	6.0	−.8	93.2	104
1961 [2]	88.2	86.0	2.0	0	0	.2	0	1.2	2.0	−1.0	87.0	103
1962 [3]	109.5	91.0	10.6	7.9	0	0	0	1.2	18.5	−1.2	108.3	
Nicaragua:												
1960	36.4	33.6	2.8	0	0	0	.6	0	2.2	0	35.8	114
1961 [3]	39.4	35.0	2.8	1.6	0	0	1.3	1.1	3.1	−1.1	37.0	116
1962 [3]	41.3	36.6	4.2	.5	0	0	0	.9	4.7	−.9	40.4	
Panama:												
1959		51.6							9.4	.5	61.5	99
1960	66.2	58.0	.4	7.8	0	0	.2	.4	8.0	−.4	65.6	99
1961 [2]	68.8	61.2	1.3	4.3	0	2.0	.2	.4	5.4	1.6	68.2	
1962 [3]	82.9	65.7	9.9	7.3	0	0	.7	.4	16.5	−.4	81.8	

[1] Columns 2±3+4+5+6.
[2] Preliminary actuals.
[3] Budgeted.
[d] Columns 3+4 less 7.
[e] Columns 5+6 less 8.
[f] Columns 2+9+10.

Mr. RHODES. Also, along those lines, I think you ought to indicate whether these increases are in constant dollars, or whether this increased number of dollars might be the result of inflation.

I note in going through the books that several of these countries had a rather large increase in the cost of living.

Mr. MOSCOSO. These are all adjusted dollar figures.

Mr. RHODES. You are saying that the numbers of dollars which have been collected in these countries have increased. The increase may well be due to inflation within the country.

Mr. MARTIN. I think the calculations are based on a common identical tax base. No change in production or prices.

Mr. RHODES. Mr. Secretary, the figures should be based on actual numbers of dollars, not on any projection. If you have the number of dollars and you are comparing this number of dollars with that number of dollars, you can also grind into the formula a comparison as far as the value of the unit of currency is concerned.

Mr. MOSCOSO. That is included in the figures given.

ORIGIN OF THE ALLIANCE FOR PROGRESS

Mr. RHODES. Mr. Ambassador, when did the Alliance for Progress start?

Mr. MOSCOSO. There have been several dates set for this. President Kennedy made a speech on March 13, 1961, in which the words and the concept were first enunciated. It was not possible to put the Alliance into the form of a charter until the Inter-American Economic and Social Council could meet at the ministerial level which was finally held in August in Punta del Este. It was not until August that the Charter of Punta del Este was approved.

Mr. RHODES. What happened after the Act of Bogotá?

Mr. MOSCOSO. Prior to that, of course, the Act of Bogotá, which was approved in 1960, had laid the foundation for this particular program.

Mr. RHODES. Am I wrong in thinking that the words "Alliance for Progress" came out of the Act of Bogotá?

Mr. MOSCOSO. I do not recall that.

I must say the idea for the Alliance, for bringing together the countries of Latin America and the United States into a comprehensive cooperative effort of this kind, was born as far back as 1960. It was born out of the report that President Eisenhower got from his brother Milton when he made his trip to Latin America.

Mr. RHODES. And implemented by the Act of Bogotá?

Mr. MOSCOSO. Yes, begun by the Act of Bogotá.

Mr. RHODES. The Democrats try to take credit for it. It started in the Eisenhower administration. There are a lot of Republicans who would like for you to have credit for it. I do not happen to be one of them.

Mr. MOSCOSO. I am the first one to admit that is the case.

ARGENTINA'S REQUEST FOR FINANCIAL ASSISTANCE

Mr. RHODES. Are you going to accede to the request of Argentina for immediate budget support? We read about it in the paper.

Mr. MOSCOSO. No, sir.

Mr. RHODES. Has there not been a request for rather immediate budgetary support from Argentina?

Mr. MARTIN. There is $20 million——

Mr. MOSCOSO. That is balance of payments.

Mr. RHODES. Nothing other than that?

Mr. MOSCOSO. That is right.

Mr. STERNFELD. At this point in time.

Mr. RHODES. Always at this point in time.

You would not be indicating there might be something in the mill here?

Mr. STERNFELD. No.

Mr. MARTIN. Mr. Alsogaray did not ask for any budgetary support during his visit here.

RELATIONSHIP OF JUSTIFICATION CLAIMS TO ALLIANCE FOR PROGRESS

Mr. RHODES. The newspaper article I read was wrong, then.

Looking at pages 15 and 16 in the book here, you have listed 14 steps which have—

already been taken, particularly since the Act of Bogotá in 1960, which demonstrate the growing realization among Latin American countries of the nature of the problem and a determination to move in the right direction.

I have gone through these. The first one has to do with the oil resources of Argentina being opened for foreign exploration. What did that have to do with the Alliance for Progress?

Mr. MOSCOSO. The reason why this is included here is this—one of the basic tenets of the Alliance for Progress is, it will be self-help, and among the measures of self-help is considered assistance to private enterprise.

Mr. RHODES. We do not want you to write a short economic history of South America. We want you to put anything in the book relevant to the Alliance for Progress.

What is relevant to the Alliance for Progress?

Mr. MOSCOSO. The fact that the Argentine Government has been willing to make very decisive changes in their attitude toward private enterprise, and by that means brought about very substantial increases in the investments of foreigners in their country.

Mr. RHODES. We have already established that this Alliance for Progress began in 1960, not before. Now, this occurred shortly after 1958.

I do not intend to belabor this, but if you will go through these 14 points, you will find that 7 could not possibly have had anything to do with the Alliance for Progress. These things cause us to wonder about the validity of the rest of the book.

Mr. Moscoso. Which are those?

Mr. Rhodes. No. 3:

Since August 1960, in a step-up of the agrarian reform program, Bolivia granted 71,000 land titles to small-scale farmers.

What did the Alliance for Progress have to do with that? They could not have possibly produced a land reform in 1 month.

Let's go to No. 6:

"November 1960"—which is 1 month after the Act of Bogotá—"Columbia enacted an agrarian reform law."

Was the legislative body of Colombia sitting there just waiting with bated breath for the Act of Bogotá to be enacted?

Mr. Moscoso. This is 1961; this is November 1961.

Mr. Rhodes. I will accept that.

Is No. 8 also a mistake, Venezuela and its land reform program?

Mr. Moscoso. This was 1960.

Mr. Rhodes. It could not have had much to do with the Act of Bogotá.

Mr. Moscoso. What the Act of Bogotá did was to change the climate. It gave a lot of moral backing to these reform measures which were having tough sledding in each of these countries.

Mr. Rhodes. I recognize that.

The point that I object to is your relating these directly to the Alliance for Progress, and saying that because of it these things happened. I do not think they did.

Look at No. 12:

Expenditures on education in Mexico now amount to 21 percent of the total budget as compared to 5 percent for the military.

What did the Alliance for Progress have to do with that?

Mr. Moscoso. There is a section in the Alliance for Progress which states that the countries in Latin America agree to increase the amount of money they put into education and set a target date of 1970 for ——

Mr. Rhodes. Are you going to tell me now that Mexico has changed these percentages since 1960?

Mr. Moscoso. It appears they have increased the amount of money they are putting into education.

Mr. Rhodes. I am sure of that.

Are you going to say these percentage changes actually have occurred since 1960?

Mr. Moscoso. I do not have the base.

Mr. RHODES. In the first place, we have no basis for comparison here. It is stated that now the Mexican budget provides 21 percent for education and 5 percent for the military. We do not know. Perhaps it has always been that way.

Mr. MOSCOSO. We can get the figure for you and show you the comparison.

(The information requested follows:)

EDUCATION EXPENDITURES IN MEXICO

Government of Mexico expenditures on education have increased from $119 million, or 15 percent of the 1959 budget, to $150 million, or 19.3 percent of the 1960 budget, to $169 million, or 19.6 percent of the 1961 budget, to $207 million, or 20.9 percent of the 1962 budget.

Mr. RHODES. We have in No. 13 here a reference to something which occurred in 1959, and I think I have to buy No. 14 as possibly having had something to do with the Alliance for Progress, though I think probably it came mainly from the Development Loan Fund which was ahead of the Alliance, in point of time.

Mr. MOSCOSO. It was finally made available during the initial weeks of the Alliance for Progress.

Mr. RHODES. You did not have to sell us quite this hard.

Mr. MOSCOSO. I am sorry.

Mr. RHODES. I think you tried to oversell the jury.

Mr. MOSCOSO. I have the overall responsibility for it, but I can assure you I did not choose these particular items.

Mr. RHODES. I understand.

NEW CONCEPTS UNDER THE ALLIANCE FOR PROGRESS

Now, how much really is new in the Alliance for Progress? Is not a lot of it a carryover from the Development Loan Fund and the supporting assistance and the expense support and technical assistance before?

Mr. MOSCOSO. Some of it; yes, sir.

Mr. RHODES. The main thing actually in the Alliance for Progress is to try to get——

Mr. MOSCOSO. The countries to help themselves.

Mr. RHODES. To participate in it more fully than they have?

Mr. MOSCOSO. Right.

Mr. RHODES. And to try to get them to enact certain laws and regulations which we feel are necessary to get them in a viable position as far as their economy is concerned?

Mr. MOSCOSO. Yes, and also to work within the framework of goals set up in the charter of Punta del Este, that they would strive to achieve a 2½-percent-per-capita-per-year growth rate.

TRAINING PROGRAM FOR LABOR LEADERS

Mr. RHODES. Do you have a program under the Alliance for Progress involving bringing labor leaders from those countries to this country for a 9-month course?

Mr. MOSCOSO. Yes.

Mr. RHODES. What is that? Will you explain that?

Mr. MOSCOSO. We have worked out a contract with the American Institute for Free Labor Development. This is a new instrumentality which has been created with the participation of private enterprise and the labor movement in the United States.

Mr. RHODES. What is it, an American corporation?

Mr. MOSCOSO. An American corporation representing businessmen interested in Latin America, together with the labor movement here in the United States.

Mr. RHODES. At this point in the record, may we have a list of the officers?

Mr. MOSCOSO. Yes. The president is Peter Grace, and I think the vice president is George Meany.

Mr. PASSMAN. You said labor and free enterprise?

Mr. MOSCOSO. Yes.

Mr. PASSMAN. Show their present connections and prior connections.

Mr. MOSCOSO. We will give you the names of the officials and the principal founders of the organization.

Mr. RHODES. When it was formulated?

Mr. MOSCOSO. Yes.

(The information requested follows:)

AMERICAN INSTITUTE FOR FREE LABOR DEVELOPMENT

The American Institute for Free Labor Development is a nonprofit corporation incorporated under the laws of Delaware on August 24, 1961. The institute was created by U.S. organized labor with the support and participation of the management of firms with interests in Latin America.

The officers are: Chairman, J. Peter Grace, Jr., president of W. R. Grace & Co.; vice chairman, George Meany, president of the AFL–CIO; secretary-treasurer, Joseph A. Beirne, president of the Communications Workers of America and vice president of the AFL–CIO; the executive director is Serafino Romualdi, inter-American representative of the AFL–CIO; and William Doherty, Jr., director of the Social Projects Department, has served as inter-American representative of the Postal, Telephone & Telegraph Workers International.

Other members of the board of trustees of the institute are as follows: Charles Brinckeroff, president, Anaconda Co.; James B. Carey, president, International Union of Electrical Radio & Machine Workers, AFL–CIO; Jose Figueres, former President of Costa Rica; Berent Friele, senior vice president, American International Association; George Harrison, president, Brotherhood of Railway & Steamship Clerks, Freight Handlers, Express & Station Employees, AFL–CIO; Kenneth Holland, president, Institute of International Education; Arturo Jauregui, Secretary General of ORIT, Mexico, D.F.; Eric Johnston, president, Motion Picture Association of America, Inc.; Joseph D. Keenan, secretary, International Brotherhood of Electrical Workers, AFL–CIO; O. A. Knight, presi-

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Mr. RHODES. Do you carry this under your regional programs?

Mr. MOSCOSO. Yes.

Mr. RHODES. Do you have figures on the contract which you have with this nonprofit corporation?

Mr. MOSCOSO. $250,000.

Mr. RHODES. For 1 year's operation?

Mr. MOSCOSO. That is right, for our first contract for labor leader training.

PARTICIPANT TRAINING UNDER LABOR PROJECT

Mr. RHODES. How many labor leaders do they bring to this country?

Mr. MOSCOSO. Forty-two union leaders for 3 months' training, plus 9 months of intern training in the host country.

Mr. RHODES. Three months in this country and nine months in the host country?

Mr. MOSCOSO. Yes.

Mr. RHODES. What is the host country?

Mr. MOSCOSO. The country from where the trainee is to come.

Mr. RHODES. So that is a total of a year?

Mr. MOSCOSO. That is right.

Mr. RHODES. That is 42 of them at $250,000, which is roughly $6,000 apiece?

Mr. MOSCOSO. $210,000 is for travel and per diem for the participants and then $40,000 is for the teaching staff and the establishment of field training in the host country.

Mr. PASSMAN. In what field do they train the labor leaders? What do you train them to do?

Mr. MOSCOSO. One of the things we are hoping to achieve, sir, is the development of a democratic labor movement in Latin America.

Mr. PASSMAN. To organize labor unions to learn about our——

Mr. MOSCOSO. About our democratic labor movement.

Mr. PASSMAN. Similar to what we have in America; is that correct, sir?

Mr. MOSCOSO. As compared to the type labor movements that the Communists are trying to establish.

Mr. PASSMAN. You train them to operate as we do here in America?

Mr. MOSCOSO. That is right.

TRAINING IN OPERATION OF COOPERATIVES

Mr. PASSMAN. Yesterday you testified with reference to another fund for training to organize cooperatives?

Mr. MOSCOSO. That is right.

Mr. RHODES. Would you at this point in the record give a résumé of the training these people receive, both in their country and in the United States?

Mr. STERNFELD. We can give you the plan.

Mr. MOSCOSO. This is so recent that I do not have the full detail but I can give you the plan that is being worked out now.

Mr. STERNFELD. We have the plan as to what kind of training they expect to do, both in the United States and abroad.

ECONOMIC INTEGRATION PROGRAM IN CENTRAL AMERICA

Mr. RHODES. Will you set up any kind of a suboffice in Latin America which will direct the regional programs and atcually be an on-the-ground headquarters?

Mr. MOSCOSO. We have set up a regional team in Central America where we are assisting in the economic integration of the five nations that comprise the Common Market of Central America. We hope by focusing attention on this central regional operation we will assist in the integration movement, accelerate it.

OTHER TRADE ORGANIZATIONS IN LATIN AMERICA

Mr. RHODES. Do you find any interest in the other countries of South America and Latin America in an organization similar to the Central American Common Market?

Mr. MOSCOSO. Yes, sir. They have started a free trade area set up by the charter of Montevideo which comprises most of the larger countries, including Mexico. The only problem in this particular operation or attempt to integrate is that they set themselves a very cumbersome procedure in which you have to negotiate the tariff reductions item by item, commodity by commodity.

As you know in the case of the European Common Market one of the reasons for its success is that there has been agreement on an across-the-board reduction of tariffs and that is why the process has been accelerated in Europe.

Now, the Central American countries did not—even though they are smaller countries—did not accept the Latin America free trade countries' procedure. They took to the European procedure of across-the-board reductions and that is why this integration movement is going along a lot faster. The LAFTA countries are growing, they are aware they will not achieve integration as soon as they expect, so they are having a meeting in Mexico and hopefully they may adopt the Central American procedure of across-the-board tariff reduction.

TREASURY RECEIPTS AND WITHDRAWALS

Mr. PASSMAN. Last year set an alltime record for U.S. tax collections. It also set an alltime record for spending. But, when we look at the Treasury statement dated July 23, 1962, we find that the administration withdrew from the U.S. Treasury to operate the Government for the 23 days, $7,445,882,851.02, as compared with $6,171,268,872.62 for the corresponding period the previous year. There are one or two answers: We are running wild with our expenditures this year or else a lot of invoices that should have been paid in June got mixed up and did not get over for payment until this fiscal year. The shoe either fits the left foot or the right. I shall insert the July 23 Treasury statement in the record.

(The document follows:)

Daily Statement of the United States Treasury

JULY 23, 1962

The deposits and withdrawals shown in this statement are those that affect the account of the Treasurer of the United States. Operations on a budgetary basis, showing the budget surplus or deficit, are published in the Monthly Statement of Receipts and Expenditures of the United States Government.

ACCOUNT OF TREASURER OF THE UNITED STATES

ASSETS	
Gold (oz. 464,938,218.9)	$16,272,837,663.01
(Amount on July 21, 1961 was $17,524,935,663.66)	
Total	16,272,837,663.01
Silver (oz. 1,686,494,335.5)	2,180,517,927.10
Silver dollars (oz. 88,033,517.1)	113,821,113.00
Total	2,294,339,040.10
Gold balance (as above)	120,370,121.70
Silver balance (as above)	32,370,260.10
Subsidiary coin (oz. 3,471,988.6)	4,799,707.70
Other silver bullion (oz. 37,797,685.9)	32,151,786.16
Other coin and currency	89,625,490.24
Unclassified-collections, etc.	73,993,878.43
Deposits in:	
Federal Reserve banks:	
Available funds	661,228,523.39
In process of collection, etc.	200,427,446.85
Special depositaries, Treasury Tax and Loan Accounts	5,376,750,856.30
Other depositaries	392,648,036.32
Total	6,984,564,107.19

LIABILITIES	
Gold certificates (Series of 1934), etc	$16,152,467,541.31
Balance of gold	120,370,121.70
Total	16,272,837,663.01
Silver certificates (issued after June 30, 1929)	2,261,968,780.00
Balance of silver	32,370,260.10
Total	2,294,339,040.10
Board of trustees, Postal Savings System:	
5-percent reserve, lawful money	29,500,000.00
Other deposits	20,523,635.27
Uncollected items, exchanges, etc.	39,209,528.35
Balance	6,895,330,743.57
(Balance corresponding day last year was $3,639,485,715.19)	
Total	6,984,564,107.19

CASH DEPOSITS AND WITHDRAWALS

Classification	This month to date	Corresponding period last year	Fiscal year 1963 to date (Beginning July 1, 1962)	Corresponding period fiscal year 1962 (Beginning July 1, 1961)
DEPOSITS				
Internal revenue:				
Individual income taxes and Federal Insurance Contributions Act taxes withheld[1]	$655,195,082.29	[a] $602,056,412.71	$655,195,082.29	[a] $602,056,412.71
Individual income taxes other and Self-Employment Contributions Act taxes[1]	267,854,584.51	206,332,126.39	267,854,584.51	206,332,126.39
Corporation income taxes	503,706,571.90	369,282,896.71	503,706,571.90	369,282,896.71
Excise taxes	1,036,064,707.33	980,477,156.16	1,036,064,707.33	980,477,156.16
Railroad Retirement Tax Act taxes[2]	2,109,588.84	2,048,219.55	2,109,588.84	2,048,219.55
Federal Unemployment Tax Act taxes[3]	925,480.86	583,485.90	925,480.86	583,485.90
Estate and gift taxes	104,682,634.18	99,744,531.19	104,682,634.18	99,744,531.19
Customs	62,029,573.70	46,934,381.20	62,029,573.70	46,934,381.20
Deposits by States and Railroad Retirement Board in unemployment trust fund	20,764,552.80	22,129,296.82	20,764,552.80	22,129,296.82
Veterans' life insurance funds	34,630,590.22	36,219,702.17	34,630,590.22	36,219,702.17
All other	911,935,977.59	407,946,922.17	911,935,977.59	407,946,922.17
Total	3,599,899,344.22	2,773,755,040.97	3,599,899,344.22	2,773,755,040.97
Deduct: Refunds of receipts	121,827,332.12	139,435,172.99	121,827,332.12	139,435,172.99
Net deposits	3,478,072,012.10	2,634,319,867.98	3,478,072,012.10	2,634,319,867.98
WITHDRAWALS				
Defense Department:				
Military (including military assistance)	2,950,507,646.98	2,563,086,354.24	2,950,507,646.98	2,563,086,354.24
Civil	62,819,601.14	95,321,553.47	62,819,601.14	95,321,553.47
Foreign assistance - economic	125,002,518.51	106,592,570.71	125,002,518.51	106,592,570.71
Atomic Energy Commission	167,762,691.31	170,506,064.13	167,762,691.31	170,506,064.13
National Aeronautics and Space Administration	104,350,953.81	[a] 101,088,864.64	104,350,953.81	[a] 101,088,864.64
Veterans' Administration	389,257,656.11	386,660,620.35	389,257,656.11	386,660,620.35
Commodity Credit Corporation[4]	203,045,894.48	222,580,545.40	203,045,894.48	222,580,545.40
Health, Education, and Welfare Department	399,850,364.13	[a] 278,633,267.22	399,850,364.13	[a] 278,633,267.22
Interest on the public debt	191,494,224.46	163,032,495.57	191,494,224.46	163,032,495.57
Federal employees' retirement funds	88,737,389.49	82,079,388.68	88,737,389.49	82,079,388.68
Federal old-age and disability insurance trust funds	1,198,566,283.13	[a] 1,055,288,336.02	1,198,566,283.13	[a] 1,055,288,336.02
Highway trust fund	182,434,122.29	[a] 173,291,166.72	182,434,122.29	[a] 173,291,166.72
Railroad retirement account	85,809,813.40	84,095,017.51	85,809,813.40	84,095,017.51
Unemployment trust fund	154,279,469.87	181,364,441.71	154,279,469.87	181,364,441.71
Veterans' life insurance funds	46,399,954.83	145,275,746.45	46,399,954.83	145,275,746.45
All other	746,241,936.11	[a] 545,750,191.56	746,241,936.11	[a] 545,750,191.56
Clearing account	349,322,330.97	-183,377,751.76	349,322,330.97	-183,377,751.76
Total withdrawals	7,445,882,851.02	6,171,268,872.62	7,445,882,851.02	6,171,268,872.62

[1] Distribution in accordance with provisions of sec. 201 of the Social Security Act, as amended, will be shown in the Monthly Statement of Receipts and Expenditures of the United States Government.

[2] Amounts equal to taxes on carriers and their employees (minus refunds) are appropriated to the Railroad retirement account.

[3] Amounts equal to the tax received under the Federal Unemployment Tax Act are transferred to the Unemployment Trust Fund.

[4] Includes expenditures for the soil bank and special export programs.

[a] Revised on account of reclassification.

CHANGES IN THE PUBLIC DEBT[1]--JULY 23, 1962

Classification	This month to date	Corresponding period last year	Fiscal year 1963 to date (Beginning July 1, 1962)	Corresponding period fiscal year 1962 (Beginning July 1, 1961)
Increase (+) or decrease (-) in the gross public debt:				
Public issues:				
Marketable obligations:				
Treasury bills	+$594,476,000.00	+$600,950,000.00	+$594,476,000.00	+$600,950,000.00
Certificates of indebtedness	-201,000.00	-996,000.00	-201,000.00	-996,000.00
Treasury notes	+659,000.00	+17,618,000.00	+659,000.00	+17,618,000.00
Treasury bonds	-51,045,175.00	-11,105,150.00	-51,045,175.00	-11,105,150.00
Other	-62,138.50	-2,025,902.00	-62,138.50	-2,025,902.00
Total marketable obligations	+543,826,686.50	+604,440,948.00	+543,826,686.50	+604,440,948.00
Non-marketable obligations:				
United States savings bonds	-98,798,241.54	-93,253,550.90	-98,798,241.54	-93,253,550.90
Treasury bonds, investment series	-3,592,000.00	-19,200,000.00	-3,592,000.00	-19,200,000.00
Other	-8,719,462.61	+85,828,109.37	-8,719,462.61	+85,828,109.37
Total non-marketable obligations	-111,109,704.15	-26,625,441.53	-111,109,704.15	-26,625,441.53
Total public issues	+432,716,982.35	+577,815,506.47	+432,716,982.35	+577,815,506.47
Special issues	-228,323,000.00	+163,547,000.00	-228,323,000.00	+163,547,000.00
Other obligations	-606,716.00	-476,500.00	-606,716.00	-476,500.00
Change in gross public debt	+203,787,266.35	+740,886,006.47	+203,787,266.35	+740,886,006.47
Gross public debt at beginning of month or year	298,200,822,720.87	288,970,938,610.05	298,200,822,720.87	288,970,938,610.05
Gross public debt this date	298,404,609,987.22	289,711,824,616.52	298,404,609,987.22	289,711,824,616.52
Guaranteed obligations not owned by Treasury	439,097,025.00	236,741,825.00	439,097,025.00	236,741,825.00
Total gross public debt and guaranteed obligations	298,843,707,012.22	289,948,566,441.52	298,843,707,012.22	289,948,566,441.52
Deduct debt not subject to statutory limitation	432,610,178.15	346,790,977.83	432,610,178.15	346,790,977.83
Total debt subject to limitation[2]	298,411,096,834.07	289,601,775,463.69	298,411,096,834.07	289,601,775,463.69
EFFECT OF OPERATIONS ON PUBLIC DEBT				
Deposits (-)	-$3,478,072,012.10	-$2,634,319,867.98	-$3,478,072,012.10	-$2,634,319,867.98
Withdrawals (+)	+7,445,882,851.02	+6,171,268,872.62	+7,445,882,851.02	+6,171,268,872.62
Investment of Government agencies in public debt securities (net), excess of investments (+) or redemptions (-)	+13,500.00	+192,943,047.43	+13,500.00	+192,943,047.43
Sales and redemptions of obligations of Government agencies in market (net), excess of sales (-) or redemptions (+)	-215,550,040.14	+22,034,937.50	-215,550,040.14	+22,034,937.50
Accrual of disc. on sav. bonds and Treasury bills (+)	+128,090,580.91	+96,802,262.23	+128,090,580.91	+96,802,262.23
Public debt red. incl. as cash withdrawals (-)	-141,514,808.13	-53,209,006.76	-141,514,808.13	-53,209,006.76
Total	+3,738,850,071.56	+3,795,520,245.04	+3,738,850,071.56	+3,795,520,245.04
Increase (+) or decrease (-) in balance of the Treasurer of the United States	-3,535,062,805.21	-3,054,634,238.57	-3,535,062,805.21	-3,054,634,238.57
Increase (+) or decrease (-) in public debt	+203,787,266.35	+740,886,006.47	+203,787,266.35	+740,886,006.47

MEMORANDUM ON INTER-FUND TRANSACTIONS

Non-cash Items Omitted from Both Deposits and Withdrawals on Page 1:				
Interest on investments in Federal securities held by trust funds, etc.	$173,511.74	$226,101.07	$173,511.74	$226,101.07
Transfers between trust funds	3,436.18	6,150,000.00	3,436.18	6,150,000.00
Transfers from general fund to trust funds[3]	32,753,800.00	65,742,330.51	32,753,800.00	65,742,330.51
Transfers between general funds	.....	.....	.....	.....
Reimbursements to general fund from trust funds	4,970.38	205,310.77	4,970.38	205,310.77
Transfers to employees' retirement funds	102,101,616.70	70,303,471.17	102,101,616.70	70,303,471.17
Interest paid to Treasury by Government agencies	61,757,583.95	60,357,550.64	61,757,583.95	60,357,550.64
Payment of capital funds by Government agencies to Treasury	.....	.....	.....	.....
Total	196,794,918.95	202,984,764.16	196,794,918.95	202,984,764.16
Non-cash Items Omitted from Withdrawals on Page 1 and Added to Public Debt:				
Discount accrued on savings bonds	.....	.....	.....	.....
Discount accrued on Treasury bills	128,090,580.91	96,802,262.23	128,090,580.91	96,802,262.23
Total	128,090,580.91	96,802,262.23	128,090,580.91	96,802,262.23
Public Debt Redemptions Included in Withdrawals on Page 1:[4]				
Discount included in savings bond redemptions	30,211,106.85	29,784,809.83	30,211,106.85	29,784,809.83
Discount included in Treasury bill redemptions	111,226,952.22	87,318,266.85	111,226,952.22	87,318,266.85
Armed Forces leave bonds	63,475.00	94,025.00	63,475.00	94,025.00
Inter-American Development Bank notes (net)	.....	.....	.....	.....
International Monetary Fund notes (net)	.....	-64,000,000.00	.....	-64,000,000.00
International Development Association notes (net)	.....	.....	.....	.....
Excess profits tax refund bonds[5]	724.06	5.08	724.06	5.08
Adjusted service bonds	12,550.00	11,900.00	12,550.00	11,900.00
Total	141,514,808.13	53,209,006.76	141,514,808.13	53,209,006.76

U. S. SAVINGS BONDS -- SERIES E AND H

Sales--cash issue price	$248,530,021.53	$235,571,888.55	$248,530,021.53	$235,571,888.55
Accrued discount on Series E	.....	.....	.....	.....
Total	248,530,021.53	235,571,888.55	248,530,021.53	235,571,888.55
Redemptions--for cash, at current redemption value[6]	301,422,976.44	274,196,842.20	301,422,976.44	274,196,842.20
Exchanges - Series H for Series E, F and J	12,947,500.00	12,919,500.00	12,947,500.00	12,919,500.00

[1] Includes exchanges.

[2] Statutory debt limit, established at $285 billion by the Act approved June 30, 1959, has been temporarily increased from July 1, 1962, to March 31, 1963, to $308 billion; from April 1, 1963, to June 24, 1963, to $305 billion and from June 25, 1963, to June 30, 1963, to $300 billion.

[3] Does not include appropriations of receipts to Federal old-age and survivors insurance trust fund, Federal disability insurance trust fund, Highway trust fund, Railroad retirement account, and Unemployment trust fund.

[4] Minus figures represent net issues of public debt obligations. Redemptions of Armed Forces leave bonds, etc., and discount earned on savings bonds and Treasury bills are included in cash withdrawals when the securities are redeemed.

[5] Reported as refunds of receipts.

[6] Includes minor amounts of Series A through D, the last bonds of which matured in April 1951.

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GPO 930670

BRAZIL

ACCUMULATED ASSISTANCE, 1947–61

Mr. PASSMAN. Now, give us the amount of the accumulated aid for Brazil since the inception of the program through fiscal year 1960.

Mr. STERNFELD. Through fiscal year 1961?

Mr. PASSMAN. Through fiscal year 1960, sir.

Mr. STERNFELD. That would be—for mutual security——

Mr. PASSMAN. We shall accept it through 1961. It appears that you have that total.

Mr. STERNFELD. Through fiscal year 1961 for the mutual security program, economic—$53.5 million.

Mr. PASSMAN. That is the mutual security economic spigot. The country could likewise draw from the various other facets through which foreign aid is available?

Mr. STERNFELD. That is right.

Mr. PASSMAN. You do not have this information?

Mr. STERNFELD. I have some of these.

Mr. PASSMAN. If you do not have it all do not give it to us, but add it to the record.

Mutual security, economic aid only, was the figure you just gave, in what amount?

Mr. STERNFELD. $53.5 million.

Mr. PASSMAN. That does not include all the other spigots available for aid for Brazil, and neither does it include military assistance?

Mr. STERNFELD. That is right.

Mr. PASSMAN. If you will, get the total and put it in the record.

(The requested information follows:)

Foreign assistance to Brazil from 1947 through 1961

	Amount (in millions)
U.S. sources:	
Mutual security economic program	$53.5
Public Law 480	258.3
Eximbank	1,178.4
Other U.S. economic aid	45.5
Total, U.S. economic aid	[1] 1,535.7
U.S. military aid	175.5
Total, U.S. economic and military aid	1,711.2
International sources:	
IBRD	267.1
IDB	15.5
Total, international sources	282.6
Total, foreign assistance to Brazil through fiscal year 1961	1,993.8

[1] $95,200,000 in grants and $1,440,500,000 in loans.

FISCAL YEAR 1962 PROGRAM

Mr. PASSMAN. In this same category, what amount did you request for fiscal 1962?

Mr. STERNFELD. I can give you the preliminary obligations——

Mr. PASSMAN. Give us the original program for fiscal year 1962.

Mr. STERNFELD. The original program for grants for fiscal year 1962 as shown in the blue pages of the book was $20,130,000 for grants.

Mr. PASSMAN. Plus what?

Mr. STERNFELD. Plus development loans——

Mr. PASSMAN. Development credits?

Mr. STERNFELD. That is what you refer to as credits.

Ninety-four million dollars.

Mr. PASSMAN. A total of what amount?

Mr. STERNFELD. A total of $114.1 million.

Mr. PASSMAN. Is this in accordance with the regional program which last year was justified to the committee, in that blanket overall approval?

Mr. MOSCOSO. I wouldn't know.

Mr. PASSMAN. You were not here last year?

Mr. MOSCOSO. No, sir.

Mr. PASSMAN. Would you know, sir?

Mr. STERNFELD. I wasn't here last year either but I suspect what was justified last year was for the continuing projects and not for a total country program.

Mr. PASSMAN. What amount are you asking for fiscal 1963?

FISCAL YEAR 1963 REQUEST

Mr. MOSCOSO. For Brazil we are asking ———.

Mr. PASSMAN. That is the one spigot only?

Mr. MOSCOSO. That is right.

Mr. PASSMAN. They also draw aid out of all the other foreign aid programs with which we are familiar?

Mr. MOSCOSO. That is correct, sir.

UNLIQUIDATED OBLIGATIONS

Mr. PASSMAN. What is the amount of unliquidated credits to Brazil, out of prior-year appropriations, on hand unexpended?

Mr. TENNANT. As of May 1, 1962, our estimate was $41,210,000 for all economic assistance.

Mr. PASSMAN. In the field in which we are discussing, the one category?

Mr. TENNANT. That is correct.

Mr. PASSMAN. Will you supplement this with all unliquidated credits out of all other appropriations?

Mr. TENNANT. We will file it together.

Mr. PASSMAN. Please do so.

(The requested information follows:)

Unliquidated obligations of economic assistance to Brazil, by agency, as of June 30, 1962

[In thousands of dollars]

Agency:	Amount
United States:	
Agency for International Development	10,561
Export-Import Bank	68,833
Food for Peace	65,703
Inter-American Development Bank	[1] 47,010
Subtotal	192,107
International organizations:	
International Bank for Reconstruction and Development	[2] 28,164
Inter-American Development Bank	[3] 39,246
Subtotal	67,410
Total	259,517

[1] Includes only the social progress trust fund.
[2] Undisbursed balance of effective loans.
[3] Includes ordinary capital and fund for special operations.

Mr. PASSMAN. What you now give us from the mutual security program, add to that if you will what is available out of all the other spigots, and give us the total.

Mr. Moscoso. Yes, sir.

AUTHORITY TO TRANSFER FUNDS

Mr. PASSMAN. I think we agreed that all these are illustrative programs, that you could or could not start them, or transfer them to some other country. They are wide open, and you have the authority which I have indicated?

Mr. Moscoso. That is right. What we have here is the best judgment as of now.

Mr. PASSMAN. But you do have that right, to spend it completely for another project in another country, if you should decide that was in the best interest of the program?

Mr. Moscoso. I don't think——

Mr. PASSMAN. But you have the right to do it?

Mr. Moscoso. That is right.

Mr. PASSMAN. Do you also have the right to discontinue any project now underway, if you should decide there was something you liked better, or something you thought would serve a more advantageous purpose for the country?

Mr. Moscoso. For the program; that is right.

Mr. PASSMAN. None of it is pinned down as such.

The same type of questions would get the same type of answers if we should go through all the countries in your area?

Mr. Moscoso. In that respect, sir; yes, sir.

Mr. PASSMAN. Would it also apply to the British colonies and other colonies of other countries in your area, should we ask the same type of questions?

Mr. Moscoso. With regard to the possibility of changing the project or suspending it in case we find that the priority——

Mr. PASSMAN. Or canceling it altogether?

Mr. MOSCOSO. Or canceling it in case we find it should not go on.

Mr. PASSMAN. It almost seems a waste of time to go into these projects. They are so varied and there are so many of them.

PROJECT COMPLETION COSTS

Have you had an opportunity to project the completion cost for all the projects that you have in Brazil?

Mr. TENNANT. I think we have the item by projects but I do not think we have a total.

Mr. PASSMAN. Let us consider one project.

EDUCATION PROGRAM

In the education sector you propose to obligate for Brazil $7,082,000 in fiscal year 1963. Projecting this, now, to completion date, or discontinuing date, what would you estimate the cost to be?

Mr. STERNFELD. We can add this up.

Mr. MOSCOSO. We can add this up in 1 second.

Mr. PASSMAN. Will one of you do that?

Mr. STERNFELD. The cumulative costs from the beginning of these projects to completion is ——— since the education projects began in Brazil.

Mr. PASSMAN. Under the present legislation and the present money requests, you could start new projects that would be substantially higher if you should decide it is to the advantage of the program to do so?

Mr. MOSCOSO. Within the limits of the funds appropriated.

Mr. PASSMAN. We are dealing strictly with the projects presently planned; is that correct?

Mr. MOSCOSO. That is right.

Mr. PASSMAN. This has nothing to do with the new projects you may start?

Mr. MOSCOSO. All the way from the beginning to the end.

Mr. PASSMAN. You are dealing with projects now planned?

Mr. MOSCOSO. That is right.

FUTURE EDUCATION PROJECTS

Mr. PASSMAN. That does not mean that you would not start any projects out of a new appropriation that may call for additional money? It does not mean you are going to expend this ———, and then pull your educational system completely out of Brazil, does it? We are trying to determine whether this sum completes all of the planned education for Brazil.

Mr. MOSCOSO. That is right; assistance for education in Brazil.

Mr. PASSMAN. Now and in the future?

Mr. STERNFELD. For the projects which we currently have either in being or planned for fiscal year 1963 since the initiation of all these education projects to the point of completion, we have made an estimate that the cost would be ———.

Mr. PASSMAN. If you get that much money this year, in subsequent years will you want money for the educational program in Brazil?

Mr. STERNFELD. We are only asking for the educational sector in Brazil, $7,082,000 in the way of grants.

Mr. PASSMAN. But when you have made this expenditure, according to your present calculations, does this complete your entire educational system in Brazil?

Mr. STERNFELD. As currently planned and as has gone on in the past.

Mr. PASSMAN. Do you also have development credits for this purpose, or is this the total?

POSSIBLE EXTENSION OF EDUCATION PROGRAM

Mr. STERNFELD. This is the development grants. We have made no development credits to Brazil for education as such.

Mr. PASSMAN. I am being repetitious, but I am not getting the information we want. We have to think in terms of some day completing the programs and projects. Will this sum complete all educational programs for Brazil, as you see it now?

Mr. MOSCOSO. I was going to suggest, Mr. Chairman, that this may not complete it. For instance, there might be——

Mr. PASSMAN. You have answered it.

It could be many times greater than that amount in the future, if you could develop a plan for it?

Mr. MOSCOSO. If there were a need that would further the program——

Mr. PASSMAN. If it met our criteria, that would be a statement of fact: is that right?

Mr. MOSCOSO. Yes, sir.

Mr. TENNANT. Mr. Chairman, in case it is not clear, of the ———, a substantial portion has been obligated and spent out of prior-year money.

Mr. PASSMAN. I know, but this is the total from start to finish of the projects presently——

Mr. STERNFELD. Or in the past.

Mr. PASSMAN. Past and present.

CONTINUED PROGRAM DESPITE INADEQUATE PERFORMANCE

Are you programing ———— for Brazil when your justifications state there has been inadequate performance to date on this program of action?

Mr. MOSCOSO. The bulk of these funds, Mr. Chairman, are going to be used, we hope, in the northeast Brazil program which has to be considered as a separate entity within the total performance of the Government of Brazil.

The SUDENE Corp., which is a special corporation——

Mr. PASSMAN. My question is, Why did you suggest ———— for Brazil when your justifications state there has been inadequate performance to date on this program?

Mr. MOSCOSO. With respect to this organization and this program there has been performance, in this sense: The Government of Brazil created this public corporation, funded it adequately—appropriated $100 million. They have provided the necessary technicians. We

have been working very closely with this public corporation in the preparation of a program for the almost devastated area of northeastern Brazil which is, as you know, probably the poorest part of all of Latin America.

While you know the bulk of the Brazilian funds have been provided on the basis of a commitment made back in May of last year to assist Brazil in their balance-of-payments difficulty——

Mr. PASSMAN. We do expect these people to perform effectively, do we not, when we are going to give them our money?

Mr. Moscoso. When I first came into the picture, sir, this commitment had already been made; and I realized there was need for a performance on the part of the Government of Brazil.

Mr. PASSMAN. Thank you, Mr. Ambassador. We are going to back off and take another start, and see if we cannot get through:

We are at $114,100,000 in the program for Brazil for 1962; is that correct?

Mr. TENNANT. That is the planned program. The program that finally came to fruition was substantially less than that—$85 million.

Mr. PASSMAN. But you are asking for ——— for fiscal year 1963?

Mr. Moscoso. That is right.

Mr. PASSMAN. You are asking for ———— over the amount that you had programed in 1962?

Mr. Moscoso. That is right.

Mr. PASSMAN. You are asking for that notwithstanding the fact that in your own justifications you said there has been inadequate performance.

Mr. Moscoso. Mr. Chairman, in the part of the program which is going to get the bulk of the funds, there has been performance on the part of Brazil, you see. In the case of northeastern——

FUNDS WITHHELD FROM BALANCE-OF-PAYMENTS ASSISTANCE

Mr. PASSMAN. What part of the program have you withdrawn, or canceled funds for, because it was not adequately carried out?

Mr. Moscoso. The balance of payments.

In that case they did not perform and we were forced to withhold funds and we are still withholding the funds and there is $25.5 million that I have refused to——

Mr. PASSMAN. It matters not.

Mr. Moscoso. For another type project, Mr. Chairman, and for something which——

Mr. PASSMAN. With regard to the balance-of-payments transaction, they did not carry that out according to our wishes?

Mr. Moscoso. That is right, but this other thing has been growing——

Mr. PASSMAN. You held it up?

Mr. Moscoso. I held it up.

Mr. PASSMAN. In what other field did they not perform as you felt they should?

Mr. Moscoso. The balance-of-payments field is where they really did not perform and where we held up the funds and we will hold up until they do perform.

Mr. PASSMAN. Is the same government administering this part of the program that administers the other one?

Mr. Moscoso. Brazil, as you know, Mr. Chairman, is a very loose type of federal operation. The States in many ways operate almost autonomously. And one of the advantages we have had in operating with this SUDENE, this public corporation, is the fact that it has been left alone and therefore has been able to perform. It was funded by the central government and has been left alone and we have been able to collaborate with them.

STATUS OF BALANCE-OF-PAYMENTS COMMITMENT

Mr. PASSMAN. Is the balance-of-payments matter a commitment, is it an obligation, or has it been canceled and you will have no need for it in the future?

Mr. Moscoso. It has not been canceled.

Mr. PASSMAN. It is still available?

Mr. Moscoso. In case they perform. But we have refused to pay up $25.5 million to that because——

Mr. PASSMAN. You are merely suspending it until——

Mr. Moscoso. Until they perform.

Mr. PASSMAN. What do you mean by "perform"?

Mr. Moscoso. I can tell you what it is, sir.

(Discussion off the record.)

Mr. Moscoso. All of these things are spelled out that they have to do and since they haven't done them we——

Mr. PASSMAN. They could bring their budget in balance with a cash transaction out of AID funds, could they not, if you approved it?

Mr. Moscoso. We are not going to do that, sir.

Mr. PASSMAN. You have done it in some of the other countries in Latin America?

Mr. Moscoso. In the case of Brazil we have not done this. We have suspended any payments on this loan until such time as they perform.

Mr. PASSMAN. But you are talking about only $25.5 million.

Mr. Moscoso. $25.5 million; yes, sir.

(Discussion off the record.)

Mr. Moscoso. This was before my time, I had nothing to do with it, I was faced with this reality and I said, Mr. Chairman, that we have to get these people to perform and since they didn't we just didn't give them the money.

Mr. PASSMAN. You are now dealing with only one project out of maybe hundreds of projects for this country.

Mr. Moscoso. That is a substantial amount, of course.

Mr. PASSMAN. Certainly $25.5 million is a substantial amount, even out of $114 million.

TOTAL PROJECTS IN LATIN AMERICA

Yesterday we were discussing a number of projects in your area. I do not think we ever completely added them up.

Mr. Moscoso. We said there were about 500.

Mr. PASSMAN. But that was only in one field.

Did you ever get all of the figures together for us?

Mr. STERNFELD. About 500 on the development grants and 55 from our development loans, which you call credits, and we are still preparing the paper.

DRAW ON COMMITMENT FOR BALANCE-OF-PAYMENTS PAYMENT

Mr. PASSMAN. I can see how this Development Loan Fund, which extends development credits, could run out of money. Are you carrying this $25.5 million as an obligation?

Mr. MOSCOSO. No, this is a commitment.

Mr. TENNANT. In the figure we have provided you for obligations which include loan approvals, we are not carrying the $25 million.

Mr. PASSMAN. Do you respect that as a commitment as of this time?

Mr. TENNANT. My understanding of this is that in the prior fiscal year, 1962, a commitment was made to provide Brazil $100 million, I believe.

Mr. MOSCOSO. $100 million, that is right.

Mr. TENNANT. That availability of funds was made before section 202(b). Now that $100 million was not carried in the official figures we have given you. We have only included the $75 million in the figures we have given you.

Mr. PASSMAN. Is the other $25 million an obligated fund or is it unobligated?

Mr. TENNANT. It is not obligated.

Mr. PASSMAN. What is its status?

Mr. STERNFELD. The status of the $25 million, under the terms of the commitment that was made to the Government of Brazil in May of 1961, if we obtained the funds from Congress, they could obtain $100 million for balance-of-payments requirements. We have only provided them $75 million——

Mr. PASSMAN. They satisfied our criteria on $75 million and drew that down?

Mr. STERNFELD. That is correct, sir. So that the remaining part of the commitment which still continues to be subject to availability of funds is in that status. If they meet the terms and conditions that we have established and Congress has appropriated the funds, then we would meet that commitment.

Mr. PASSMAN. We appropriated $100 million. You have expended $75 million of it. You have $25 million presently in dispute because you are not satisfied with their plan. Where do we find this $25 million listed as unobligated?

Mr. TENNANT. Basically the $25 million does not turn up in the unobligated because in the total programing of the development loan fund of $1,112,500,000, these funds were not earmarked—since the Brazilians did not come through with their commitments, these funds were not earmarked for Brazil.

POSITION WITHHELD BALANCE IN 1963 REQUEST

Mr. PASSMAN. Where can we put our finger on this $25 million floating around? It is not in your obligated funds. It is not in your unobligated funds.

Mr. STERNFELD. It is in our 1963 request.

Mr. PASSMAN. Then it is a part of the ———.

Mr. STERNFELD. It is a part of our illustrative program of ———.

Mr. PASSMAN. Does this means that, for all practical purposes, you have turned the $25 million back to the Treasury?

Mr. TENNANT. That is not correct, sir.

Mr. PASSMAN. Well, I do not know what happened to it, and I do not believe that you do, either.

OBLIGATION OF WITHHELD BALANCE ELSEWHERE

Mr. MOSCOSO. It came from the worldwide funds, sir.

Mr. PASSMAN. Is it specifically for Brazil?

Mr. TENNANT. It was not appropriated specifically for Brazil and it has been used elsewhere in the worldwide program.

Mr. PASSMAN. Why did you not so inform us? You have spent the $25 million elsewhere?

Mr. TENNANT. We have obligated it elsewhere, sir.

Mr. PASSMAN. Under what authority?

Mr. TENNANT. Under the authority of section 202(a) of the act.

Mr. PASSMAN. I quote:

This loan is a result of the financial agreements between the United States and Brazil, effective May 1961. The total amount accredited is expected to be $100 million.

Is that the item to which we are referring?

Mr. MOSCOSO. That is right.

Mr. PASSMAN. How did you put it under the worldwide fund, if it was supposed to be appropriated to Brazil?

Mr. STERNFELD. There was no specific amount appropriated to Brazil.

Mr. PASSMAN. You asked for $100 million. I remember very well now. I quote again:

This loan is a result of financial agreements between the United States and Brazil concluded in May 1961.

This is the same item?

Mr. MOSCOSO. That is right.

Mr. PASSMAN. Why did you not let the $25 million lapse and come back to the credit of the program? Why did you have to find another place to spend it?

Mr. MOSCOSO. This $100 million, as I understand, was way before my time.

It came under the DLF.

Mr. PASSMAN. You got it with the understanding that you had a contract with Brazil for $100 million. You closed the contract for $75 million, took the $25 million and spent it elsewhere.

Mr. MILLER. Last year when we justified the program to the committee, as in the past, we did not have specific loan requirement that we had given to the committee. We did, as the DLF has done since its inception, I understand, give the committee some estimate and act as a bank does. After all, a bank cannot, on January 1, foretell exactly what all of the loans are it will make during the fiscal year then beginning and in a similar fashion, as we stated to the committee, the DLF operated that way.

JUSTIFICATION FOR BALANCE-OF-PAYMENTS LOAN

Mr. PASSMAN. You justified it for one project and spent it for another? Would that be a fair statement?

Mr. MILLER. I do not believe so, Mr. Chairman.

Mr. PASSMAN. Let us see how you justified this $100 million.

I quote from page 132:

This loan is the result of the financial agreements between the United States and Brazil, concluded in May 1961. The total amount accredited is expected to be $100 million but to date specific loan agreements have been negotiated and authorized for only $65 million of this total.

Mr. STERNFELD. Since the time this was printed, sir, it has gone up to $74.5 million.

Mr. PASSMAN. You changed it again.

I quote further:

The purpose of the loan is to assist the Brazilian Government in solving economic and social problems. It is directed to specific projects which contribute to the goal of stabilization and a balanced budget.

Let us go to the hearings and see if you did not justify it specifically for Brazil. I quote from page 884, "Advance commitments to Brazil":

Mr. COFFIN. Well, we have made this commitment of $100 million to Brazil. This is the only commitment that I know about.

Mr. PASSMAN. You have made the commitment in advance of the authorization of the appropriation.

Mr. COFFIN. Subject to the availability of funds and we felt this was very important.

The Congress provided the funds, but instead of expending the $100 million for Brazil, you expended $74.5 million and you spent the other $25,500,000 on some other program which we cannot identify at this time?

Mr. TENNANT. We did spend it elsewhere but I do not think it fair to say we justified the DLF on the specifics——

Mr. PASSMAN. I read specifically from the testimony of Mr. Coffin.

Mr. TENNANT. All I would say, in connection with the Development Loan Fund, which was proposed on the basis of borrowing authority, there are reams of testimony in there and I think that generally Mr. Coffin testified that there were several illustrative commitments that were pending at the time, not only in Brazil, but in several other countries.

Mr. PASSMAN. This was represented as a firm commitment, and it was so stated. Read the record yourself.

I am going to omit all of these other projects. I thought we would clear the record up on that one item.

ARGENTINA

For Argentina, would you give us the amount of the program from inception through fiscal year 1961?

Mr. STERNFELD. The mutual security program through fiscal year 1961——

Mr. MOSCOSO. $33.3 million.

Mr. PASSMAN. What sum did you program for fiscal year 1962?

Mr. TENNANT. $42.7 million as appears in the presentation book.

Mr. PASSMAN. Was it $42.7 or $42.748?
Mr. STERNFELD. $42.7.
Mr. PASSMAN. I cannot drop off $48,000. When you get through with a program as extensive as this, you would have a billion dollars extra money with such omissions. Is it $42,748,000?
Mr. STERNFELD. That is right, sir.
Mr. PASSMAN. What is your program for fiscal year 1963?
Mr. MOSCOSO. The program for fiscal year 1963 is ———.
Mr. PASSMAN. That is only mutual security?
Mr. MOSCOSO. Yes, sir.
Mr. PASSMAN. The same thing would be true in this country as the others. The other 18 spigots of foreign aid are also available in the program?
Mr. MOSCOSO. That is right, sir.

BOLIVIA

Mr. PASSMAN. What was the amount of your program for Bolivia through fiscal year 1961?
Mr. MOSCOSO. $157,200,000.
Mr. PASSMAN. What was your 1962 program?
Mr. MOSCOSO. $20,830,000.
Mr. PASSMAN. What is the amount of your program for fiscal year 1963?
Mr. MOSCOSO. For fiscal year 1963, ———.
Mr. STERNFELD. That includes development loans.
Mr. MOSCOSO. That includes the loans.
Mr. PASSMAN. Development credits. It does not include loans from the Export-Import Bank, does it?
Mr. MOSCOSO. No, sir.
Mr. PASSMAN. We are dealing with mutual security programs all the way through, are we not?
Mr. TENNANT. The ——— for the grant program and ——— for supporting assistance are ——— for grant activities.
Mr. PASSMAN. You do understand that when you give the totals you are going to pick up the funds available from the other spigots, so that we do not confuse those who read the record?
Are you familiar with what we actually want, Mr. Ambassador?
Mr. MOSCOSO. I know, sir.
Mr. PASSMAN. We are picking up now this one part of it, but you do have all the other various parts.
Mr. MOSCOSO. I found an exception to the case, Mr. Chairman.

ELIGIBILITY OF BRITISH POSSESSIONS FOR U.S. AID

Neither Jamaica nor Trinidad can belong to the Inter-American Development Bank. They would not be eligible for that.
Mr. PASSMAN. They gets theirs indirectly, then?
Mr. MOSCOSO. I do not know. They will get it.
Mr. PASSMAN. Are they eligible for loans through the DLF?
Mr. MOSCOSO. Yes, sir.
Mr. PASSMAN. They are British possessions?
Mr. MOSCOSO. Yes, sir.

Mr. PASSMAN. At an earlier date, Mr. Ambassador, other people before the committee said that the British possessions were eligible for every loan, grant, and consideration. Would you like to check that matter?

Mr. MOSCOSO. No, sir. I think that is correct.

Mr. PASSMAN. I would like for you to check the record.

It would have to be one way or another. They are eligible or they are not.

Mr. TENNANT. I did not catch the program, Mr. Chairman.

Mr. PASSMAN. I am speaking of the total aid program. You say they are, or are not eligible through Inter-American Development Bank?

Mr. MOSCOSO. You mentioned the various spigots. One spigot available was the Inter-American Development Bank. In going back to the office and checking on this I found that these two countries could not go to the Inter-American Development Bank.

Mr. PASSMAN. The two countries are British possessions?

Mr. MOSCOSO. Yes, sir. One of them is getting their independence inside of a couple of weeks.

UNLIQUIDATED BALANCES

Mr. PASSMAN. What are the unliquidated funds to the credit of Bolivia?

Mr. TENNANT. $22,708,000.

Mr. PASSMAN. You have actually more funds unliquidated to the credit of Bolivia than the total fiscal 1962 program called for; is that correct?

Mr. TENNANT. The actual 1962 program was slightly less.

Mr. PASSMAN. Is the unliquidated balance for Bolivia greater than your obligations for fiscal year 1962?

Mr. TENNANT. The obligations for 1962 are $27,479,617, and the unliquidated balance is $22,708,000.

Mr. PASSMAN. That is not in accordance with your justifications.

Mr. TENNANT. The program in the justification was slightly different from the actual one.

CHILE

Mr. PASSMAN. Give us the total amount of aid to Chile from the inception of the program through fiscal 1962.

Mr. MOSCOSO. $76,200,000.

Mr. PASSMAN. What was the amount of the program for fiscal year 1962?

Mr. TENNANT. The estimated program is in the justifications, $3,253,000.

Mr. PASSMAN. You say $3 million?

Mr. TENNANT. $3,253,000 for grants.

Mr. PASSMAN. Our book shows $103 million, which includes the $100 million special fund; is that correct?

Mr. MOSCOSO. This includes the special legislation appropriation.

Mr. PASSMAN. Did we furnish any money there?

Mr. STERNFELD. A hundred million dollars.

Mr. PASSMAN. Was it cash?

Mr. STERNFELD. Yes, sir.

Mr. PASSMAN. If it is really $103 million, you can buy as much money with that $100 million as you could if you had obtained it out of any other spigot, could you not?

Mr. MOSCOSO. May I say, Mr. Chairman, the $100 million loan was tied to U.S. procurement.

Mr. PASSMAN. We had been told that 80 percent of all this was tied to U.S. procurement.

I always argued it was 100 percent.

Chickens come home to roost. If you turn the dollars loose, if you do not buy gold or accumulate them, they have to come home eventually, do they not?

What amount is unliquidated to their credit.

Mr. TENNANT. $79,863,000.

FISCAL YEAR 1963 PROGRAM

Mr. PASSMAN. Do you have any program at all for Chile for fiscal year 1963, with this large unliquidated balance on hand? If so, what is the amount of it?

Mr. STERNFELD. Programed for Chile in fiscal year 1963 is ——— for grants.

Mr. PASSMAN. Give us the total.

Mr. MOSCOSO. ———.

Mr. PASSMAN. You are also going to add to that the other available spigots.

Mr. STERNFELD. Yes, sir.

Mr. PASSMAN. When you mentioned unliquidated funds, did that include the carryover from the special $100 million?

Mr. TENNANT. Yes, sir. It included the carryover from the $100 million.

COLOMBIA

Mr. PASSMAN. For Colombia, cumulative through fiscal year 1961?

Mr. MOSCOSO. $40,500,000.

Mr. PASSMAN. And what sum did you have for fiscal 1962?

Mr. STERNFELD. For 1962, $38,077,000.

Mr. PASSMAN. What is your estimate for 1963?

Mr. MOSCOSO. ———.

Mr. PASSMAN. What is the unliquidated amount?

Mr. TENNANT. For Colombia, $50,755,000.

Mr. PASSMAN. That sum is to their credit, unliquidated?

Mr. TENNANT. That is correct, sir.

Mr. PASSMAN. We are confronted with a rather serious balance-of-payments deficit in this country, are we not?

Mr. MOSCOSO. Yes, sir.

Mr. PASSMAN. Is it true that you obligated $30 million out of the President's contingency fund to meet balance-of-payments deficits for Colombia?

Mr. MOSCOSO. That is right, sir.

Costa Rica

Mr. Passman. Costa Rica.

Mr. Moscoso. From the start of the program, Mr. Chairman, $20,800,000.

Mr. Passman. What amount did you program for Costa Rica for fiscal 1962?

Mr. Moscoso. $2,205,000.

Mr. Passman. And what is the estimate for fiscal year 1963?

Mr. Moscoso. The estimate for fiscal year 1963 is ———.

Mr. Passman. What is the unliquidated balance?

Mr. Tennant. $8,923,000 as of June 30, 1962.

Mr. Passman. It would appear that you have more money to their credit unliquidated than all of the allocation for 1961, 1962, and the estimate for 1963. In 1961 you had $1,390,000; 1962, $2,205,000, and the estimate for fiscal year 1963 is ———, but you have $8,923,000 unliquidated to their credit.

Mr. Moscoso. This is, Mr. Chairman, because of loans amounting to $8,900,000, of which only $1,800,000 has been disbursed up to now.

Mr. Passman. The figure for 1962 you gave us is not correct is it?

Mr. Tennant. The 1961 figure was where that loan was made.

Mr. Passman. 1961 is $1,390,000; 1962 is $2,205,000.

Mr. Tennant. The 1961 figures did not include development loans.

Mr. Sternfeld. I am sorry. Costa Rica, $20.8 million through 1961, included $8.6 million of development loans which were made in fiscal year 1961.

That is the basic reason for your high unliquidated obligation.

Mr. Tennant. Mr. Chairman, I think you took the 1961 figures off the development grant only.

Mr. Passman. That is right.

Mr. Tennant. And did not include the development loans.

Mr. Sternfeld. We have the loan in the unliquidated.

Dominican Republic

Mr. Passman. What is the Dominican Republic figure?

Mr. Moscoso. $2.1 million, total program up through 1961. In 1962, $26 million.

Mr. Passman. The estimate for 1963?

Mr. Moscoso. ———.

Mr. Passman. How much grant aid did the United States extend to the Dominican Republic prior to the assassination of General Trujillo?

Mr. Moscoso. He was assassinated in 1961, so it is $2 million. This is mainly technical assistance.

Contingency Fund Allocation

Mr. Passman. For what purpose was the $25 million allocation from the contingency fund made?

Mr. Moscoso. As you will recall, Mr. Chairman, after the assassination of Trujillo, great political upheaval took place in the Dominican Republic. The son tried to maintain the dynasty and it was only because of tremendous pressures that were applied by all the demo-

cratic forces, and by the United States in particular, that it was possible to finally get these people to relinquish their hold on these poor people in Santo Domingo. That dictatorship, Mr. Chairman, lasted 32 years.

Throughout the dictatorship this man ran that island like his private farm. The treasury was completely filched by the time the family got out of the place. A few million pesos were fortunately salvaged out of the yacht in which they were going to depart. They did not have time and had to take an airplane.

It was only with that money that that country started to operate. President Kennedy, the administration, and everyone in the free world rejoices at the fact that this dictatorship has ended. We thought it very justifiable that we come to the assistance of this small country.

Mr. PASSMAN. But for what purpose did you spend the $25 million?

Mr. MOSCOSO. We have a variety of projects going on there, sir.

The first thing to do was to give the people some work and therefore some public works programs were started. Irrigation ditches which had been allowed to go to weeds during this political upheaval had to be cleaned up. The roads were full of potholes and sugar could not be moved. They were repaired and a number of education projects were started.

EDUCATIONAL PROJECT CITED AS EMERGENCY

Mr. PASSMAN. Would that be an emergency or contingency, an educational project?

Mr. MOSCOSO. In the case of Santo Domingo it was an emergency, sir.

Mr. PASSMAN. Could it not have waited until you formulated your educational program under the Alliance for Progress?

How much went into this educational project?

Mr. MOSCOSO. I do not have it with me, sir.

I can give you a complete breakdown of that program.

Mr. PASSMAN. We are going to request a list of projects?

Mr. MOSCOSO. Yes.

Mr. PASSMAN. You utilized this money. Name two or three more. We are into the field of education already now out of the contingency funds?

Mr. MOSCOSO. School construction.

Mr. PASSMAN. That was an emergency.

CONTINGENCY FUND FOR BALANCE OF PAYMENTS

Mr. MOSCOSO. We found a country, too, with a tremendous amount of debt owing, no credit whatsoever. About $11 million of the funds went for balance-of-payments support.

Mr. STERNFELD. They had debts and did not have the credit.

Mr. MOSCOSO. They did not have credit to pay them.

Mr. PASSMAN. How would this dovetail with the information you have given us that the alleviation of critical economic situation threatening political stability—would a school program, irrigation, school construction, filling up ditches, tie in directly with that situation?

Mr. MOSCOSO. Quite a number of these require employment of people.

Mr. PASSMAN. That ties directly in?

Mr. MOSCOSO. Yes, sir.

Mr. PASSMAN. That contingency fund is loose at both ends and cut in the middle.

You are likely to start anything out of the contingency fund.

Mr. MOSCOSO. We wanted to be perfectly sure, Mr. Chairman, we were not going to be faced with another Cuba in Santo Domingo. I am sure the steps taken prevented that from happening.

FISCAL YEAR 1963 ESTIMATED PROGRAM

Mr. PASSMAN. Have you firmed up any projects to utilize the——— estimates for fiscal year 1963 for the Dominican Republic?

Mr. MOSCOSO. As we say here, Mr. Chairman——

Mr. PASSMAN. We know what you say there. The answer is "No."

Do you have any projects at this time, or does it still remain as indicated in the books?

Mr. MOSCOSO. The mission director was appointed just about a month or two ago.

Mr. PASSMAN. So you have no projects?

Mr. MOSCOSO. That is right.

Mr. PASSMAN. How did you ever arrive at this ——— figure?

FORMULATION OF PROGRAM

Mr. STERNFELD. This was arrived at one the basis of a team that went to the Dominican Republic to assess the situation. It consisted of some people in the field of education, an agriculturalist, and some people in housing and rural development. Their best judgment when they came back was projects could be developed totaling ——— for development grants.

Mr. PASSMAN. You said "could be developed"?

Mr. STERNFELD. Yes.

Mr. PASSMAN. You could develop projects for $100 million in the same country?

Mr. STERNFELD. Yes, you could.

Mr. PASSMAN. What I am trying to find out is, is this just a blanket application. You do not list a thing. You say "sector, number of projects, general."

Mr. STERNFELD. The problem here was, as opposed to other countries, we had no mission in-being when this book was developed. Our mission has just been organized. The mission director was appointed only last month. He has a program officer and a staff to work with the country to develop the specific projects to be justified.

Mr. PASSMAN. You could not wait until you could formulate a program that made some sense; you just had to anticipate that some day there would be a program, some day there would be a mission, and you could spend the money. You just wrote in the book "general."

Tell us why this is confidential if it is general and you are revealing no secrets?

Mr. MOSCOSO. I would like to speak to that.

I think that we have a pretty good idea there is going to be a need for assisting the Dominican Republic.

Mr. PASSMAN. Tell us for what it is to be used. We want to know what projects.

Mr. Moscoso. There will be projects.

Mr. PASSMAN. How did you arrive at them, and where is your worksheet? Of course there will be projects. You could certainly develop projects for $100 million.

Mr. Moscoso. We could not pass up the opportunity of preventing Santo Domingo from being lost to us.

Mr. PASSMAN. How much did you have on hand, unliquidated, to the credit of the Dominican Republic?

Mr. TENNANT. $7 million.

Mr. PASSMAN. If they were getting ready to jump in a hole, you could have obtained that $3 million out of the $7 million in unliquidated funds.

ECUADOR

What is the amount of the cumulative program through 1961 for Ecuador?

Mr. Moscoso. $39 million.

Mr. PASSMAN. And for fiscal year 1962?

Mr. TENNANT. The proposed program was $13,989,000.

The actual program was slightly different.

Mr. Moscoso. ——— for 1963.

Mr. PASSMAN. You say the actual program for fiscal 1962 was different from the program we are taking out of the books?

Mr. TENNANT. The estimated program I gave you was including grants and supporting assistance. There was a development loan program in 1962.

Mr. PASSMAN. We have $19,989,000.

What amount do you have to the credit of the country, unliquidated?

Mr. TENNANT. $17,045,000.

EL SALVADOR

Mr. PASSMAN. What is the situation with reference to El Salvador?

Mr. Moscoso. Up to 1961, the program has been $9 million.

Mr. PASSMAN. For fiscal year 1962?

Mr. Moscoso. $3,721,000.

Mr. PASSMAN. That is a discrepancy from the book figures.

Mr. Moscoso. That is the figure from the book.

Mr. TENNANT. There was a proposal only of $4.2 million in the brown presentation book.

Mr. PASSMAN. What amount do you have unliquidated to the credit of El Salvador?

Mr. TENNANT. $3,899,000.

GUATEMALA

Mr. PASSMAN. What was the total of funds for Guatemala?

Mr. Moscoso. Up to 1961, $91 million.

Mr. PASSMAN. What did you program for fiscal year 1962?

Mr. Moscoso. $4,500,000.

Mr. PASSMAN. What is your estimate for 1963?

Mr. Moscoso. ———.

Mr. PASSMAN. What is the amount of the unliquidated balance?

Mr. TENNANT. $13,563,000.

That includes development credits.

Mr. MOSCOSO. A 3½-percent rate.

Mr. PASSMAN. Is it not one of the long-term loans?

Mr. MOSCOSO. Fifteen years.

Mr. PASSMAN. It was not made out of the Export-Import Bank section?

Mr. MOSCOSO. No. This was made out of the Development Loan Fund.

Mr. PASSMAN. Finally, we run into a loan we might get back.

HAITI

With reference to Haiti?

Mr. MOSCOSO. $49,900,000 through fiscal year 1961.

Mr. PASSMAN. What was the 1962 program?

Mr. MOSCOSO. $13,255,000.

Mr. PASSMAN. What is estimated for fiscal 1963?

Mr. MOSCOSO. ———.

Mr. PASSMAN. Is this the country where the President says honesty would be inconsistent with this program?

Is this not the country where there is some question as to whether we are even going to stay in there?

Mr. MOSCOSO. That is the country that we are reviewing.

Mr. PASSMAN. How long have you known that we may have to review this program?

Mr. MOSCOSO. I started delving into that in advance.

Mr. PASSMAN. That was before the books were printed?

Mr. MOSCOSO. Off the record.

(Discussion off the record.)

Mr. PASSMAN. With respect to these many millions for Haiti, in all probability you could find other uses for, no doubt, in this program?

Mr. MOSCOSO. Off the record.

(Discussion off the record.)

Mr. PASSMAN. We should take into account, in marking up the bill, that, in all probability, you will need no funds for Haiti.

Mr. MOSCOSO. ———.

Mr. PASSMAN. What is the unliquidated amount for Haiti?

Mr. TENNANT. $12,489,000.

Mr. PASSMAN. That would revert back, would it not, to the program?

COMPLETION OF PROJECTS ALREADY COMMITTED

Mr. MOSCOSO. We have to complete a loan commitment that has been made.

Mr. PASSMAN. You have more than this development credit?

Mr. ROONEY. Are we talking of Haiti or Guatemala?

Mr. PASSMAN. We are referring to Haiti.

Mr. TENNANT. The $12,489,000 is from all parts.

Mr. PASSMAN. That is an accumulation, but we would have to complete all the projects calling for that money?

Mr. TENNANT. That money is all obligated for projects or loans.

(Discussion off the record.)

Mr. PASSMAN. Nevertheless, you will still have the situation, as far as poverty and the need for education is concerned?

Mr. MOSCOSO. That is right.

(Discussion off the record.)

HONDURAS

Mr. PASSMAN. Tell us about the funds for Honduras.

Mr. MOSCOSO. The program through 1961 is $27.5 million.

Mr. PASSMAN. And in 1962?

Mr. MOSCOSO. $4,100,000.

Mr. PASSMAN. What amount is requested for fiscal year 1963?

Mr. MOSCOSO. ———.

Mr. PASSMAN. What amount is unliquidated to the credit of the country?

Mr. TENNANT. $7,856,000.

MEXICO

Mr. PASSMAN. What about the money for Mexico?

Mr. MOSCOSO. $7,900,000.

Mr. PASSMAN. Is that from the inception?

Mr. MOSCOSO. That is right. Fiscal year 1962, $670,000.

Mr. PASSMAN. Let us get the estimate for fiscal 1963?

Mr. MOSCOSO. Yes, ———.

Mr. PASSMAN. What kind of a loan was made?

AGRICULTURAL CREDIT LOAN

Mr. MOSCOSO. $20 milllion, for agricultural credit through private banks.

Mr. PASSMAN. Why do we have anything to do with it, if it is through the private banks?

Mr. MOSCOSO. This has been under negotiation by Ambassador Thomas Mann ever since he went down to Mexico around the middle of last year.

Mr. PASSMAN. When did they announce it?

Mr. MOSCOSO. This was announced a couple of weeks before the President went down, and signed down there.

Mr. PASSMAN. The headlines came after it was signed?

Mr. MOSCOSO. That is right.

Mr. PASSMAN. Actually, the contract that bound this country was made during the President's visit?

Mr. MOSCOSO. That is right.

Mr. PASSMAN. What kind of a loan is it?

Mr. MOSCOSO. An agricultural credit loan. The reason for this loan——

Mr. PASSMAN. What kind of a loan? How are they going to pay it back?

Mr. MOSCOSO. I do not have the terms here.

Mr. PASSMAN. Would they have been eligible for this type of loan from the Export-Import Bank?

Mr. MOSCOSO. No, sir.

As a matter of fact, we always take our loans to the Export-Import Bank prior to making a loan agreement.

Mr. PASSMAN. Are they ineligible from the Inter-American Development Bank?

Mr. MOSCOSO. Yes. We check with them, too. They have made quite a number of loans to Mexico.

LOAN FOR HOUSING PROJECT

Mr. PASSMAN. They are going to have a housing project there that is going to be Mexico City No. 2, if they go through with it. It is a whopper. Where are they going to get the money?

Mr. MOSCOSO. They are eligible for worldwide development lending.

Mr. PASSMAN. Long term, no interest, 10-year grace, no-interest credit?

Mr. MOSCOSO. Right.

Mr. PASSMAN. Development credit?

Mr. MOSCOSO. That particular one would be classified as a development credit.

REPORTS OF AGRICULTURAL EXPORTS TO CUBA

Mr. PASSMAN. Is it true that under agreements between Mexico and Cuba, Mexico exports substantial quantities of agricultural commodities to Cuba?

Mr. MOSCOSO. I do not know what the agreement is between Cuba and Mexico.

Mr. PASSMAN. Does Mexico export agricultural commodities to Cuba?

Mr. STERNFELD. There are no agricultural exports from Mexico to Cuba.

Mr. PASSMAN. Where do you get your authority for saying there are no exports from Mexico to Cuba?

Mr. STERNFELD. Our reports from the Embassy, on the basis of the news clipping you read into the record during earlier hearings. We decided to look into the story of what was behind the newspaper clipping.

We wired our Embassy in Mexico, and they replied after checking with the Mexican Government there was no record of agricultural exports to Cuba.

Mr. PASSMAN. They did not keep any records?

Mr. MOSCOSO. On the basis of checking with the Government of Mexico, they had no record of exporting agricultural commodities to Cuba.

Mr. PASSMAN. Are they exporting to Cuba any commodities—manufactured, raw materials, agricultural or otherwise? You do not know, do you?

Mr. MOSCOSO. I am sorry, I cannot answer.

(The information follows:)

ALLEGED MEXICAN TRADE WITH CUBA

The story in the July 10 Washington Daily News concerning the AID agricultural credit loan to Mexico contains several incorrect statements. Information forwarded by the U.S. Embassy in Mexico and later by the AID mission director there provides the following refutation of the allegations made in the article.

The story stated, "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."

The Mexican Minister of Agriculture, himself, stated that same week that Mexico does not export wheat or corn to Cuba nor to any other destination. It is barely self-sufficient in both products. In fact, in late 1961 and early 1962, Mexico imported small quantities of corn. In addition, the farmers will utilize the credits under the Alliance loan to help grow a wide variety of commodities other than wheat and corn.

Much of the rest of this article, which dealt primarily with agriculture in Mexico, is also in error. It might be noted that Mexican officials have remarked that, in their foreign trade, they are interested in earning dollars, not Cuban pesos for which they have no use.

NICARAGUA

Mr. PASSMAN. Next, let us have the status of funds for Nicaragua.

Mr. MOSCOSO. $18.3 million up through 1961; $2,803,000 in 1962 for grants, plus a loan of $900,000.

Mr. PASSMAN. Estimated for fiscal year 1963?

Mr. MOSCOSO. ———.

Mr. PASSMAN. What is the unliquidated balance?

Mr. TENNANT. $12 million.

Mr. MOSCOSO. They have several loans here. These are 3½-percent interest loans.

PANAMA

Mr. PASSMAN. What about Panama?

Mr. MOSCOSO. $28.6 million up through 1961.

Mr. PASSMAN. Your fiscal 1962 program was in what amount?

Mr. MOSCOSO. $12.4 million.

Mr. PASSMAN. What is your estimate for fiscal year 1963?

Mr. MOSCOSO. ———.

Mr. PASSMAN. What is the amount of the unliquidated balance?

Mr. TENNANT. $17,163,000.

CONTINGENCY FUND ALLOCATION

Mr. PASSMAN. How did you utilize the $9.9 million grant from the contingency fund for project assistance on the political security commitment related to the canal?

And, while you are looking that up, have you liquidated the grant out of the contingency fund, or is the fund still on hand to be expended in subsequent years?

Mr. STERNFELD. It has not been fully liquidated.

Mr. PASSMAN. Again, it really was not an emergency, or a contingency.

When was that commitment made?

Mr. STERNFELD. October 1961.

Mr. PASSMAN. That was allocated about the same time that you allocated the regular funds for this project. When did you allocate your regular funds for mutual security?

Mr. TENNANT. The first allocation was October 10.

Mr. PASSMAN. You did this on what date?

Mr. STERNFELD. The discussions held——

Mr. PASSMAN. I asked you when you obligated the contingency fund?

Mr. TENNANT. The initial contingency fund allocation to Panama, $3.4 million——

Mr. PASSMAN. And, I asked you when you allocated funds for Panama out of the regular appropriation for last year?

Mr. TENNANT. October 10.

Mr. PASSMAN. When did you obligate the contingency fund?

Mr. TENNANT. I am sorry, I misunderstood your question. Out of the initial allocation from the regular appropriation there was nothing for Panama.

Mr. PASSMAN. When did you allocate your worldwide funds out of your fiscal year 1962 appropriation?

Mr. TENNANT. October 10. However, at that time, nothing was included for Panama.

Mr. PASSMAN. When did you obligate out of the contingency fund for Panama?

Mr. STERNFELD. In January.

Mr. MOSCOSO. January 11, the data of approval of the program, $9.9 million.

Mr. PASSMAN. Did you not allocate out of the contingency fund $3.4 million on October 10, 1961?

Mr. MILLER. That is correct.

Mr. TENNANT. That is in our report.

Mr. PASSMAN. So you allocated $3.4 million at the same time you allocated your regular funds; did you not?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. You withdrew it?

Mr. TENNANT. We withdrew it.

Mr. PASSMAN. In November, which means you did not spend it; is that correct?

Mr. TENNANT. That is correct.

Mr. PASSMAN. Did the President of Panama visit us?

Mr. STERNFELD. Last month.

Mr. MOSCOSO. Last month.

Mr. PASSMAN. You obligated for Panama trying to liquidate as much as you could of this contingency fund?

Mr. TENNANT. Yes.

Mr. PASSMAN. At a subsequent date you voided the obligation?

Mr. TENNANT. We did void it in November.

Mr. PASSMAN. You obligated it in October, and you voided it in November, in the same amount?

Mr. TENNANT. That is correct.

Mr. PASSMAN. That was an unusual emergency.

Mr. MOSCOSO. I have the list of projects here.

Again I repeat, this took place before my time. This was——

Mr. PASSMAN. What are we talking about?

DISPOSITION OF CONTINGENCY FUND GRANT

Mr. Moscoso. You asked me about the $9.9 million grant and how it was used. I have the projects.

Mr. Passman. You have it labeled "confidential"?

Mr. Sternfeld. There are other matters here. We can read it into the record.

Mr. Passman. Let us read it into the record.

This apparently was a very urgent proposition dealing with ———.

Mr. Moscoso. It was, sir, in this sense——

Mr. Passman. We were trying to save people from starvation and start projects?

I quote:

The map survey	$1,000,000
Agriculture research and education	500,000
Hydraulic resources survey	900,000
Road construction equipment and training	500,000
A road survey	200,000
Rural health centers	950,000
Hospital construction studies	200,000
National schools construction	4,500,000
Rural school construction, community	500,000
Various economic development studies	150,000
Self-help housing	500,000

I realize it is political, but I should think we could do some things with something besides dollars.

PARAGUAY

Paraguay——

Mr. Moscoso. $31.8 million, up to 1961. In 1962, $2,669,000.

Mr. Passman. Your fiscal year 1963 estimate?

Mr. Moscoso. ———.

Mr. Passman. What amount do you have unliquidated to the credit of Paraguay?

Mr. Tennant. $9,229,000.

PERU

Mr. Passman. Peru.

Mr. Moscoso. $57.2 million has been used in Peru up to 1961.

Mr. Passman. What was the amount of the program in fiscal year 1962?

Mr. Moscoso. $11,658,000 for grants plus $9 million for loans.

Mr. Passman. What is the estimate for fiscal year 1963?

Mr. Moscoso. ———.

Mr. Passman. What amount is unliquidated to the credit of Peru?

Mr. Tennant. $47,111,000.

URUGUAY

Mr. Passman. Uruguay.

Mr. Moscoso. Up until 1961, $10.7 million. Fiscal year 1962, $5,110,000 and fiscal year 1963, ———.

Mr. Passman. What is the unliquidated amount to the credit of this country?

Mr. Tennant. $7,433,000.

VENEZUELA

Mr. PASSMAN. Venezuela:

Mr. MOSCOSO. There is another loan there; 3½ percent.

Mr. PASSMAN. All is a loan?

Mr. MOSCOSO. No, the bulk of this unliquidated.

Mr. PASSMAN. We want to break it down. You agree that when you get this you will put the additions in later on the others?

Mr. TENNANT. Yes.

Mr. MOSCOSO. $16.3 million.

Mr. PASSMAN. And the amount of the fiscal year 1962 program?

Mr. MOSCOSO. $1,746,000, plus a $10 million loan.

Mr. PASSMAN. The estimate for fiscal year 1963?

Mr. MOSCOSO. ———.

Mr. PASSMAN. What amount is unliquidated?

Mr. TENNANT. $23,929,000.

Mr. PASSMAN. Let the record show that when we occasionally mention loans we are not talking about the Inter-American Development Bank, the International Development Association or the Export-Import Bank. We are still talking about the mutual security program; is that correct?

Mr. MOSCOSO. That is right.

Mr. PASSMAN. Let us now get into the various British possessions, or colonies, as the case may be.

BRITISH GUIANA

One is British Guiana.

Mr. MOSCOSO. $1.4 million up to fiscal year 1961.

Mr. PASSMAN. For fiscal 1962?

Mr. MOSCOSO. 1962, $1.5 million.

Mr. PASSMAN. Estimated for fiscal year 1963?

Mr. MOSCOSO. ———.

Mr. PASSMAN. The amount unliquidated to the credit of this British colony?

Mr. TENNANT. $837,000.

Mr. PASSMAN. Why are we extending aid to this British colony, especially in view of the statement on page 147 of the justifications: "The premier is a self-described Marxist"?

Mr. MOSCOSO. In the first place, Mr. Chairman—may I go off the record on that, Mr. Chairman?

Mr. PASSMAN. Stay on the record, and then take it off the record if it is necessary to do so.

Mr. MOSCOSO. British Guiana is trying to achieve independence.

Mr. PASSMAN. Yes, sir.

Mr. MOSCOSO. Off the record.

(Discussion off the record.)

Mr. PASSMAN. I won by a very small margin down in Louisiana the first time; 455 votes, but I am still here.

I did not mean to interrupt you.

Mr. MOSCOSO. Off the record.

(Discussion off the record.)

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CONTINGENCY FUND ALLOCATION

Mr. PASSMAN. We have understood that the contingency fund would take care of those things which you could not foresee and that you could not take out of other funds, because you would have allocated the funds prior to the time that these emergencies would arise.

Now, here in this British colony, in October of 1961 you programed $5 million out of the President's contingency fund. However, this allocation was subsequently withdrawn, in March of 1962. Now, just what justification could there be for this action?

Time after time we find that you did not wait for a situation to arise in which you might need the funds of this type. You just went ahead and allocated.

Did the Premier of British Guiana come to this country?

Mr. MOSCOSO. This man?

Mr. PASSMAN. Yes.

Mr. MOSCOSO. I understand he came up; yes.

Mr. PASSMAN. Was it about October of last year?

Mr. STERNFELD. October or November, somewhere in there.

Mr. PASSMAN. It appears to me that he got this gift about the time he was here.

Do you have any money for these other British colonies?

Mr. MOSCOSO. I hadn't arrived in Washington at that time, Mr. Chairman.

BRITISH HONDURAS

Mr. PASSMAN. How about British Honduras?

Mr. MOSCOSO. $600,000 up to 1961 and fiscal year 1962 it is $565,000. The 1963 figure is ———.

Mr. PASSMAN. Did we get the unliquidated amount for British Guiana?

Mr. TENNANT. I believe we did; $837,000, and on British Honduras the unliquidated figure is $281,000.

Mr. PASSMAN. Eastern Caribbean?

Mr. MOSCOSO. Up through 1961, $7.9 million and fiscal 1962, $9,224,000, and the fiscal year 1963 figure is ———.

Mr. PASSMAN. Unliquidated?

Mr. TENNANT. $9,482,000.

Mr. PASSMAN. When did this country get its independence?

Mr. MOSCOSO. It is a British colony where we have bases.

Mr. PASSMAN. Is this in payment for the bases or do we have other considerations for the bases?

Mr. MOSCOSO. This is primarily related to the bases agreements.

Mr. PASSMAN. Which was a case in which we exchanged some destroyers for those bases, did we not?

Mr. MOSCOSO. With the British, not with the Trinidadians.

This arrangement or renegotiation of the base rights was made with Trinidad.

Mr. PASSMAN. Let us say there are good and sufficient reasons. We are still dealing with a British possession when we speak of the Eastern Caribbean?

Mr. MOSCOSO. That is right.

Mr. PASSMAN. Down in this eastern Caribbean British possession, what is the status of the seven projects for which you have obligated $6.6 million in fiscal 1962, without determining the extent of the U.S. participation in the projects?

Mr. STERNFELD. Eastern Caribbean in fiscal 1962 we actually only obligated as of the end of the fiscal year $2,903,000, although we had programed $9,224,000.

Mr. PASSMAN. You say, "Project delayed pending resolution of the extent of U.S. participation."

Mr. STERNFELD. That is correct.

Mr. PASSMAN. Has that yet been determined?

Mr. STERNFELD. No, sir. We are still in negotiations with the local government.

Mr. PASSMAN. The projects are delayed, or are they remaining in a dormant state until this matter can be settled?

Mr. STERNFELD. The principal projects connected with the base agreements are dormant at the present time.

Mr. PASSMAN. Has $2.2 million been obligated?

Mr. STERNFELD. For other projects upon which we were able to reach agreement with the local government.

Mr. PASSMAN. To what extent, then, shall we discount this information?

Mr. STERNFELD. Sir, we have planned on obligating $9,224,000. Because of the inability to reach agreement as to what was our——

Mr. MOSCOSO. Commitment.

Mr. STERNFELD. That was our commitment, we only obligated $2,903,000.

Mr. PASSMAN. When you add up the projects in the book here the total is $6.6 million; is that a correct statement?

Mr. STERNFELD. Do you mean the projects which are shown in this book only add up to——

Mr. PASSMAN. Of the projects delayed pending resolution of the extent of U.S. participation. You had a total of $6.6 million; is that correct?

Mr. STERNFELD. I am sorry, I have not added up these projects.

Mr. PASSMAN. In the book here on this British colony you said that you had obligated $6.6 million. We have nothing else to go by other than what you said here, that you estimated the obligations would be thus and so.

Mr. STERNFELD. That is correct, sir, but as you note quite logically that we were in the midst of negotiations with the country and therefore we did not obligate the full amount which is shown in the book as $9,224,000.

Mr. PASSMAN. And what is the status of the remainder? Is it out or do you think you may at some subsequent date have need for the funds for this British colony?

Mr. Moscoso. I think we will probably come to an agreement with the local government and be able to proceed with these projects.

Mr. PASSMAN. But you did originally program the projects without knowing the extent of our participation there?

Mr. Moscoso. We had an idea of what we thought our participation was going to be.

Mr. PASSMAN. You stated in the book that would be the amount of the obligations.

Mr. STERNFELD. That was our best estimate at the time.

Mr. Moscoso. That is right, and the local government insisted that was not their understanding.

Mr. PASSMAN. You struck it from your 1962 program and you renew it in your 1963 program?

Mr. STERNFELD. If we reach an agreement.

Mr. PASSMAN. According to history, you do not have to reach an agreement to obligate funds in this foreign aid program. That is what you did here. Had we held the hearings earlier we would have gone by that book.

JAMAICA

Do you have a program in Jamaica, and is that also a British possession?

Mr. Moscoso. Until August 6 of this year.

Mr. PASSMAN. Let us talk about now and the past, to see how much money we gave the British possessions.

Mr. Moscoso. For Jamaica through 1961, $2.1 million.

Mr. PASSMAN. And in fiscal year 1962?

Mr. Moscoso. $1,120,000.

Mr. PASSMAN. The estimate for fiscal 1963?

Mr. Moscoso. ———.

Mr. PASSMAN. What is the total of unliquidated funds for this British colony?

Mr. TENNANT. $5,433,000 for Jamaica.

Mr. Moscoso. This is a loan.

SURINAM

Mr. PASSMAN. How about Surinam?

Mr. Moscoso. This is Dutch Guiana. Up through 1961, $2.4 million.

Mr. PASSMAN. Your 1962 program?

Mr. Moscoso. $480,000.

Mr. PASSMAN. Do you have a fiscal 1963 program?

Mr. Moscoso. ———.

Mr. PASSMAN. What is the unliquidated balance?

Mr. TENNANT. $377,000.

Mr. PASSMAN. Are these people eligible for other types of aid—the same as other countries?

Mr. Moscoso. No, sir.

Mr. STERNFELD. They are not eligible for the World Bank and the IDA——

Mr. PASSMAN. I am talking about other mutual security aid. Are they eligible for everything other countries can receive?

Mr. Moscoso. Not military assistance.

Mr. PASSMAN. Are they eligible for other types of aid under the Mutual Security Act?

Mr. MOSCOSO. That is right.

Mr. PASSMAN. They could apply for any type of development credit?

Mr. MOSCOSO. Yes.

Mr. PASSMAN. They draw out of all spigots except the military, the Export-Import Bank, and international organizations; is that correct?

Mr. STERNFELD. They cannot draw from those.

Mr. PASSMAN. I was enumerating the exceptions.

Mr. MOSCOSO. That is right.

Mr. PASSMAN. It would appear that the administrative expenses and program account for about 45 percent of the total out there; is that right?

Mr. MOSCOSO. That is right.

Mr. PASSMAN. That is rather high.

CENTRAL AMERICA

Now, the Central American area.

Mr. MOSCOSO. This is a program I was describing a while ago, Mr. Chairman, pertaining to the efforts of the economic integration of Central American countries.

Mr. PASSMAN. If you keep on you are going to have to refer to these things by numbers, and not by names.

Is this a new program, sir?

Mr. MOSCOSO. This was started in 1961.

Mr. PASSMAN. How much money was involved in 1961?

Mr. MOSCOSO. Loans, $5 million; and $2 million in grants. It is page 173 in the country book.

Mr. PASSMAN. Is this that bank which was started without any justifications to Congress whatsoever?

Mr. MOSCOSO. I don't know. This is a bank authorized by the several governments.

Mr. PASSMAN. I am talking about the U.S. authorization. You started it without any justification, did you not?

Mr. STERNFELD. I am sorry——

Mr. PASSMAN. All right; did you have anything in fiscal year 1962 for this program?

Mr. STERNFELD. We had planned a program but it didn't take place.

Mr. PASSMAN. Does that complete the project?

Mr. MOSCOSO. No; for 1963 we have ———.

Mr. PASSMAN. What amount do you have unliquidated to the credit of this particular item?

Mr. TENNANT. $4 million.

Mr. PASSMAN. It would appear that the 10 projects proposed for fiscal year 1963 are new projects for this Central American area; is that correct?

Mr. MOSCOSO. That is right, sir.

Mr. PASSMAN. Where is the headquarters of this activity?

Mr. MOSCOSO. It is in Guatemala. The bank is in Tegucigalpa, but the secretariat of the integration association is in Guatemala.

JUSTIFICATION FOR CENTRAL AMERICAN BANK PROJECT

Mr. PASSMAN. In addition the $5 million credit to the Central American Bank for economic integration, how much grant aid has been extended to the bank for capital?

Mr. MOSCOSO. $2 million for capital and $1 million for technical assistance.

Mr. PASSMAN. Could you tell us when you justified that to the committee, the Congress?

Mr. STERNFELD. I would assume it was in last year's program.

Mr. MOSCOSO. I do not know, sir.

Mr. PASSMAN. Do not assume. Let us pin it down. Either you did or did not. Maybe Mr. Tennant can help us a bit. I am talking now about the $2 million grant aid.

Mr. TENNANT. I find it in last year's book, on page 619, Central Bank for Economic Aid, estimated obligations for 1962 as proposed at that time was $3,035,000.

Mr. PASSMAN. I am talking about the $2 million grant. You are talking about what started it off; 1961 was when this was brought into being?

Mr. TENNANT. This shows the 1961 figure. I do not have the 1961 book with me; no, sir.

Mr. PASSMAN. Let me say for the record, and you certainly have a right to refute it, I do not think you justified the $2 million to Congress.

LATIN AMERICAN REGIONAL PROGRAM

Now, Latin American regional:

If we were playing a slot machine on this game this would be what you would call the jackpot, where you try to get everything you can possibly think of in the program listed, and for fear that you may not have thought of everything, then you set up something that is known as "regional," in which the nations jointly participate.

What amount do you have for the Latin American regional program?

Mr. MOSCOSO. Up through 1961, $18,400,000.

Mr. PASSMAN. And for fiscal 1962?

Mr. MOSCOSO. $16,367,000.

Mr. PASSMAN. You originally programed $19,167,000.

Mr. MOSCOSO. That is right.

Mr. PASSMAN. What is the estimate for fiscal year 1963?

Mr. MOSCOSO. ———.

Mr. PASSMAN. What amount do you have unliquidated?

Mr. TENNANT. $4,450,000.

REGIONAL TECHNICAL AID

Mr. PASSMAN. What type of books will be purchased with the $800,000 requested under the regional technical aid project?

Mr. MOSCOSO. These are science books to be used in the various schools; in other words, textbooks. They are printed for use all over the region.

Mr. PASSMAN. Would you cite the various elements of the cost for which you obligated $275,000 for seminars and workshops project in 1962?

Mr. MOSCOSO. There is no breakdown in this.

Mr. STERNFELD. The $275,000?

Mr. PASSMAN. Yes.

Mr. STERNFELD. These costs are primarily the participant cost of people who attend these seminars and workshops.

Mr. PASSMAN. Do you have the detail?

Mr. STERNFELD. I do not have it here. I can submit it.

Actually, instead of $275,000 in 1962, we had obligated $160,000. This would be broken down for the participant costs. We do not have a breakout here.

PAN AMERICAN HIGHWAY SURVEY

Mr. PASSMAN. You have got this thing so diversified, so broad, so loose at each end and punctured in the middle, that if you cannot do it one way you will do it another.

As to this Pan American Highway survey, the Bureau of the Budget ruled in May 1960, that funds for the area survey could be provided, but not as a separate request to Congress. Therefore, you allocated funds from the aid program. Is that right?

Mr. MOSCOSO. That is to make the survey of the last section of the Pan American Highway or of the Inter-American Highway.

Mr. PASSMAN. Why did the Bureau of the Budget rule that you could not make a separate request to Congress? Were they politely ruling out the program?

Mr. STERNFELD. No, sir. They considered that this should be related to the aid activities in the area and therefore should be considered as part of the aid program rather than as part of the Department of Commerce activities on the Pan American Highway.

Mr. PASSMAN. So, you did not get it out of one spigot. You got it out of another.

Tell us on what date you justified this $2 million to Congress last year.

Mr. TENNANT. Last year, in our presentation, we did not set out the new projects. We had a general discussion of the new projects without specifically stating which ones. I think it appears on page 1087 of last year's hearings.

Mr. PASSMAN. This is not one of those gimmicks that was used to prevent the budget from being increased last year, was it, by official budget amendments that would come down normally?

Mr. STERNFELD. I can speak to this, since I was on both sides.

BUREAU OF THE BUDGET DECISION ON HIGHWAY FINANCING

I was on both sides of the table. I was in the Bureau of the Budget at the time this was considered, and the consideration that led to this conclusion was that the Pan American Highway financing out of the Commerce Department was to end in Panama, and this was an additional survey, the gap going from Panama to Colombia. I do not think there was any consideration in terms of amendments to the budget or things of that sort at that time.

Mr. PASSMAN. I think I would prefer not to say, in the record, the reasons behind it. I think you are just as familiar with it as I am.

Off the record.

(Discussion off the record.)

PARTICIPANT TRAINING COSTS

Mr. PASSMAN. What was the average cost per participant in fiscal years 1961 and 1962, and what is the proposed cost for fiscal year 1963? I am referring to your area, Mr. Ambassador.

Mr. MOSCOSO. Average cost in 1961, $2,770; in 1962, $3,170; and in 1963, $3,320.

Mr. PASSMAN. This would have to be brought about by an inflationary condition, would it not?

Mr. MOSCOSO. Yes. It costs more, I suppose, to keep them.

Mr. PASSMAN. We have got the average. It is either inflation or monkey business.

Mr. MILLER. Mr. Chairman, there might be a number of different factors which occurred to change that——

Mr. PASSMAN. I just said that.

Mr. MILLER. Which would also include the length of time, the quality and kind of training given to participants so that a higher kind of training and a better period of time would produce a better training for the participant, and, of course, cost a considerable amount more.

Mr. PASSMAN. Let us substantiate that matter. Let us get the justification books and see what this business is all about.

NUMBER OF PARTICIPANTS PROGRAMED

While we are getting specifics, would you tell us the number of the participants for each one of the years?

Mr. MOSCOSO. In the year 1961——

Mr. PASSMAN. These are for fiscal 1961, 1962, and 1963?

Mr. MOSCOSO. That is right. In 1961, 1,638; in 1962, 2,761; and in 1963, 3,176.

Mr. PASSMAN. Let us start with Guatemala.

You had 75 participants, costing $195,000 in fiscal year 1962.

Mr. STERNFELD. Seventy-five.

Mr. PASSMAN. And you estimate 51 participants in fiscal 1963. The cost will be $180,000. How do you justify the increase in cost?

Mr. MOSCOSO. Mr. Chairman, if it is the same type of training that these people are going to receive in one year and the other, then you can compare them, but if these 51 are going to be trained for something which is going to require a longer training period or a more costly training period——

INCREASING PARTICIPANT COSTS

Mr. PASSMAN. I think it is quite obvious that we can always deal in generalities and say, "If this happens or that happens." You are carrying on about the same type of program in the same fields that you have had in the past. We are dealing with large numbers. In 1961 you had 1,638; 1962 you had 2,761; in 1963 you will have 3,176. However, the average cost had gone up $600 per participant. You

could not have varied the program to the extent that it indicates here, because you have no new projects, you are using the same type of technicians for the same type of projects.

It is either because of inflation or you have padded this in excess of your actual needs. You are not dealing with new projects. You are dealing with continuing projects, and it is almost unbelievable that you would have had that degree of inflation.

Mr. Moscoso. But there has been a distinct turnaround in the type of programs that we are having, Mr. Chairman.

Mr. Passman. Cite your new projects that would call for a different type of technician absorbing even a third of that number. This is an average increase of $600 in just 2 years. Am I correct?

Mr. Sternfeld. Yes.

Mr. Passman. Do you have any specific answer, since you do not have that many new projects? You have increased participants from 1,638 to 3,176 in 2 years. You have also increased the cost per participant by $600.

Mr. Miller. As I suggested, Mr. Passman, there are a number of factors which could enter into this which would include the length of stay of the participants in this country.

Mr. Passman. Can you be specific and cite us examples?

Mr. Miller. I do not have anything with me at this point. I would be glad to supply it for the record.

Mr. Passman. Let us get the specifics. I say respectfully we want to know why it is.

Mr. Miller. We should be happy to supply it for the record.

Mr. Passman. May I address the same request to you, Mr. Comptroller, so the two of you can work separately or together to determine why the cost of these participants has increased so greatly in just a 2-year period.

Mr. Tennant. We will be glad to look into that, sir, and make an insert.

Mr. Passman. You will assist Mr. Miller on that matter, will you not?

Mr. Tennant. Yes, sir.

(The information follows:)

Participant Training Costs for Latin America

Costs for training participants from Latin America are rising both for reasons related to participant programing and for reasons related to generally higher costs of training components.

Participants are being trained for longer periods, particularly in the more complex fields of modern technology and economics.

Training costs in the United States have been rising. Principal increases are in the cost of tuition, books, transportation, and specialized services for foreign nationals.

(1) Over the past several years, tuition has risen fairly regularly and still only covers a part of the educational institutions' costs. Out of a sample of 21 institutions selected at random, tuition increased 47 percent during the period 1958–59 to 1961–62. Seven of these 21 increased tuition charges at least 50 percent. Fees for short-term training at land grant institutions have also risen. According to a study conducted under the auspices of the American Council on Education, the average cost to colleges and universities for training of a week or less was $58 per day per participant, several times more than AID currently pays. A number of universities which formerly serviced short-term participants without charge have begun to charge AID for its services.

(2) The prices of textbooks and other necessary classroom materials have risen from 30 to 50 percent in the past few years.

(3) Domestic travel cost in the United States in recent years has gone up substantially, by approximately 18 percent.

(4) The cost to interpreters has increased approximately 54 percent in recent years. This increase is due not only to the increased per diem rate and increases in compensation but also to the increased use of interpreters' services.

With respect to the specific case of Guatemala, the principal reason for the increase in cost lies in the increased length of the period of training in the United States. Participant training costs for Guatemala in fiscal 1961, 1962, and 1963 are as follows:

	Number of participants	Total cost	Average cost per participant	Latin America regional average
Fiscal year:				
1961	75	$218,000	$2,907	$2,772
1962	75	195,000	2,600	3,173
1963	51	180,000	3,529	3,427

In fiscal year 1963, participants programed were 24 less than in 1962. Total cost decreased by only $15,000. Average cost rose $929 above the fiscal year 1962 average cost. The increase is directly related to the period of time spent in training and the cost per man-month. More months in training mean higher total cost. From the table below, it will be noted that the fewer participants from Guatemala in fiscal year 1963 have a higher average cost but a lower cost per man-month.

	Number of participants	Total cost	Total man-months training	Cost per man-month
Fiscal year 1962	75	$195,000	349	$559
Fiscal year 1963	51	180,000	371	485

In other words, 24 fewer participants in fiscal year 1963 will receive 22 more man-months of training than 75 participants in fiscal year 1962, despite a reduction in program costs from $195,000 to $180,000.

Mr. Moscoso. I would also like to know.

CONTRACTOR FEES FOR TECHNICIANS

Mr. PASSMAN. We asked for this information 2 or 3 days ago. We were told earlier that in recruiting and backstopping these contract technicians the fee of the contractor recruiting was about 80 percent of the salary. I asked if it were also true in your area that that was the average fee paid to these people. For instance, you have several firms here in Washington. One in particular is a new firm, with very little capital but good name people who are desirous of making some money. They set themselves up an agency and they become a consulting firm. I think you had a $420,000 contract with them. They get 80 percent of the salary cost for doing the recruiting and backstopping. We were told that was about the average amount for the contractors.

We would like to know for the contract technicians recruited in your area if the average fee for the contractor is about 80 percent of the amount of salary. Do you remember that I asked that question earlier?

Mr. Moscoso. I understand they are still studying it.

Mr. TENNANT. Yes, sir. We are studying the contracts in the Latin American area and had planned to make an insert.

Mr. Rooney?

Mr. ROONEY. I have been carefully listening to the testimony with regard to Latin America for some while now. I have no questions.

Mr. PASSMAN. Mr. Rhodes?

Mr. RHODES. I echo the statement of my colleague from New York.

DIVERSIFICATION OF LATIN AMERICAN PROGRAM

Mr. PASSMAN. All right, gentlemen. As we conclude, I think I should say, in summarizing the brief hearings: We had intended to hold rather extensive hearings for Latin America, but the program is so diversified, so broad, so misunderstood, so uncontrolled, and has so many projects that it has reached the point of being asolutely impossible to examine this in detail as to the uses which will be made of the money. Therefore, it has been necessary to abbreviate the hearings for Latin America, because already this year we have consumed twice as much time and we still have half the world to go.

Mr. Moscoso. Mr. Chairman, in the first place, I want to thank all of you gentlemen for having listened so patiently to someone who knew very little about the congressional review of the program, until just a few days ago, because I have learned quite a bit about it by virtue of these hearings. I can assure the chairman and members of the committee that I am just desirous of seeing that this thing is done properly and that the money is wisely spent as any member of the committee.

Mr. PASSMAN. You have made a very straightforward statement. We want to wish for you the maximum of success in your work.

Mr. Moscoso. Thank you.

MONDAY, JULY 30, 1962.

NEAR EAST AND SOUTH ASIA

WITNESSES

HON. PHILLIPS TALBOT, ASSISTANT SECRETARY OF STATE, BUREAU FOR NEAR EASTERN AND SOUTH ASIAN AFFAIRS
WILLIAM S. GAUD, ASSISTANT ADMINISTRATOR, BUREAU FOR NEAR EAST AND SOUTH ASIA, AID
JOSEPH J. BARGHAHN, OFFICE OF NEAR EAST, SOUTH ASIA REGIONAL AFFAIRS, STATE
EDWARD F. TENNANT, ACTING CONTROLLER, AID
LEIGH M. MILLER, LEGISLATIVE PROGRAMS COORDINATOR, AID
RICHARD S. BIRNBERG, OFFICE OF DEVELOPMENT PLANNING, BUREAU FOR NEAR EAST AND SOUTH ASIA, AID
GUY A. LEE, OFFICE OF NEAR EAST-SOUTH ASIAN AFFAIRS, DEPARTMENT OF STATE

Mr. PASSMAN. The committee will come to order.

We have with us this afternoon the Honorable Phillips Talbot, Assistant Secretary of State, Bureau for Near Eastern and South Asian Affairs, and the Honorable William S. Gaud, Assistant Ad-

ministrator, Bureau for Near East and South Asia, AID. They are accompanied by Mr. Joseph J. Barghahn, Office of Near East, South Asia Regional Affairs, Department of State; Mr. Edward F. Tennant, Acting Controller, AID; Mr. Leigh M. Miller, Legislative Programs Coordinator, AID; and Mr. Richard G. Birnberg, Office of Development Planning, Bureau for Near East and South Asia, AID.

We shall begin today consideration of the budget request for funds for the many mutual security programs and projects in the Near East and south Asia.

Before hearing from our distinguished witnesses, I should like first to ask the controller a few questions, so that at a subsequent date when we place these figures in the record, they will have been verified in advance.

PIPELINE OF FOREIGN ASSISTANCE FOR FISCAL YEAR 1962

It is my understanding, Mr. Controller, that last year the Congress made new appropriations for mutual security in the amount of $3,914,600,000, and this does not include the IDB or IDA or the Peace Corps; is that correct?

Mr. TENNANT. That is correct.

Mr. PASSMAN. And the reimbursements and/or adjustments, or both, amounted to $20,648,000.

Mr. TENNANT. That is correct.

Mr. PASSMAN. So, under the mutual security program, omitting the items just enumerated, we put into the pipeline $3,935,248,000. Is that correct?

Mr. TENNANT. That is correct, sir.

Mr. PASSMAN. But you drew out in expenditures for the entire 12 months only $3,198,100,000. Is that correct?

Mr. TENNANT. That is correct, sir.

Mr. PASSMAN. Therefore, the pipeline under mutual security alone was increased by some $737 million during fiscal 1962. Is that correct?

Mr. TENNANT. $737,148,000.

Mr. PASSMAN. It is quite evident, then, that the Congress appropriated more money than was needed last year, because it is pinned down, nailed down, wrapped up and polished that you have a lead-time of from 6 to, at the longest, 12 months. I have stated the figures correctly, have I not?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. Thank you.

NATIONS NOT RECEIVING FOREIGN AID SINCE AUGUST, 1945

Could you tell us, Mr. Controller, or any of the supporting witnesses, the nations that we have not given any aid to or obligated aid to or planned an aid program for since the end of World War II, or since August of 1945? Start with Russia.

Mr. TENNANT. I think aside from the Soviet bloc——

Mr. PASSMAN. Name them, if you will, for the record. Would you say Russia is No. 1? And let us go from there.

Mr. TENNANT. Yes, sir. I am not sure I can name them all.

Mr. PASSMAN. There are not that many, I assure the gentleman. It still will not take too long a time, because you will not find many. We

want officially inserted in the record those countries to which we have not given any aid since the end of World War II or those for which we do not have a present plan of aid.

Mr. TENNANT. I have a list of those that we have given aid to.

I do not have the others.

Mr. PASSMAN. Would you name the Soviet bloc? Do you know the nations?

Mr. TENNANT. I am afraid I would have to provide this for the record.

Mr. PASSMAN. I have figured it, and with the three new nations just born—Urundi, Ruanda, and Algeria—there are 113 nations. Of course, some of them have only a few thousand population, but we call them nations. My count indicates that we have an aid program, past, present, or planned, in 101 of them. You give us a list from the way you find it in your records and, if you will, bring it up tomorrow morning.

And, too, if you know of any British possessions or territories that we are not in with an aid program, please provide us with the names of these territories and possessions, and supplement that data with a list of the British territories and possessions in which we have aid programs going.

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. Thank you.

BIOGRAPHICAL SKETCHES OF PRINCIPAL WITNESSES

Mr. PASSMAN. Mr. Secretary, it is customary to have a biographical sketch of each one of our distinguished witnesses. If you would, kindly give us just a little of your background. If you other gentlemen also would do that prior to the statements and examination, we would appreciate it.

Mr. TALBOT. Yes, sir.

Mr. PASSMAN. I believe the three main witnesses today—Mr. Talbot, Mr. Gaud, and Mr. Birnberg—are new with the program.

Mr. BIRNBERG. I am not.

Mr. PASSMAN. I believe you are, Mr. Gaud.

Mr. GAUD. Yes, I am.

Mr. PASSMAN. And I believe you are, Mr. Talbot.

Mr. TALBOT. Yes.

Mr. PASSMAN. Mr. Birnberg, you are new before the committee, are you not?

Mr. BIRNBERG. Yes, sir.

Mr. PASSMAN. With what department have you been?

Mr. BIRNBERG. I have been with the aid program for some years.

Mr. PASSMAN. You have received a promotion now, so would you also give us your biography for the record?

Mr. BIRNBERG. Yes.

Mr. PASSMAN. Thank you.

(The material requested follows:)

PHILLIPS TALBOT, ASSISTANT SECRETARY OF STATE FOR NEAR EASTERN AND SOUTH ASIAN AFFAIRS

Born at Pittsburgh, Pa., on June 7, 1915, Mr. Talbot has for the past 10 years been executive director of the American Universities Field Staff, Inc., of New York. He attended the University of Illinois where he received his bachelor's degree in 1936. For 2 years after his graduation, he was employed as a reporter for the Chicago Daily News. He left that position when awarded a fellowship by the Institute of Current World Affairs, New York. The fellowship enabled him to study at the School of Oriental Studies, University of London during the 1938–39 term and in India during the next 2 years.

Mr. Talbot served as an officer in the Illinois National Guard while employed in Chicago and some months before Pearl Harbor left India for Manila where he joined the U.S. Navy. In November of 1941, he returned to India as naval liaison officer in Bombay and remained there until transferred to Chungking as assistant naval attaché 2 years later.

Returning to civilian life in 1946, Mr. Talbot became a foreign correspondent for the Chicago Daily News. In this capacity he worked in India, Pakistan, and southeast Asia. He became visiting assistant professor of political science at the University of Chicago in 1948. During 1949 and 1950, he returned to Asia for a short time as a foreign correspondent.

In 1951, a group of American colleges and universities established the American Universities Field Staff, Inc., a private nonprofit organization founded to aid the American educational system in the collection and dissemination of information about significant areas of the world. Mr. Talbot was selected as the organization's first executive director and held that post until joining the Department of State. While directing the work of the American Universities Field Staff, which sends American scholars abroad and circulates their reports to subscribers, Mr. Talbot traveled again to south Asia and returned to the United States to lecture in American educational institutions. He also completed work on his doctorate which was awarded him by the University of Chicago in 1954.

Mr. Talbot is married to the former Mildred A. Fisher and they have three children.

WILLIAM S. GAUD, ASSISTANT ADMINISTRATOR, BUREAU FOR NEAR EAST AND SOUTH ASIA AGENCY FOR INTERNATIONAL DEVELOPMENT

William S. Gaud of Connecticut is the Assistant Administrator of AID for the Near East and south Asia.

Mr. Gaud, whose appointment was announced October 22 by the President, came to the new AID agency after 15 years as a partner with the New York law firm of Carter, Ledyard & Milburn.

He had extensive foreign aid experience in Asia during World War II. While serving on General Stilwell's staff, Mr. Gaud was in charge of all military lend-lease to China, India, and Burma. For his Army role, he was decorated with the Order of the British Empire and twice with the Legion of Merit. He was mustered out as a colonel in 1945 to become a special assistant to the Secretary of War.

Prior to the war, Mr. Gaud served for 6 years as assistant corporation counsel in New York City. From 1931 to 1933 he was a member of the faculty of Yale Law School.

Mr. Gaud, 54, is now a member of the Council of Foreign Relations. He has also been active in community affairs in Greenwich, Conn., where he has been serving as president of the Community Chest and Council.

He received both his B.A. and LL.B. degree from Yale. He is married to the former Eleanor Smith, and has one daughter, Anne Timothy.

RICHARD G. BIRNBERG, CHIEF, PROGRAMING DIVISION, OFFICE OF DEVELOPMENT PLANNING, BUREAU FOR NEAR EAST AND SOUTH ASIA

Richard G. Birnberg is the Chief of the Programing Division of AID for the Near East and south Asia.

He joined the Economic Cooperation Administration in September 1951 and has served in the foreign assistance program since that time. He joined the Near East and south Asia staff in February 1954 and worked on the Africa, Greece, and Iran programs.

He was appointed to the program staff in January 1961, and was named Chief of the Programing Division in April 1962.

Mr. Birnberg taught at the college in the University of Chicago from 1945 to 1947 and at Carleton (Minnesota), 1948–51.

He received his B.A. from Columbia College in 1941 and M.A. from the University of Chicago in 1948.

Mr. PASSMAN. You may proceed, Mr. Secretary.

STATEMENT OF ASSISTANT SECRETARY OF STATE FOR NEAR EASTERN AND SOUTH ASIAN AFFAIRS

Mr. TALBOT. Mr. Chairman and members of the committee, it is a pleasure to appear before you in support of the administration's proposed foreign assistance appropriations for the fiscal year 1963 in the Near East and south Asia. Since assuming the position of Assistant Secretary of State, now more than a year ago, I have visited most of the countries in the area and have acquired greater familiarity with their problems, with the opportunities we can seize, and with the difficulties we encounter in seeking to implement our objectives.

IMPORTANT RECENT EVENTS IN NEAR EAST AND SOUTH ASIA

A generalized statement that conditions are better or worse than a year ago would have little application to an area so marked by diversities. As you know, it embraces the eastern part of the Arab world, Israel, and the rimland that stretches from Greece through East Pakistan and is made up of 18 separate countries. A few of the year's dramatic developments have posed policy dilemmas for the United States. Chief among these were India's resort to force of arms to end Portuguese rule over Goa, the Afghan-Pakistan border closing, the rekindled tension between India and Pakistan over Kashmir, Iraqi threats against the independence of Kuwait, Syria's shift away from the United Arab Republic, abortive coups in Lebanon and Ceylon, and the exchange of violence between the Israelis and the Syrians in the Lake Tiberias region.

Such events must, of course, be balanced against encouraging developments in the region during the past year. In Turkey there has been a return to constitutional government; in Pakistan a new constitution has been promulgated; elections in India and Greece have reaffirmed the democratic nature of the political structure of these countries; and in Iran the Shah and his Ministers have courageously launched a new land reform movement and taken steps to correct abuses in Government. As you know, together with Queen Farah, the Shah recently paid a state visit to our President. We believe this visit has served to cement constructive relations between the two countries. Far-reaching, comprehensive economic and social development programs of India and Pakistan have made further rapid strides. Greece and

Israel have maintained high rates of economic growth. In Saudi Arabia the Government, with the assistance of private consultants, has given increased attention to extended economic development planning. In the UAR the Government has undertaken a broad program aimed at stabilization of its currency and long-range economic development.

ASSISTANCE IN ECONOMIC DEVELOPMENT

We wish to see the nations in the Near East and south Asia develop, economically and politically, with institutions so strong that they need not fear loss of independence from either Communist subversion or external attack. We wish to see them prosper and progress to such an extent that in time they, too, as members of the free community of nations can assist other countries less fortunate. In this respect I am pleased to say that our European friends and Japan have joined us in assisting with the economic development of many countries in the Near East and south Asia. I think that during the coming fiscal year these joint efforts, together with the invaluable help of the International Bank for Reconstruction and Development, will become increasingly important as a source of financing long-term requirements of countries in our area.

SINO-SOVIET PRESSURE

As you know, the Sino-Soviet coalition has maintained unrelenting pressure in the area and continues to channel more than 60 percent of its foreign military and economic aid efforts to countries in the Near East and south Asia. Despite this aid and the unsettling events which I have mentioned, the bloc has not succeeded in subverting any of the countries of the Near East and south Asia. In large part this may be attributed to the resolute determination of the countries in the area to maintain their independence. These countries want to advance, but not at the cost of their freedom. Their resolve on both scores, I believe, has been much reinforced by the aid programs which we and our allies have maintained. These programs have not only offered the recipient countries alternatives to the Sino-Soviet bloc as a source of much needed assistance, but they have enabled us and our associates in the free world to work together with countries in the area to improve the lot of their citizens.

INTRAREGIONAL DISPUTES

I should like to return a moment to the question of intraregional disputes in the area. They are not only a source of continuing tension and a threat to the peace, but they also result in the dissipation of energies and resources badly needed for internal development. You readily understand the problem which this poses for us in the formulation of our aid programs. Accordingly, we are alert to every opportunity to help resolve these disputes. However, the countries involved are sovereign and there is a limit to what we can do to assist in the resolution of these conflicts. To attempt to deny all aid as a leverage to bring about solutions of largely intractable conflicts, in our judgment would be impractical. Such an action might prove counterproductive and further limit any useful role which we can play in these conflicts. As you know, these intraregional disputes involve deep-

rooted emotions of newly independent countries, each sensitive to any infringement of its dignity or freedom of action. In my opinion, these disputes require the balm of time, patience, and persuasion.

My colleagues in AID will deal in more detail with the various aspects of this fiscal year request for our area which includes $110.1 million for supporting assistance, down $153.1 million from last year's actual total. Development grants are proposed at a level of $78.1 million. The major part of economic assistance is now being provided through development loans. Although development loans cannot be precisely programed, it is expected that they will be in the magnitude of $850 to $950 million. This is in adherence to our policy, begun last year, to emphasize loan type of assistance rather than grant aid. Food for peace will also undoubtedly be supplied in substantial amounts as needed.

I would like to dwell now in a little more detail on a number of political and economic issues which warrant further explanation.

ARAB-ISRAELI RELATIONS

Fundamental aspects of the Arab-Israeli situation have not changed greatly. You will recall that since last summer an initiative, the first in a number of years, was undertaken under United Nations auspices to deal with the most difficult and tragic aspect of the Arab-Israeli question—the problem of refugees. The Palestine Conciliation Commission, a three-nation United Nations body composed of the United States, France, and Turkey, was charged by the 15th General Assembly to pursue its efforts for implementation of paragraph 11 of U.N. Resolution 194 (3d General Assembly) under which the refugees could be offered the alternative of repatriation to their homes or compensation and resettlement elsewhere.

Dr. Joseph E. Johnson, president of the Carnegie Endowment for International Peace, was appointed by the Palestine Conciliation Commission to act as its special representative to discuss with the governments directly concerned means for making progress on the refugee issue. After a visit to the countries in the Near East, Dr. Johnson presented a report to the Commission during the 16th General Assembly. During this General Assembly the United States introduced a resolution, which was passed, directing the Palestine Conciliation Commission to continue the efforts initiated by Dr. Johnson. Dr. Johnson has accepted reappointment as special representative and has now completed a second round of discussions with the governments directly concerned. We are most grateful to this distinguished and capable American for his willingness to undertake such a difficult task. He has our fullest support and good wishes for success. It is gratifying to know that he is determined to continue his endeavors which we believe represent our best hope at this time for dealing with this difficult problem.

We have continued to give our full support to those other instrumentalities of the United Nations which play a vital role in the maintenance of peace in the Near East. Thus, we have endorsed continuance of UNTSO and UNEF. We have encouraged the United Nations Relief and Works Agency, which cares for the Palestine refugees, to continue its efforts to correct ration roll abuses and to

insure that only those refugees legitimately entitled to relief assistance receive it. By November of 1961 in Jordan the rate of removal of unqualified refugees and the substitution, in their stead, of qualified persons on the ration rolls had reached approximately 2,000 a month. Although some delays have developed recently, we believe the program will continue to move ahead with full support of the Jordanian Government. The fact that refugees are now voluntarily reporting deaths is encouraging evidence that UNRWA has succeeded in dispelling some of the former widespread suspicion that surrounded the rectification effort.

COUNTRY SITUATIONS IN THE NEAR EAST

Through good use of U.S. Government aid, German reparations, and private contributions from abroad, Israel's economy continues to register impressive growth. Its industrial sector moves steadily forward to share an increasing proportion of the national product. With these technical and economic advances, U.S. assistance to Israel is now in the form of food-for-peace programs and development loans.

The continued existence of Jordan as an independent political entity remains a major factor in the maintenance of peace and stability in the area. The main element in our AID program of assistance to Jordan is the grant of supporting assistance to help Jordan to meet the budget costs of essential services. We also assist Jordan to carry on suitable development activities. Recently a new government has come into power, and I have been favorably impressed by the energy and determination of the new Prime Minister who, under the leadership of King Hussein, seeks to improve internal administration and expand domestic sources of revenue.

It is my understanding that the Government intends to strengthen the civil service, improve tax and customs administration and fiscal management, and complete the establishment of an effective highway maintenance organization. These improvements, should result in a better utilization of the foreign assistance given Jordan.

I would like to mention also that because of the foreign aid which Jordan has received over the past few years, basic institutions to meet education and health needs have been established, a primary road system has been almost completed, and progress has been made in extending irrigated acreage. The Government recently published a 5-year economic development plan which suggests further possibilities for expanded production, particularly in agriculture, tourism, and the extractive industries.

As I mentioned earlier, Syria severed its relations with the United Arab Republic and has become an independent nation, although recently there has been a struggle going on in Syria between various military and civilian elements in which Syria's relations with the United Arab Republic have been one of the focal issues.

Following the loss of Syria, the United Arab Republic instituted a series of sequestrations in Egypt which resulted in the nationalization of many major aspects of the United Arab Republic economy. At the same time the Government of the United Arab Republic intensified its internal economic and social development programs, including economic planning activities. Our assistance to the United Arab Republic has consisted principally of commodity sales under the

food for peace program. This aid has helped the United Arab Republic to meet its domestic food requirements, and the local currency proceeds have been applied to internal economic development. The Public Law 480 program also alleviated balance-of-payments difficulties resulting from decreased exports caused by a reduction of 30 to 40 percent of its 1961 cotton crop. Recently we have agreed to participate in a financial stabilization program worked out between the United Arab Republic and the International Monetary Fund. We expect other countries to be contributing to this program also.

Although the U.S.S.R. has continued to furnish military and economic assistance to the United Arab Republic, the latter has maintained an independent foreign policy posture and its firm opposition to internal Communist subversion.

GREECE, IRAN, TURKEY, AND CYPRUS

U.S. relations with Greece continue to benefit from the large reservoir of Greek good will toward us, resulting particularly from the Truman doctrine which provided aid for Greece at a critical hour. Greece has given us virtually complete support for our policies in the United Nations and has endeavored to meet its obligations under NATO. The Greek Government under Prime Minister Caramanlis continues to demonstrate stability.

Prime Minister Caramanlis emerged successfully in the last election of October 29, 1961. He obtained 51 percent of the popular vote and the pro-Communist EDA party was rebuffed, its percentage decreasing from 25 to 14 percent. However, the Communist opposition is still a potential threat to Greece. The non-Communist center group has increased its strength in the Parliament and is seeking to assume the role of the principal opposition, a position formerly held by the Communists. Faced with social and economic problems plus Communist pressure from within and without, the Greek Government realizes that it must concentrate its attention on economic development, while keeping up its defense to confront Soviet and bloc pressures on its frontiers.

Economically Greece continues to make good progress. We believe that U.S. economic assistance to Greece in the future should be in the form of loans for development projects and programs rather than grant supporting assistance, and accordingly, we are changing the nature of our program there. The Greek Government has expressed concern over this change, but we are convinced that the transition from grants to loans can be made without jeopardizing either the economic progress or the political stability which now exist.

Iran continues to be a valued ally of the United States. Iranian-American cooperation and Iran's alliance with the CENTO nations have been two of the foundations of Iran's foreign policy. Its relations with the Soviet Union still center about the abusive propaganda attacks broadcast by radio Moscow and several smaller transmitters, and on alternating diplomatic threats and blandishments. Iran has demonstrated courage in facing these attacks.

Internally, the Iranian Government has initiated significant land and fiscal reforms. Serious inflationary pressures and balance-of-payments problems have become manageable through adoption of a

stabilization program, enforcement of import controls, lending limitations, and Government budget policy. Pilot project areas have been designated for the country's first general land reform program, and the Government has very recently begun dividing some of the land among the peasants. Initial steps have been taken which can lead to significant reforms in personnel, taxation, and budgetary policies. Despite attacks from extremists of both right and left, the Shah continues to support these reform objectives. The general outline of a third economic development plan for 5½ years, to begin in September 1962, was initiated sometime ago and is now at a relatively advanced stage with further detailed work still underway. While all of these developments are encouraging, there is evidence that a different set of short-term problems was intensified. The impact of the stabilization program resulted in some slowdown in construction and business activity, and the short-term prospects of increased tax revenues from existing taxes and collection systems to meet increased public sector expenditures have declined. Some accelerated credit expansion is now accepted as public policy. Other self-help measures to make better use of Iranian resources are also necessary and are being considered by the Government of Iran. We are hopeful that with development loan assistance Iran will continue on a constructive course.

The new Turkish constitution, accepted by a public referendum in July 1961, is based on democratic principles and institutions. A coalition government with Ismet Inonu as Prime Minister was formed as a result of national elections in October 1961. Its program, which was approved by the Grand National Assembly on December 2, 1961, emphasized the need for domestic political tranquility and economic development. The Turkish Government reiterated its strong attachment to NATO, CENTO, and the U.N. and affirmed its determination to follow its pro-West foreign policy.

Governmental delays in tackling important social and economic problems and a growing dispute over the question of amnesty for former Government officials led to the resignation of Prime Minister Inonu and his cabinet on May 31. Mr. Inonu has made it clear that in forming a new government he will not sacrifice the principle of dealing with important problems first.

A very poor wheat crop, which necessitated imports of about 1,500,000 tons of Public Law 480 wheat during fiscal year 1962 to maintain domestic consumption, and unsettled political conditions have contributed to the continuation of a recession which started about the time of the coup d'etat of May 1960. Of special interest is a 5-year plan for the period 1963–68 now being prepared by the Turkish State Planning Office and which should be ready for cabinet consideration this summer.

The Republic of Cyprus is now nearly 2 years old. During this period it has succeeded in preserving internal stability despite continuing and difficult problems deriving from disagreements between the island's Greek and Turkish communities. These disputes revolve around differing constitutional interpretations regarding their respective roles in the government. While electing to pursue nonalined policies in world affairs, the Cypriot Government has shown itself able and willing to draw ethical and moral distinctions between Communist and free world positions on key international issues. This was

demonstrated by President Makarios' pro-Western stand on Berlin during the Belgrade Conference of neutralist states in September 1961 as well as during his recent state visit to West Germany.

During his recent visit to the United States as the guest of President Kennedy, President Makarios made clear his Government's deep moral commitment to the same fundamental principles of individual liberty and democracy which underlie our own national objectives.

We have provided Cyprus with Public Law 480 food grain assistance and have begun technical assistance projects in various fields. The Government of Cyprus is now preparing projects for consideration for development loans. Significant amounts of economic assistance are also being furnished, or are expected to be furnished, by the IBRD, West Germany, the United Kingdom, and the U.N.

SOUTH ASIA

The basic issue in South Asia, as I see it, is whether the free societies of the area, with the assistance of the West and Japan, can achieve the social and economic modernization that is their great ambition without succumbing to the claims of Communist powers that they know the best road to progress. That the Communist powers have high ambitions in South Asia is clearly evident. However, I firmly believe that we, in association with the more prosperous nations of the free world, have the capability and will to enable the South Asian nations to win their victory over poverty and disease. Needless to say, immense difficulties are ahead for all of us in this effort, and I ask your patience and help in enabling us to discharge our responsibilities.

Despite the Goa crisis, the difficulties between Pakistan and Afghanistan which led to a border closing and the breaking of diplomatic relations, and other unsettling events in South Asia, I believe that, if we can look beyond these situations, we will find that progress has been made in the general direction of economic and social development. Furthermore, the movement in Pakistan toward a return to constitutional life is encouraging, and the Indian election within the framework of representative democracy is reassuring. The temporary reopening of the Afghan-Pakistan border, from January 29 through March 29, permitted the movement of Afghanistan of some 25,000–30,000 tons of U.S. aid material and enabled resumption of activity on all U.S. projects for the coming few months. We are also testing the feasibility of a transit route through Iran to supply our AID program.

The statement to be presented by my AID colleague, Mr. Gaud, and the individual country studies included in our fiscal year 1963 presentation to the Congress contain, of course, considerable data regarding the programs in South Asia. Nevertheless, I would like to say a few words about them, because they are politically important in that these programs enable us and the South Asians to pursue together objectives of common concern, that is, affairs, pertaining to their welfare and ours.

India's third 5-year plan contemplates an expenditure of $24.4 billion, an amount roughly equal to the total of the first two economic development plans, the last of which ended last year. Of this amount, India is now depending on foreign aid for about $6.5 billion,

including Public Law 480 supplies. In May of 1961 a consortium of free world countries and institutions, meeting under the auspices of the International Bank for Reconstruction and Development, committed $2.3 billion of foreign exchange toward this total. The United States offered to provide $1,045 million of this amount, provided its offer was matched by the total of the contributions of the other member countries. In my view, the success of the third 5-year plan will buttress the supports for India's democratic system and enable it to withstand pressures on its frontiers with Communist China.

Pakistan is now in the second year of its second 5-year plan. This second plan envisages total development expenditures of about $4.8 billion. In January of this year a consortium, also meeting under the sponsorship of the International Bank for Reconstruction and Development, committed $945 million in aid toward Pakistan's foreign exchange requirements for the second and third years of its second plan. The U.S. commitment amounts to $500 million. The plan calls for considerable strengthening of the agricultural sector, a major deficiency in the previous plan. This is another important instance where the long-term commitment authority has been a valuable asset.

A matter to which I particularly invite your attention concerns the appeal to President Kennedy made by President Ayub last year for help in combating the baffling problem of waterlogging and salinity which is now removing from production each year more than 100,000 acres of farmland. In fact, so much land is being lost that progress in the agricultural sector under the second 5-year plan could be easily offset by this loss. In response, President Kennedy sent to Pakistan a team of experts, headed by his science adviser, which is now preparing a report on its review of this most difficult problem.

I do not think that I need say much about the Indus waters project in this statement since I know the committee is familiar with this development. You will recall that this project was designed by the International Bank for Reconstruction and Development in an effort to end the dispute between India and Pakistan over the use of the waters of the Indus Rivers system. Two of the major contracts in the project—one for the construction of the Mangla Dam on the Jhelum River and one for the construction of the Trimmu-Sidhnai link canal—have been awarded to American firms.

With regard to Afghanistan, we are exploring ways of achieving a permanent settlement of the impasse with Pakistan. In the meantime we and the Afghans are considering the survey of a possible complementary route through Iran, largely on the premise that the more access Afghanistan has to the free world the better. Given continuous feasible access to Afghanistan, I believe that it will be in our interest to furnish support for a number of important projects in Afghanistan and thus lessen the danger of forcing that country into total dependence on the Soviet Union. I must say that the Soviets are deeply involved in Afghanistan's military and economic programs, but this fact should not blind us to the traditionally deep passion of Afghans for freedom nor stand in the way of our helping them to preserve it.

In conclusion, I wish to state that although in our area the problems are many and difficult of solution, I am convinced that, with determination and your help, we can do the job.

Mr. PASSMAN. Thank you very much, Mr. Secretary.

We shall now hear from Mr. Gaud, the Assistant Administrator, Bureau for Near East and South Asia.

STATEMENT OF ASSISTANT ADMINISTRATOR FOR NEAR EAST AND SOUTH ASIA, AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. GAUD. Mr. Chairman and members of the committee, I appreciate the opportunity to come before you to urge your approval of the fiscal year 1963 funds needed for our programs in the Near East and south Asia. In my opinion the amounts requested are the minimum necessary to promote U.S. objectives in the region.

SUMMARY OF PROPOSED PROGRAMS

The following table summarizes the broad totals for the three types of aid and compares the amounts recommended with the fiscal year 1961 and fiscal year 1962 programs. This table shows our latest information and reflects changes in the fiscal year 1963 program made since the presentation books were prepared in March.

AID programs in the Near East and south Asia

[In millions of dollars]

	Fiscal year 1961	Fiscal year 1962	Fiscal year 1963 (recommended)
Development loans	377.5	759.5	850.0–950.0
Development grants (formerly technical cooperation)	68.6	64.3	78.1
Supporting assistance (formerly defense support or special assistance)	284.1	253.1	100.1
Grants	(284.1)	(210.1)	(100.0)
Loans		(43.0)	

The main feature of our proposals, which stands out, is the extent to which, in this region, the emphasis is shifting from grants to loans, an emphasis which started last year, which we are continuing now, and which we hope to continue in the future.

The trends in our programs in this region are given by country and by type of assistance in the table on page 180, volume III of the presentation books—the dark brown volume. We now have final fiscal year 1962 program figures. I am circulating a revised table, corresponding to that on page 180, which shows the actual fiscal year 1962 program. In my discussion of fiscal year 1963 program trends I shall refer to the figures in this revised table.

In addition to the foregoing programs I would like to support the request for funds for our fiscal year 1963 contribution to the Indus Basin Development Fund and to provide any further information you may need concerning this item.

Mr. PASSMAN. So that we shall not become confused, are you dealing with what the other people from the start of the hearings have testified to, or have you something supplementary to the books from which you are testifying?

Mr. GAUD. The only thing in here which is supplementary to this book is that that book was prepared in February or March.

Mr. PASSMAN. You are discussing it on an up-to-date basis?

Mr. GAUD. I am discussing the fiscal year 1962 figures as they were at the end of the fiscal year, as far as we now know them.

Mr. PASSMAN. The only thing we have to go by in our research, certainly, is your books. If we start getting information different from what you have in the books, it will be rather difficult to reconcile. We shall try, however, to work it out. I would have thought you would have been told to go as far into it as you want to, as long as you do not give us two different sets of figures to go by, and that is exactly what you have done. When we start asking questions out of the books, they will be different from what you have here. But I think the committee may be able to understand it. You may proceed, sir.

Mr. GAUD. Very good, sir.

DEVELOPMENT LOANS

In fiscal year 1961, in this region, development loans totaled about $377 million, and in fiscal year 1962 they rose to $759.5 million.

For next year we are asking, as you see, for development loans, approximately $850 to $950 million. This is a range because it is impossible to tell this far ahead what is going to happen in particular countries with particular plans and projects.

We know what our commitments are to India and Pakistan. But in the other countries in the area it is impossible to predict, with precision, this far ahead. The estimates have been arrived at on the basis of studies conducted by the AID missions and reviewed and screened in Washington. They represent our best estimate of loan applications in hand or in prospect which can and should be approved by the end of June 1963.

Development lending

[Loans authorized in millions of dollars]

	Fiscal year 1961	Fiscal year 1962	Fiscal year 1963 (proposed)
India	180.1	445.9	450.0
Pakistan	27.2	207.9	225.0
Turkey	117.3	10.0	——
Iran	37.2	6.0	——
Greece		10.0	——
Israel	16.0	45.0	——
Other	−0.3	34.7	——
(UAR)	(−0.3)	(20.0)	.....
(Syria)	(.....)	(14.7)	.....
Total	377.5	759.5	850.0–950.0

India and Pakistan have received assurances of U.S. assistance at specific levels, subject to contributions by other consortium members and appropriation of funds. The U.S. commitment to Pakistan for fiscal year 1963 includes $225 million of development loans. For the second year of India's third 5-year plan our commitment will require development loans of up to $450 million. This commitment is contingent upon appropriate contributions being offered by the International Bank for Reconstruction and Development and other free world countries.

Turkey is preparing a long-term development plan which the United States expects to support in concert with other developed countries and development financing institutions. We also plan to join with other countries in providing necessary development loans to help carry forward Greece's development programs. In these countries it is essential that the transition from supporting assistance grants to major development financing be handled smoothly. We believe that the transition can be made successfully in Greece in fiscal year 1963. In Turkey we anticipate terminating supporting assistance some time after fiscal year 1964.

We also hope that this year Iran will complete preparation of its third long-term development plan and that it will be possible to organize coordinated support for this plan under International Bank for Reconstruction and Development auspices. When Iran will be ready to proceed with a comprehensive plan is somewhat uncertain because of recent changes in the Government. We do not intend to resume supporting assistance budget support, however, and we are prepared to continue development loans for high priority development activities pending completion and review of the plan.

In Israel also we plan to make development loans. Israel faces a sharp reduction in reparations and restitution payments from Germany and needs a continued large inflow of capital to sustain its high rate of investment.

We have indicated to the United Arab Republic Government that we are prepared to consider a reasonable volume of development loans. On the basis of loan applications received to date it appears that the total might be about $40 million. This assistance would help the United Arab Republic to press forward with its economic development program and reduce its dependence on assistance from the Sino-Soviet bloc.

It is less easy to forecast development lending in the remaining countries in the region. It appears likely that loan applications will be received from Syria, Cyprus, Afghanistan, and Jordan for projects which will promote economic development and contribute to the strength and stability of these countries, and that some such applications will be approved. Some applications have already been received and are being reviewed.

In most cases loans in the Near East and south Asia region will be for specific development projects. Program loans—those which are for the financing of needed imports in development programs—will be made only where they are the most effective means of supporting sound development. During fiscal year 1963 we expect to provide program loans to India, Pakistan, Greece, and Israel—and perhaps others.

DEVELOPMENT GRANTS

Near East and south Asia country development grant programs totaling $78.1 million are proposed for fiscal year 1963. This is an increase of $13.7 million over fiscal year 1962 obligations.

The main purposes of our development grants are to help the host government plan total or sector development programs, economic policies, and important projects; to establish educational institutions adequate to meet the needs for technical and managerial personnel;

and to train and advise those responsible for important development activities. In most countries a well planned and executed development grant program is an important precursor of and complement to the development program.

The development grant programs ended in Greece and Israel in fiscal year 1962, and will end in Lebanon in fiscal year 1963. These countries have developed extensive domestic technical skills and can now finance outside technical services from their own budgets if such assistance is needed. Throughout the region it is our goal to eliminate all grant projects that will not make significant contributions to the development of the countries involved and which do not meet the new legislative criteria. About 140 projects have been terminated and others are scheduled for termination as soon as practical.

We propose increased fiscal year 1963 development grant programs for nine countries. These increases total $19.4 million. Decreases in six programs (including the three terminating programs) total $5.7 million. Two programs will continue at the same rate. As you can see from the table which I have distributed, the larger Afghanistan program accounts for close to $12 million of the increase—more than half of the total planned regional increase. This increase occurs partly because four continuing long-term projects, formerly funded under special, then supporting assistance, will be shifted to development grants in fiscal year 1963, in the interest of clarifying the nature of the program. In addition, we are planning a considerable expansion of the education and agriculture programs.

We also plan an increase of $2 million in the Pakistan development grant program, some of this to fund extensions of contracts for long-term projects, and some to expand the number of technicians in on-going agricultural extension and public administration projects.

The United Arab Republic program will be increased by $950,000, with emphasis on raising the level of agricultural productivity, creating new institutions for the training of skilled manpower, and establishing industrial management advisory centers.

The Turkey program rises by $1.1 million: Funds for contracts to carry out new projects in the fields of economic statistics and research, sector planning, and educational institutions explain this increase.

We plan to increase the Iran program by $950,000 mainly to finance contracts in new or enlarged projects in the field of education and health.

The Iraq program was planned to rise by $300,000 to fund the third year of the contract signed with the University of Texas in fiscal year 1961.

We expect to increase funding of the Nepal program by $800,000 in fiscal year 1963. This increase will fund the final U.S. contribution to the India-United States-Nepal financed road project.

We contemplate expanding the development grant program in Syria beyond the one continuing project, but we have not yet discussed areas of possible assistance with the new Government. The development grant program for newly independent Cyprus which was launched in fiscal year 1963 has been expanded since the preparation of the congressional presentation. It concentrates in the priority areas of development planning, development banking, agricultural extension and marketing, trade union organization and operations, and police train-

ing. This program is expected to increase from $680,000 in fiscal year 1962 to $850,000 in fiscal year 1963.

SUPPORTING ASSISTANCE

In fiscal year 1963 supporting assistance is proposed only for Turkey, Jordan, Yemen, and the CENTO civil airway project. Requests total $100 million as compared with $253.2 million in fiscal year 1962 and $284.1 million in 1961.

In Turkey supporting assistance was cut from $90 million in fiscal year 1961 to $58 million in 1962. The amount recommended for fiscal year 1963 is needed to sustain the imports that Turkey must have during this critical year. Without this amount, Turkey would be unable to sustain its economy and its military forces while completing preparation of its 5-year plan and arranging the necessary long-term development financing for the plan.

In Jordan, the national budget depends upon outside contributions. The proposed reduction in fiscal year 1963 assumes that more internal resources can be mobilized than has been the case in the past. Supporting assistance proposed for Yemen in fiscal year 1963 is the minimum required to proceed effectively with present projects. Support proposed for the CENTO airway project will enable it to continue on schedule.

I should mention one additional requirement for supporting assistance which was not anticipated at the time these books were prepared but which now appears likely. Last fiscal year the United Arab Republic encountered a severe foreign exchange crisis largely by reason of crop failures and the resultant sag of export earnings. The United Arab Republic appealed to the International Monetary Fund for help and worked out with the International Monetary Fund a program for meeting the crisis and adjusting its policies and programs more realistically to the foreign exchange resources in sight. The International Monetary Fund authorized drawings of $42.5 million to ease the adjustment. We agreed to provide $20 million as a supporting assistance loan to help the United Arab Republic to meet its immediate import needs. We also indicated that if the United Arab Republic could raise over $20 million from other free world sources, we would consider increasing our credit on a matching basis by up to $10 million, provided funds were available. It now appears likely that the United Arab Republic will succeed in securing more than $20 million from other countries and consequently that we will be called upon to provide all or part of the additional $10 million during the current fiscal year.

INDUS BASIN DEVELOPMENT FUND

We are recommending $30 million for fiscal year 1963 for the U.S. dollar grant contributions to the Indus Basin Development Fund.

In prior years, the responsibility for supporting the appropriation for the Indus Basin rested with the International Organizations Division of the State Department. That responsibility has been transferred to the Near East and south Asia region, and therefore I am bringing this up here today. I just wanted to mention that.

Mr. PASSMAN. Has the estimate been set down in your region, and if so, where will we find it?

Mr. GAUD. It is still in the International Organizations. The decision——

Mr. PASSMAN. Would it be appropriate for you to testify if it is not in this committee?

Mr. GAUD. It is certainly in this committee, sir.

Mr. PASSMAN. In this estimate that we are considering?

Mr. GAUD. No, sir. If the committee prefers, I will come up here when Mr. Cleveland comes up, to testify on that subject.

Mr. PASSMAN. That is when we want to take it up. Meantime, the estimate will be down and we can study it. We are dealing now with something entirely different from what we would have dealt with had we conducted the hearings earlier. We could not, however, because you folks were slow, I suppose, coming up with the authorization request. So, again we just do not have the time to go into these hearings adequately. If you start changing the system by which we are considering this program at this late date, I do not know how fouled up we will get. If it is to be brought before this committee in that form, we shall consider it when Mr. Cleveland comes up. Who is Mr. Cleveland?

Mr. GAUD. Mr. Cleveland is the Assistant Secretary of State who deals with international organizations.

Mr. PASSMAN. I want the record to show we have specifically requested that this not be brought up today, and the committee's wishes were ignored. That is a matter which we shall discuss later, if necessary. Kindly proceed, Mr. Gaud.

Mr. GAUD. Very good, sir.

I know you are familiar with this important program, which was explained fully to the Congress before we agreed to participate in it. It is of the utmost importance that we continue to support it. Our participation was covered initially by section 404 which was added in 1960 to the Mutual Security Act of 1954. Section 303 of the Foreign Assistance Act of 1961 deals with this subject. Under the agreement governing this fund our payments are made in response to semiannual requests from the IBRD, which administers the Fund, on the basis of its estimate of the amount needed for expenditures during the following 6 months.

The description of this item appears in the section on "Contributions to International Organizations" on page 230 in volum IV of the presentation books—the light brown one.

The actual fiscal year 1962 figure turned out to be $34.5 million—$14.5 million higher than had been estimated earlier. This increase resulted mainly from the fact that the contracts let for some of the major works required higher initial payments than had been anticipated. The estimate for fiscal year 1963, however, remains at $30 million as shown in the presentation book.

OBJECTIVES AND PROGRESS

Our primary objective is to achieve sound economic development in these countries, with the countries making the maximum practical contribution to their own development—in other words to foster and

further their development but insist that they do what they can in partnership with us.

What can be achieved varies considerably from country to country. Some countries are well endowed with competent administrators and planners and can be expected to do a lot for themselves. Other more primitive countries can do much less. In some, military and political exigencies limit what can be achieved.

On the whole the efforts being made by the countries of the region, particularly the major countries, are heartening.

INDIA

India is the most populous country by far in this region and our economic assistance program for India is the largest. India now has a comprehensive economic development program in full swing. It is in the second year of its third 5-year development program. The plan has been reviewed and endorsed by the International Bank for Reconstruction and Development and by a consortium of free world countries, including the United States. The total scale of India's development effort has been stepped up sharply from second plan levels. Total outside assistance has risen to over $1 billion a year. India has taken an impressive range of self-help measures. During the past 5 years it has succeeded in raising per capita income by about 2 percent per year. Many problems still exist but it is addressing these problems vigorously. India seems likely to maintain good progress if sufficient outside help can be made available. We plan to continue to provide a large volume of assistance in cooperation with other countries and international agencies.

PAKISTAN

Pakistan, too, is now committed to a comprehensive economic development program. The second year of the second 5-year plan has now ended. This plan is nearly double the size of the first plan and has been pursued with determination by the Government of Pakistan.

Pakistan's plan has also been reviewed by the IBRD and by a consortium of aid-giving nations. In the most recent meeting of the consortium in January 1962, the plan was found worthy of support. Foreign exchange assistance of some $945 million was committed by the consortium members to meet the plan requirements for outside help during its second and third years. We have agreed to provide $500 million of this total in addition to our food-for-peace program.

ELIMINATION OF SUPPORTING ASSISTANCE TO PAKISTAN

In view of Pakistan's effective development program and of the greatly stepped-up development lending committed in support of that program, we can now eliminate our supporting assistance grant program for Pakistan.

Mr. PASSMAN. I thought I read in the paper that we had just made another commitment for $500 million.

Mr. GAUD. I can explain that, if you like.

Mr. PASSMAN. Was it an accurate statement in the paper that there was an agreement, or commitment, for $500 million?

Mr. GAUD. It was accurate, except we made it last January.

Mr. PASSMAN. And it was just announced?

Mr. GAUD. There was an article in the paper——

Mr. PASSMAN. Would this indicate that you are getting ready to stop aid to Pakistan?

Mr. GAUD. No, sir, not to me it does not. It says we will eliminate our supporting assistance grant program.

Mr. PASSMAN. We are not going to be misled by that action. We know what this is. I thought I had read that correctly—half a billion dollars.

Mr. GAUD. The article to which you refer I think, sir, had a Pakistan dateline, and it was a news article which refers to the commitment we made at the consortium meeting January last. It is not a new commitment at all.

Mr. ANDREWS. Is that the same $500 million that you mentioned in the preceding paragraph?

Mr. GAUD. Yes, sir, it is.

GREECE AND TURKEY

Together with other potential contributors, we are currently participating under OECD auspices in consideration of the development programs of two additional countries—Greece and Turkey. We expect that this will lead to joint agreement on contributions of aid.

Turkey achieved rapid economic progress after World War II and in the early fifties, but during recent years inflation and other difficulties have limited its economic progress. The military caretaker government restored financial stability and began preparation of a new economic development program. The newly elected democratic government has continued the policies of the caretaker government and plans to complete the economic development program this year.

Preliminary discussions of Turkey's plan and need for outside help have already taken place in the OECD. If the plan proves to be sound and the Government of Turkey is willing to undertake the necessary actions to carry it out, we will cooperate in providing the help needed. We expect to expand our development lending during fiscal year 1963. If Turkey's development program gets underway successfully and if adequate long-term development financing is made available by the United States and other sources, it may be possible to phase out supporting assistance grants over the next few years.

Greece, too, has a broad development program, although it is not as definitive or as comprehensive a plan as some others. Greece has achieved significant economic growth by the pursuit of sound general policies rather than attempting to channel investment through a specific plan. It is currently refining and revising its development program.

As in the case of Turkey, Greece's development needs are being reviewed by the OECD with a view to appraising the need for outside financing and arranging a cooperative effort to provide the aid needed. We plan to participate in this cooperative effort and expect to contribute an appropriate volume of development loans.

ISRAEL

Israel has not hitherto published a comprehensive long-term economic plan and forecast, although it is now preparing one. Nevertheless, it has achieved high-quality economic planning. It has planned ahead over an appropriate period for all major projects and programs. Effective mechanisms exist for central evolution and coordination of economic policy. Integration and coordination of development projects and programs is achieved through the normal budget process. The actual rate of progress achieved has been extremely high, by far the best in the region and among the best anywhere.

IRAN

Iran's social and economic development has not been all that we might hope. It has made some headway, but faster progress and wider distribution of benefits are needed.

Over the past 2 years the Government has been refining plans for its third economic development program which is to begin in September 1962. We had expected to join in a consortium with other free world countries and the IBRD to review the plan and work out the necessary outside financing to enable Iran to proceed effectively with its development program.

The Amini government was not able to complete preparation of the plan or to take the measures necessary to bring its budget under control and raise the internal resources needed for an effective development plan.

While some delay is now inevitable, we are still hopeful that the new government, with the leadership of the Shah, will be able to complete the plan and take the measures necessary for its success. If so, we believe it will be possible to mobilize adequate outside capital and we expect to contribute a substantial volume of development loans. We have made clear that we are not prepared to continue budget support grants to Iran.

In many of the other countries planning remains considerably more rudimentary even though efforts are being made to produce comprehensive multiyear plan documents. Discretion is necessary in using these plans as a basis for aid programing. Careful review of project proposals is necessary even when they are included in formal plans.

The steady increase in planning activities highlights the importance attached to economic progress by the governments and people of the region. It emphasizes the need for us to assist these governments in improving their planning as well as in carrying out sound economic projects and programs.

AID FROM OTHER FREE WORLD COUNTRIES

I am happy to report that the other developed countries of the free world, particularly those in Europe, are responding better to requests from countries in this region for increased aid. They are already doing a great deal and we are using every opportunity to encourage them to do more.

Six other countries plus the IBRD and IDA have joined in support of the first 2 years of India's third 5-year plan and several other coun-

tries intend to join the group. Their pledges already announced for the 2 years total $1,241 million. This amount almost equals their total aid to India over the preceding 10 years and actually exceeds our own commitment. (Additional commitments are expected before the year is out.) Non-U.S. assistance to Pakistan has also risen with $445 million pledged for fiscal years 1962 and 1963. In addition, of course, 10-year commitments have been made to the Indus River Basin program.

This spring Germany pledged $16 million and Italy $5 million in support of a plan worked out by the IMF to enable Syria to restore convertibility and liberalize its economy. We are providing Export-Import Bank credits of $5 million and a $9 million supporting assistance loan. A number of other countries are also expected to assist in financing the UAR stabilization program mentioned above.

Germany has recently committed $50 million to Afghanistan and is helping the UAR, Turkey, Greece, Iran, Syria, Pakistan, and India. It has offered help to Cyprus.

The United Kingdom is helping in India, Pakistan, Jordan, and Cyprus.

Greece has been promised $125 million over a period of years by the Common Market.

Turkey is being helped by the European Monetary Authority.

The IBRD, IDA, and IMF are all active in the region.

In short, there is hardly a country in the region which is not already receiving help from one or more of the European countries and from the international financial institutions. As the regional countries work out their development programs we believe help from these sources can be further expanded.

One problem we have been thinking about in the last half year, and which we will continue to work on in the future, is how best to coordinate our aid programs with those of the other nations.

The India and the Pakistan consortia are good examples of one method. All the countries interested joined, under the aegis of the World Bank, to review the plan, approve it, and then work out in coordination with one another what portion of the cost they would support. We are taking part in similar exercises on Greece and Turkey in the OECD and DAC, and we hope it will be possible to organize a similar effort for Iran under the auspices of the IBRD.

THE SINO-SOVIET ECONOMIC OFFENSIVE

In conclusion, I would like to draw your attention to the Sino-Soviet bloc economic aid programs in this region.

Ever since it was launched in 1955, the Soviet bloc economic aid offensive has been heavily concentrated in the Near East and south Asia. The total committed in this region to date by the bloc is about $2.6 billion, representing about 60 percent of all Sino-Soviet foreign economic aid.

Major recipients have been India, $950 million; the UAR, $615 million; Afghanistan, $217 million; Syria, $178 million; Iraq, $216 million; Yemen, $44 million; Nepal, $55 million; and Ceylon, $58 million. In Afghanistan, Nepal, Yeman, the UAR, Iraq, and Syria bloc assistance has now exceeded our own. These figures are shown

graphically in the chart on page 50 of the green book, volume I of the congressional presentation material.

The objectives of these Sino-Soviet programs are perfectly apparent. They have moved in whenever they saw a chance to exploit anti-Western sentiments and tensions between countries in the region.

We are making no effort to compete with the amount of Russian or Chinese aid in these countries. It is important, however, that they have an alternative to complete dependence on the bloc for the aid they so desperately need. One important objective of our program in these countries is to provide such an alternative and thus increase the chances that they can maintain their freedom and independence.

Mr. PASSMAN. Thank you very much, Mr. Gaud.

We shall take a brief recess in order to answer the rollcall.

(After recess.)

Mr. PASSMAN. Let us resume, gentlemen.

I have said before, and I shall say to you, that there is nothing I shall say, and there are no questions I shall ask, which will be personal.

It has been my great pleasure to listen to many great Americans since I have been chairman of this subcommittee.

I noticed your biographies. I thought you were a banker, Mr. Gaud, but I see that you are an outstanding attorney.

I thought our distinguished Assistant Secretary of State was a banker, but he is a newspaperman?

Mr. TALBOT. That is right.

Mr. PASSMAN. Our friend, Mr. Birnberg, is a new witness before the committee, here due to the fact that he has received a promotion.

Are you a banker, sir?

Mr. BIRNBERG. No; I have an academic background.

Mr. PASSMAN. You are outstanding Americans, but you have not had experience with banking or economics, yet you are administering programs costing billions of dollars. More power to you, and I say that with complete security.

Is a policy established which you merely follow or do you have to assume the responsibility of deciding the levels of aid necessary and establish the programs for which the money is appropriated?

Mr. GAUD. There are very few people who can come to this job with much experience dealing in billions.

So far as my own experience is concerned, I have dealt in hundreds of millions many, many times in the past in banking and semibanking matters as a lawyer, in financing various institutions, and if it is large sums with which we are concerned, large sums are not a novelty to me.

U.S. PUBLIC DEBT

Mr. PASSMAN. As Members of Congress we have to take into account the fact that we have let this thing get out from under our control. I cannot say it is the fault of any one individual, but according to the statistics which I have available, and I think they are accurate, since we set up our bookkeeping system in 1789 we collected in revenue $1,482 billion, as of June 30 of last year.

We have built up a public debt of $298 billion. It has gone up from $266 billion since 1952, during our most prosperous period.

Then, we also have built up statutory obligations in the amount of $746 billion, for which we must pay out money in the future.

If you put the two together, the statutory obligations and the public debt, it is $1,044 billion. If you break it down by family, it means that we have spent all the money we have taken in, and placed a mortgage on every family in America in the amount of $20,185.

BORROWING TO FINANCE THE AID PROGRAM

If we were starting back the other way we would be encouraged, but for every dime we give away this year we have to borrow the money.

Now there is a dangerous balance-of-payments deficit. Every year except one for the past 10 years we have had a very substantial balance-of-payments deficit. In one year there was a half-billion-dollar credit, the one exception.

This year, borrowing all we can get from countries we have aided in the past—Germany, France, Italy, they have paid back $1 billion as far as 35 years in advance of due date—and even applying that, we are still going to finish the year, in all probability, in a deficit position.

PROGRAM ESTIMATE GIVEN IN RANGES

You people can no longer come down and say you need $40 or $50 million. You say you need from $40 to $60 million, from $80 to $120 million, or from $850 to $950 million, dealing in ranges. There is no way for us to know. You do not know yourselves how much would be required, or you would not be using the types of figures you have here.

U.S. COMPETITIVE POSITION

You go into 20 stores, in the novelty department, and the chances are that in 18 out of 20, the purchases will be made on goods of some foreign country because we are largely out of the world market—because, in my opinion, of our generosity all over the world.

Our steel mills are about 40 percent shutdown because we cannot compete. We have lost our foreign markets. For the first 5 months of this year exports totaled 801,000 tons of steel. We collected $174 million for it. Our imports were 1,689,000 tons of steel. We were able to purchase that for $198,675,000.

Our imports of steel are more than double our exports, and we get almost twice the amount of steel for half the amount of money.

There are certain high grades of steel that we ship out, of course, but the tonnage figures are there.

I thought it would be well to set the record straight, so when we go into the detailed information you would know there is not a thing personal about it, but some of us must take into account the facts which are involved when you let a program go into 101 out of 113 nations of the world, past, present, and planned, and in almost every British possession—not small programs but some going into tens of millions of dollars.

So often you stress the matter of shifting to loans.

DEVELOPMENT CREDITS

A great majority of these so-called loans are the types of credits extending over 40 years, with no interest, and 10-year grace periods.

Mr. GAUD. Forty years, three-quarters of a percent service charge and 10 years' grace period. That is not for all.

Mr. PASSMAN. That is the program, 10 years' grace period before they start paying back. Then they pay 1 percent per year for the next 10 years?

Mr. GAUD. This is true of most of these loans.

Mr. PASSMAN. I asked Secretary Dillon about this last year, in order to be sure that I understood what we were doing. I quote from our hearings of July 24, 1962, page 140:

LOANS AT NO INTEREST

Mr. PASSMAN. In your professional position as a banker, Mr. Secretary, would you call these things loans, if there is no interest? Would they come under the category of hard loans?

Secretary DILLON. No.

Then, later in the same paragraph he said:

They call them development credits, and I think that is a good name for them.

I do not think any of us should be a party to—at least not intentionally—misleading the American people into believing that these transactions are actually loans.

Whenever money is repaid, it does not get back into the U.S. Treasury, but it is plowed back into the program.

LONG-TERM COMMITMENTS

Mr. Secretary, on page 14 you state:

This is another important instance where the long-term commitment authority has been a valuable asset.

What do you mean by that?

Mr. TALBOT. Yes, sir. Long-term authority commitments have been made now in several countries, as you know—India, Pakistan, Tanganyika, and referring to these other countries as well.

Mr. PASSMAN. Were you talking about India?

Mr. TALBOT. Talking about all of the countries in which long-term——

Mr. PASSMAN. Is India one of them?

Mr. TALBOT. Yes, sir.

Mr. PASSMAN. I thought the distinguished Secretary of State lifted out of his statement the word "India."

Mr. MILLER. I think in an earlier discussion we talked about long-term commitment authority under the statute, which is what the Secretary mentioned, section 202(b). It is my understanding that the commitment to India is not under section 202(b).

Is that correct?

Mr. GAUD. That is correct. The Indian commitment and the Pakistan commitment are both long-term but only one of the two was made under the new statute.

Mr. PASSMAN. We would not gain such an impression here. This says:

This is another important instance where the long-term commitment authority has been a valuable asset.

You do not make long-term commitments out of any section other than 202(b), do you?

Mr. TALBOT. At the present time long-term commitments are made out of section 202(b).

Mr. PASSMAN. We are dealing now with Pakistan?

Mr. TALBOT. Yes, sir.

Mr. PASSMAN. And India?

Mr. TALBOT. Yes, sir.

Mr. PASSMAN. Do you have long-term commitments under section 202(b) for those countries?

Mr. TALBOT. A long-term commitment for Pakistan under section 202(b).

Mr. PASSMAN. Is that the $500 million?

Mr. TALBOT. Yes, sir.

Mr. PASSMAN. You have made that commitment to a country, and not to specific projects?

Mr. TALBOT. That is correct.

Mr. PASSMAN. But you have no such commitment to India?

Mr. TALBOT. Not under section 202(b); no, sir.

Mr. GAUD. If I may say a word on this. The commitment to India was made before this statute was enacted.

Mr. PASSMAN. Nearly every time you pick up the paper you see that more commitments have been made to India.

Mr. GAUD. In this region we have made only two long-term commitments. One was made to India in 1961 which was before the enactment of the present act.

Mr. PASSMAN. I refer to commitments.

LONG-TERM COMMITMENT TO PAKISTAN

Mr. GAUD. The other one was made last January to Pakistan.

I might say further that this $500 million newspaper article to which you referred refers to the commitment we made to Pakistan in January 1962 under section 202(b).

Mr. PASSMAN. That is just one of the commitments.

SPIGOTS OF AID TO PAKISTAN

Pakistan still gets aid from many of the other spigots of foreign aid?

Mr. TALBOT. Assistance is given to Pakistan by AID under the food-for-peace program and from the Export-Import Bank.

Mr. GAUD. And also development grants which are not included in the long-term commitment.

Mr. PASSMAN. They also participate in the international funds, do they not?

Mr. GAUD. Yes; they do.

Mr. PASSMAN. So, they are eligible for any one of the spigots of foreign aid?

Mr. GAUD. If you are talking about our spigots of foreign aid——

Mr. PASSMAN. There are 19 different spigots from which you can pull foreign aid. They are not precluded from grant-aid and the other types of aid simply because you have a long-term commitment, are they?

Mr. GAUD. As far as the United States is concerned the long-term commitment covers development loans and supporting assistance only.

Mr. PASSMAN. But that does not disqualify them from other types of aid, simply because there is a long-term commitment?

Mr. GAUD. That is right, sir.

Mr. GARY. May I ask what became of this statement of the President of last year that in this program we would favor those who entertained our views on world problems?

Mr. TALBOT. We are working very closely with those countries that share our views on a number of world problems, in particular speaking of Pakistan. We are working closely in our economic assistance program and in our military program with them and their relationship with us on such things as U.N.——

AID TO INDIA DESPITE QUESTIONABLE FRIENDLINESS

Mr. GARY. You have also been working with India and I don't think they share our views at all.

Mr. TALBOT. Yes, sir.

Mr. GARY. I think their aggressive policy in Goa and their repeated statements of hostility against this country to me are very offensive and I don't see why we continue our aid to India as long as that situation exists.

Mr. TALBOT. There are a number of points of policy on which we differ from India, Mr. Congressman. There are also a number on which we and India have the same interests and the same concerns.

In particular we are interested in the future welfare of the United States. Along the southern flank of the Soviet Union and the Sino-Soviet bloc we have very close relations with four countries immediately alongside that bloc—Greece, Turkey, Iran, and Pakistan.

Mr. GARY. So far as those countries are concerned they have shown a decided friendliness to the United States, and I have no question, but when you get to India I think your situation is entirely different. I think at times they have disclosed a definite hostility. I think their Prime Minister on several occasions discussed how displeased he was with our position.

He is not too displeased to take our money, apparently, and takes all he can get.

In addition to that we know that Mr. Menon, the Defense Minister, is very hostile.

I am very dubious about pouring any more money into India so long as that situation exists.

NEGOTIATIONS BETWEEN INDIA AND U.S.S.R. FOR MIG AIRCRAFT

Mr. ANDREWS. The story in the morning paper was to the effect that Mr. Nehru said he would not announce his plans about buying those Mig planes from Russia. He didn't want to jeopardize his chance of getting aid from America.

I want to make a little prediction for the record when we look at it next year.

Shortly after we mark up this bill he will place an order for those Mig engines in Russia.

I hope I am wrong but I believe I am right.

Mr. PASSMAN. About 3 or 4 days ago I read into the record an article to the effect that Nehru had agreed to permit Russia to build a Mig plant in India, persuasion to the contrary, by the United Kingdom and the United States notwithstanding.

It would appear he is getting his chestnuts burned a little, and they sort of modified it somewhat in the second statement.

Mr. ANDREWS. You mean this morning's statement?

Mr. PASSMAN. Yes. Let us just hope we are not being led into another trap which our Christian hearts cause us to get into.

EXTENT OF AID TO INDIA

I think this certainly can be misunderstood, Mr. Secretary, picking up on page 13—"India's third 5-year plan contemplates an expenditure," and so on:

For this amount, India is now dependent on foreign aid for about six and a half billion dollars.

Then you state:

The United States offered to provide $1,045 million of this amount, provided its offer was matched by the total of the contributions of the other member countries. In my view, the success of the third 5-year plan will buttress the supports for India's democratic system and enable it to withstand pressures on its frontiers with Communist China.

If that is a democratic system, I am afraid I do not like the system.

Page 14 would certainly leave the committee with the impression, if you had not corrected it, that you feel you have a commitment to India, too, on a long-range plan, although we had recalled testimony previous to yours where the word "India" was left out of the statement.

STATUS OF SECTION 202(b) PLANNING FOR INDIA

Even though this is strongly implied, we want to understand there is no program committed to India under section 202(b). Is that a statement of fact?

Mr. TALBOT. The commitment to India is not under section 202(b).

Mr. PASSMAN. Do you have anything in the making for India under that section?

Mr. TALBOT. No, sir.

Mr. GAUD. No, sir.

Mr. PASSMAN. Not even contemplated that such a plan will be offered?

Mr. GAUD. Not for fiscal year 1963, Mr. Chairman. I am not precluding what might happen in fiscal years 1964 or 1965.

Mr. PASSMAN. That is plain enough. I think the signs are on the board. You answered the question.

U.S. POLICY TOWARD INDIA

Mr. TALBOT. If I may comment on some of the questions asked of me about our policy toward India.

While we do seek the protection and security of our close relationships with these countries along the immediate fringe to the south of the Soviet Union, we are very much aware that unless the countries not in that particular group also develop sufficient strength and stamina so that they will not be taken over by the Communists, then our efforts with our immediate allies may well go for naught.

India is the second most populous country in the world. It has a population greater than that of Africa and Latin America put together. It is the dominating country in the rim of Asia outside of the Communist orbit. It is under pressure by the Communists. From the time of Lenin the Communists have made no secret of their interest in getting India in, also.

If they can have India in, along with China and Russia, this will give them a bloc of mankind that would give a base for aggression through the rest of the world which never has been paralleled. It is in the American interest, therefore, that we assist the Indians in moving ahead in those directions in economic and social welfare which will prevent the kind of breakdown which would be the easiest way for the Communists to take over in that country.

COMPARISON OF U.S. AND OTHER FOREIGN AID

Mr. PASSMAN. But it follows that we are trying to do the same kind of thing in 101 countries, as well as most of the British territories and possessions. This is the same story we hear every year.

Our generosity is just about to get America in a position where even the smartest minds do not know how we can come out of it.

With reference to these so-called consortiums, it is a fact, of course, that from time immemorial nations have been bartering and making each other loans, which are repaid on agreed-upon terms with interest.

When we get into this AID program, they go in, usually, with good, hard-boiled loans, of the type they have been making through the years. They get the short-term loans with a reasonable, or a high rate of interest—and we take the giveaway part of it.

RELUCTANCE OF SOME COUNTRIES TO REMAIN IN CONSORTIUM

Nevertheless, some of these nations now are coming out of these consortiums.

Mr. GAUD. I beg your pardon, sir.

Mr. PASSMAN. You do not need to beg my pardon; just give us the facts.

Germany has held back aid.

Mr. GAUD. Germany has not withdrawn from the consortium.

Mr. PASSMAN. I am talking about individual commitments.

Mr. GAUD. She has not gone back on any commitments.

Mr. PASSMAN. I stand on the record. Even the Secretary of State said that Germany had held back on its commitments. You check with the Secretary of State and read the record.

RUSSIAN AID

Furthermore, there is no record of the Russians giving as much as one ruble to any aid program into which they enter. They make hard-boiled bargains, and they get something of value in return.

Before we get through the hearings, if you have concrete proof of pinned down grants on the part of Russia, we want to know about it.

If Russia is giving what you indicate then these countries do not need our aid.

I yield to Mr. Gary. I believe that, among other matters, he might want to ask something about India's action against Goa.

JUSTIFICATION FOR AID TO INDIA IN VIEW OF GOA INCIDENT

Mr. GARY. How do you justify our aid program to India in view of her aggression in Goa?

Mr. TALBOT. Sir, there have been several events this year in which we have differed with India's policy. The situation in Goa was that they took over what they regarded as the last remnant of the old European colonial territory held in their area. We did not justify their taking it over. On the contrary, sir, we made it very clear that we disliked and opposed this method of resolving an international dispute.

India was left in no doubt whatsoever of our sentiments about this, so we didn't justify it, sir.

There have been other issues on which we have differed, as we differ with many countries of the world.

I would suggest, sir, that in most of these issues in the last several months, if one takes the question of Goa, if one takes the question of how to handle the Kashmir dispute, if one takes the question of the possible acquisition of Migs—I would say we have no information that any decision has been made and the Government of India has told us recently no decision has been made—if one takes these questions they are matters in which the Government of India feels very strongly in terms of its own immediate and, it would say, vital national interest. These are not our national interests. We are not concerned about what country ultimately gets control of Kashmir. What we want to see is a peaceful settlement of what seems to us clearly to be an international dispute which has within it the seeds of disruption, and quite possibly war. This is what we are concerned with.

We push India on some of these matters. We present our views forcefully to India on some of these matters.

Mr. GARY. But we do nothing about it. We talk a lot but we don't do anything about it and we continue to pour aid into the country. Why can't we say to India, "If you want American aid you must observe the rules that we have laid down in an effort to promote international comity and international peace."

We will never have world peace as long as one nation uses aggression and takes over a country as they did Goa. I think it was absolutely inexcusable. I think their whole attitude and their actions are absolutely inexcusable.

For us to talk about it and do nothing, we in effect condoned their actions, in my judgment. I think it is wrong. I am just not in favor of that kind of foreign policy.

Mr. TALBOT. If I may say so, sir, we in no way condoned what they did in Goa.

At the same time we did not forget the U.S. national interest. We believe it would be against U.S. national interest for us to tie our feelings about Goa with the question of whether India should survive outside the Communist bloc, whether it should continue to have economic development.

It seems to us it is more in the American national interest for India, this huge country, to remain independent, to continue to function apart from the Communist bloc and outside the Communist bloc than it is to cut off aid because of Goa and throw India into the chaos which would be very likely, it seems to me, to result in a breakdown of domestic law and order and make it easy for the Communists to move in and take over.

U.S. OPPOSITION TO AGGRESSION

Mr. GARY. So far as I am concerned, it is not Goa I am thinking about. I do not know enough about Goa. I am not familiar with it. It is a small place. My point is that we have been against aggression, we opposed aggression in Korea.

Mr. TALBOT. Yes, sir.

Mr. GARY. We opposed aggression in Egypt. When the British and the Israeli went into Egypt, we joined the Communists and sided with the Russians to force them out of there. Yet when India takes over Goa, which is just as much or more of an act of aggression, it was one of the worst acts of aggression we have had in recent years, we sat back supinely and did nothing, and we continue to give them aid. In fact, we have been increasing our aid.

It is the principle of the thing I am talking about. We should be opposing aggression wherever it raises its ugly head, whether it is in India or in Russia or wherever it is. If we do not, then we should stop making our pretenses about it.

Mr. TALBOT. I completely agree, sir, we should have opposed aggression, and we are opposing aggression. This is the moment in which India finds itself being aggressed upon, as you well know, sir, by a Communist power, by the most populous country in the world, by Communist China driving against India's northern frontiers. India at the moment is standing against these Communists coming in.

This is a fantastic part of the world, at a very high altitude, very difficult mountainous area for military operations. The Indians are opposing the Chinese there.

We have those various factors in which our national interest is concerned. For us to give up assisting India at the present time, with the inevitable disruption that would cause, were we to do it suddenly, that would have the effect quite possibly of enabling the Chinese to move on almost without restrictions.

Mr. FORD. Will you yield there?

Mr. GARY. I yield to the chairman and then to you.

STATEMENTS OF INDIAN OFFICIALS

Mr. PASSMAN. It is difficult to find where Nehru ever issues a statement favorable to our country. A great many Americans believe Menon will be Nehru's successor, and if that materializes, you will

have a readymade, going country turned over to the Communists.

Mr. GARY. It is also believed that Nehru is in bad health.

Mr. PASSMAN. What would happen if that is the plan, that Menon will step up? There is nowhere you can find that he has ever been pro-American.

Mr. TALBOT. I would like to discuss this in detail off the record.

Mr. PASSMAN. Surely.

(Discussion off the record.)

APPARENT WAVERING VIEWS ON AGGRESSION

Mr. FORD. Mr. Secretary, a few minutes ago Mr. Gary asked you about the Goan situation. You were setting forth the position that we did not justify their aggression. Then almost automatically you went to the situation that India is now confronted with where there is Chinese aggression against alleged Indian territory. I do not see the connection between the two problems.

Mr. TALBOT. The principal problem, of course, is our relations with India and what we hope to see in the southern rim of Asia over the next decade or during our time.

In this problem the question of whether the Chinese Communists can push into this disputed territory becomes, I think, a fairly important one, a very important one. It seems to me that a time when India is one of the few nations actually opposing in military fashion the Chinese Communists' outward pressure is perhaps a time particularly to avoid indicating that we do not stand against aggression because we do stand against aggression.

Mr. FORD. I still fail to see the reason why you talk about the two problems, India's aggression toward Goa, and China's aggression toward India, unless you are condemning all aggression.

Mr. TALBOT. I was trying to suggest, sir, that it is not to our interest to link up our aid bill with the question of India's actions against Goa just at a time when there are Chinese actions against India which also get involved in this. In short, it seems to me that in our larger American interest we are concerned certainly when India acts against Goa, but we are also concerned when there is fighting involving the Communist Chinese and India.

Mr. FORD. Do we not get ourselves in somewhat of a paradox when we argue this way? When India invades Goa, that does not mean we should withdraw aid; but when China invades India, it is a justification for the continuation of our aid.

Mr. TALBOT. I would say rather, sir, that that also does not mean we should withdraw aid.

Mr. FORD. It is pretty expedient.

Mr. TALBOT. No, sir.

Mr. FORD. It means we just should give aid—period.

Mr. GARY. That is right.

RECOGNITION OF NEW REGIMES

Mr. PASSMAN. Is it not a matter of fact that there may be a friendly government overthrown on Thursday night, but usually within 72 to 96 hours we recognize the new regime? This has happened around the world. Let us hope the money holds out.

Mr. GARY. The thing I cannot understand is, as I said a few minutes ago, there were different administrations, it is true, but I think the foreign policy of the United States has been conducted along similar lines in both administrations. I do not think the administration has changed it too much. When the British and Israel went into Egypt to take over the Suez Canal, we actually lined up with Russia because we said we are pledged to stop aggression. But when India went into Goa we did nothing. I think it is inconsistent, and I do not like it at all.

Mr. PASSMAN. Mr. Natcher?

CURRENT ECONOMIC AND POLITICAL SITUATION IN TURKEY

Mr. NATCHER. In justifying the mutual security program, from time to time we point with pride to the Marshall plan and just what took place in Turkey and Greece back in the early days of the program. Mr. Secretary, I notice from your statement that you make the comment that Turkey has returned to a constitutional government. Just what is the situation in Turkey today?

Mr. TALBOT. There is a government at the present time under Prime Minister Inonu which is based upon the consent and support of a Parliament. This Government is committed to a policy which is to emphasize economic development. Turkey has been through a difficult period. Its economy has been somewhat stagnant. The effort now will be to move it along and to strengthen that economy.

Civilian government, as represented by Prime Minister Inonu, had a rude shock when the military coup d'etat occurred in 1960. It is regaining its strength and carrying forward. The situation at the present time looks to me as if the present Government and the Prime Minister have reasonable stability, reasonable strength, and some progress will be made.

Mr. NATCHER. Does the present Government concur in the demand for $500,000 from the family of one of the best friends we ever had in Turkey?

Mr. TALBOT. May I ask to whom you are referring, please?

Mr. NATCHER. We read in the newspapers from time to time that the present Turkish Government is demanding $500,000 from the widow and children of one of the former leaders of Turkey.

What about this instance concerning the demand that is now being made on the family of one of the former leaders in Turkey.

Mr. TALBOT. If I might review the record to get the details of this particular case, I would be very glad to supply them, sir.

So far as Mr. Bayar and his associates are concerned, a number of them were brought to trial under the military regime that took power in 1960, and sentences were levied against them. Some of those people are still in jail. Three of them were executed.

Mr. NATCHER. One of them was the gentleman I referred to. What happened to him?

Mr. TALBOT. I would like to supply that information for you, sir.

(The information follows:)

ACTIONS OF TURKISH GOVERNMENT

According to a press report, the widow of the late Prime Minister Adnan Menderes has been asked to reimburse the Government the amount of money

which the high tribunal found the late Prime Minister guilty of misappropriating from the secret funds entrusted to his care. The funds so misused reportedly amounted to the lira equivalent of about $500,000. Mr. Menderes was executed in September 1961 as a result of the decision of the high tribunal and the concurrence of the Committee of National Union which reviewed the sentence.

Former President Celal Bayar is serving a sentence of life imprisonment as a result of his conviction by the same high tribunal which tried Mr. Menderes. Mr. Bayar is currently in prison near Kayseri.

ATTITUDE OF PRESENT GOVERNMENT OF TURKEY

Mr. NATCHER. So, Mr. Secretary, you are of the opinion that the present form of government now in existence in Turkey is one that favors the free countries of the world and the policy we believe in?

Mr. TALBOT. The present Government in power in Turkey is stanchly pro-Western. Turkey is the southern anchor, if you will, of NATO. Turkish armed forces are very important to our interests in the NATO defense shield. Our relations with the country have continued close. We get the support of Turkey in many issues in the United Nations.

Mr. NATCHER. Do you feel the situation in Turkey is good today from the standpoint of continuing in the mutual security program and from the standpoint of being a friend of the free countries of the world?

Mr. TALBOT. Yes, sir; I think Turkey is a friend of the free countries of the world. I think its economic problems are very considerable, and it does need substantial assistance.

Mr. NATCHER. You agree that we saved Turkey at one time?

Mr. TALBOT. Yes, sir.

Mr. NATCHER. During the time the Army took over in Turkey was when they had the trials that we have just referred to; is that not correct?

Mr. TALBOT. Yes, sir.

Mr. NATCHER. Did you agree as a member of the State Department that the procedure was correct as far as the trials were concerned in Turkey and the moves made by the Government at that time?

Mr. TALBOT. The Turkish judicial system is different from ours. The trials, so far as I am aware, were carried on according to the rules of the Turkish judicial system.

Mr. NATCHER. Off the record.

(Discussion off the record.)

TRIAL OF OFFICIALS IN FORMER TURKISH GOVERNMENT

Mr. NATCHER. Again, Mr. Secretary, I would like to know as to how you feel about the trials that have taken place in Turkey during the past few years of those people who were in power at the time we saved Turkey and those that we considered our friends.

Mr. TALBOT. Well, sir, these trials generated specific charges against these individuals with reference to their behavior while they were in those high positions, and the trials were carried forward according to Turkish juridical procedure, with the results that several were imprisoned and three, at least, were executed.

Mr. NATCHER. Thank you.

Mr. TALBOT. Off the record, sir.

Mr. PASSMAN. Yes.

(Discussion off the record.)

Mr. PASSMAN. You never know what they consider to be right. I am afraid we have conditioned them to accept our aid, but I do not think that we have influenced them to think in terms of doing for their people and operating by the ethics they are going to have to operate by if their countries ever become stable and dependable.

Mr. Alexander?

CONDITIONS WHICH MAY INFLUENCE AID TO INDIA

Mr. ALEXANDER. I would like to associate myself with the line of questioning and with the thinking of Mr. Gary in regard to the situation in India. To me, we have continued to assist India even though in many ways they are at best so-called neutrals, very outspoken and critical of the West at every opportunity. I am just wondering what it would take, if anything, for them to do, that would influence us to cut off the aid from us to them. Could you outline some of your thinking of some of the things they could do that would cause you to quit giving aid to India?

Mr. TALBOT. Sir, if they should go Communist, I think we would not give any more aid to India. But I expect our national expense to try to maintain our stability and security in the world would be very much heavier than it is at the present time.

Mr. ALEXANDER. Are you opposed to giving aid to the Communist countries we are now giving it to?

Mr. TALBOT. Sir, you are asking me about India?

Mr. ALEXANDER. Yes.

Mr. TALBOT. If it became part of the international Communist conspiracy——

Mr. ALEXANDER. You do not agree with the policy of the administration in regard to aiding Communist countries?

Mr. TALBOT. If you will forgive me, sir, I did not indicate that. What I am saying is if India becomes a part of the international Communist conspiracy, I would think we would not give India aid. It seems to me, sir, that to avoid that prospect, which I would regard as one of the most miserable and unfortunate prospects occurring, either India or its neighbor Pakistan, it is very important indeed that we help these two huge countries to create the institutions and sustain the institutions which will enable them to stand up against this kind of threat.

India at the present time is a democratic country in the sense that a hundred million people voted, more than that, this last time. It does not agree with us; we do not agree with it on some issues, but on others we do. We and it see something along the same lines with respect to what kind of United Nations we ought to have. Indian troops are in the Congo under United Nations banner and have been very helpful there. There are a number of different important world issues in which the cooperation and assistance of India have been very useful to us.

NEED FOR FIRMNESS OF PRINCIPLE

Mr. ALEXANDER. I think, though, as a matter of principle that we lose more than we gain when we do not stand up for really the things we believe in, even though it hurts at times. I think we have to be prepared to take certain losses.

As I understand it, Pakistan and India have been countries that are distrustful and fearful of each other, particularly in regard to their military posture and buildup. We have been helping both of these countries economically and with military aid. What kind of predicament are we in from a policy standpoint because of the aid that we have given perhaps more to one country than the other?

AID OBJECTIVES IN NESA AREA

Mr. TALBOT. Sir, we have been helping both countries with economic aid and we have been helping Pakistan with military aid. We are certainly in a predicament whenever there is a quarrel between two countries both of which have good relations with us or with whom we have good relations. This predicament is a very significant one because the primary problem both countries face is how to go through a modernization process involving economic development and social institutional modernization, and the extent to which they must build up their armed forces or feel they must build up their armed forces because of conflicts with each other is the extent to which their resources are sometimes diverted from the economic growth program. This is a policy dilemma for us; yes, sir.

Mr. ALEXANDER. Really, what are our objectives in this area in regard to our foreign aid program?

Mr. TALBOT. Our foreign aid program is one of the instruments and an extraordinarily important instrument in our overall policy objectives. These policy objectives relate to the kind of world that we want to live in, the kind of Asia that we hope will emerge so that we can live in this sort of world. If in the subcontinent of India and Pakistan, which includes now nearly 550 million people, the efforts in both countries or in either country to modernize to get on in the world should break down, then we can foresee only very widespread chaos and disruption. This chaos and disruption would infect the society of that whole area, would force us to increase our military and other programs elsewhere, would endanger our own welfare and our security.

In particular, if large parts or the whole of the subcontinent of India and Pakistan were because of this disruption to be drawn within the orbit of the Communist conspiracy that already includes the Soviet Union and China and several other countries, then I fear grave difficulties for the American people in the future. We are striving to avert that possibility. We are striving to help these people build up their societies in such a way that they will become less vulnerable to the kind of infiltration and penetration that otherwise I am afraid will concern them.

DIFFICULTY IN CHANGING INDIA

Mr. ALEXANDER. You have to be prety optimistic, though, to really travel in India and to feel that the amount that we are doing there is going to save that great country that has gone on and on and on for many centuries.

As I traveled through that country, I think they could put all of America in it and all the money we have got and you still are not going to change it.

Mr. TALBOT. Sir, we are not expecting with our funds to change, to solve the problems of India. I completely agree with you that this will not happen. I first visited India in 1939, and I have subsequently visited India and Pakistan quite often. Changes are occurring. They are difficult to see.

I spent several months in a village in that area just before World War II. At that time there was no road into the village, there was only one copy of one newspaper that went into it and the shopkeeper would read this out in the evening to people sitting around. Very few boys got any schooling at all. None that I knew of went to an institution of higher education.

Going back to that village today, there is an access road, there are schools, there is a radio that gives the news.

In terms of the progress over these 20 years, a considerable change can be noted, but when these people have even today a per capita income of $1.50 a week as compared with something under a dollar a week 20-odd years ago, the change is not easy to see. It will be a long time.

Mr. ALEXANDER. Have you noticed any appreciable change toward pro-America?

Mr. TALBOT. In those days there was not so much contact with the United States. India was part of the British group of nations, as you know. I think that over the past 5 years there have been a number of evidences of attitudes in India that support some of the things we are doing in the world, just as we can support some of the things the Indians are doing and at the same time there are differences.

Mr. ALEXANDER. Thank you.

LIMIT OF U.S. RESOURCES FOR AID

Mr. PASSMAN. Do you agree that there is a limit as to what we can do to help other nations of the world?

Mr. TALBOT. Yes, sir.

Mr. PASSMAN. Some people think of this aid as coming out of an unlimited reservoir, but as we think of our limited assets, as compared to the worldwide need, it seems to be going into a bottomless pit.

It is almost inconceivable that a nation could get itself as we have done, in the position of aiding just about every nation on the face of the earth, as well as territories and possessions of other nations, regardless of how desirable it may be. We are breaking America with this program.

But, nevertheless, we are getting ourselves into these entanglements that will call for increased aid in the future. This thing is going skyward on us. You and I know that every nickel for this foreign aid program this year is going to have to be borrowed. Off the record.

(Discussion off the record.)

Mr. PASSMAN. I yield to Mr. Ford.

NESA COUNTRY ATTENDANCE AT BELGRADE CONFERENCE

Mr. FORD. On page 11 of your statement, Mr. Secretary, you make the following point—and I will quote:

> While electing to pursue nonalined policies in world affairs, the Cypriot Government has shown itself able and willing to draw ethical and moral distinctions between Communist and free world positions on key international issues. This was demonstrated by President Makarios' pro-Western stand on Berlin during the Belgrade Conference of Neutralist States in September 1961 as well as during his recent state visit to West Germany.

How many nations in the area represented by your jurisdiction attended that Belgrade Conference?

Mr. TALBOT. In the neighborhood of 12. I would want to check the exact number.

Mr. FORD. Could you put the number and list those that attended and those that did not attend?

Mr. TALBOT. Yes, sir.

(The information follows:)

NEAR EASTERN AND SOUTH ASIAN NATIONS THAT ATTENDED THE BELGRADE CONFERENCE IN 1961

Attending:	Not attending:
Afghanistan	Greece
Ceylon	Iran
Cyprus	Israel
India	Jordan
Iraq	Kuwait
Lebanon	Pakistan
Nepal	Syria
Saudi Arabia	Turkey
United Arab Republic	
Yemen	

Mr. FORD. I am delighted to see that you think highly of and seem to praise President Makarios for his ability to distinguish what is right and what is wrong, morally and ethically. I agree with that position.

Can we take the other side of the coin. What about those nations that were not able to make this distinction at the time of the Belgrade Conference? How do we feel about them?

Mr. TALBOT. That Conference was a conference in which much was said that was critical of the positions we had taken on a number of significant issues, including the question of testing. I think we were extremely disappointed that nations which had been vociferous about nuclear testing when our turn came said so little about the Soviet tests which had started just on the eve of that conference, you may recall. We felt that they were not taking the kind of stand that President Makarios was prepared to take.

Mr. FORD. I think we ought to speak well of those leaders who have the forthrightness to distinguish what is right morally and ethically.

Mr. TALBOT. Yes, sir.

Mr. FORD. On the other hand, I think we ought to speak as forthrightly against those leaders and those nations that equivocate, who seem to have a double standard about these matters. It is my analysis that the American people would support the Makarios position and have very little sympathy for or agreement with some of the sanctimonious leaders of some nations who have been preaching to us for years about our policies, and then when the Soviet Union does something, their attitude is quite different.

DOUBLE STANDARDS OF CERTAIN WORLD LEADERS

I think this double standard that seems to be popular with certain people is what makes the American people so irritated with India, Yugoslavia, some of our African friends. This is causing the trouble that I am sure is very clear to you when it comes to aid for India and for some of these other countries.

Mr. TALBOT. Yes, sir. As it happens, Nehru was one of the moderating voices rather than one of the extreme voices at this particular conference, this Belgrade Conference. The Indian position has not always been moderate on the question of testing. Sometimes it has been very far over on the other side.

We have many nations in the world that are new nations. Some of them we hope will increasingly come to understand the realities of the world and of world politics as they get more exposure to these realities.

For some years, as you recall, in India there was almost a conviction that China was a splendid country and that India and China together were going to bring about a renaissance in Asia after the end of the colonial period. I think one of the most remarkable changes in attitude in India in the last 4 years has been the change of attitude toward Communist China. Once India got exposed to the kind of country that Communist China is, when it begins to move on India's borders, then the change in attitude comes.

There are other countries which have gone through changes. We would hope that a number of countries would go through further changes and fairly rapidly.

STATEMENTS OF PRIME MINISTER NEHRU AND PRESIDENT MAKARIOS

Mr. FORD. I think it might be well for the record to insert the statements made by President Makarios at the Belgrade Conference and also the statements made by Mr. Nehru while he was there in reference to the testing, and reference to any of the other points that prompted you to make this statement about President Makarios. I would like to compare them, and if we had them in the record, it will be helpful.

Mr. TALBOT. Yes, sir. As I recall, not all statements were in open sessions, but among those statements that were available, if I may put in pertinent extracts, I will.

Mr. FORD. It will be helpful.

(The information follows:)

MAKARIOS SPEECH, BELGRADE CONFERENCE, SEPTEMBER 3, 1961

Mr. Chairman, it is a great honor and privilege to address this Conference, which, I am confident, will prove to be a landmark in the development of international affairs, and in the effort to secure and safeguard a peace based on justice and freedom.

My country is small in size and population; it is the smallest country participating in this Conference. But this is no reason to overlook it, for this Conference is not being convened for the purpose of approaching world problems in terms of material force but to bring a moral power in the service of peace and progress of mankind. And moral power does not depend on size and numbers.

I am grateful for this invitation extended to my country to participate in this Conference and to form part of the moral power it represents. I wish to express congratulations to the countries that took the initiative for this Conference, and particularly to President Tito, and the people of Yugoslavia, to whom we are all too indebted for their gracious hospitality.

I am in full agreement with the distinguished speakers who took this rostrum before me, that it is not the purpose of this Conference to create a third bloc. The concept of a bloc would involve limitations in objectivity—the very thing to be avoided in any constructive dealing with world problems. In fact it is the dangers involved in power blocs that have been the cause of our gathering fear. Our essential position and our common ground is that of nonalinement. Such nonalinement is the course of our freedom of judgment and independent approach to world problems, allowing our stand to be determined by what is right and just in each case.

Our noncommitment to any bloc becomes our commitment—and a strong commitment—to moral principles. This Conference has been described as the conference of neutrals, but our neutrality is not conceived in the sense of remaining indifferent and passive to world problems. Nor is our road seen as that of a single point of compromise between the two sides without relating such compromise to the merits of the case and to basic principles. Our position on world problems is and should be primarily guided by the principle of justice and freedom, consistent with the spirit of the United Nations and its charter. Within this broad and basic concept we do not overlook the exigencies of reality in each case, nor do we ignore the dangers that may be involved.

But we believe that in no case and on no account can the principles of freedom and justice be disregarded with impunity. Perils are not avoided but multiplied by compromises which disregard principle. At the most, such compromises can bring postponement. But postponements are mere mortgages on the future. The need for a basically new and moral approach to world problems is becoming increasingly felt all over the world.

This Conference of nonalined countries is a world moral force that can bring a great influence to bear in that direction. Not only the people of 24 countries represented here, but no less those of other nations look to our Conference for a ray of new hope in times of stress and great danger. It is our duty not to disappoint them in their expectations for a dynamic sign of moral progress emerging from this Conference.

We participants in this Conference bear a great responsibility for seeing that the peoples of the world are not disappointed and that their hope is realized. This Conference can prove a turning point in the history of mankind. It may well be the beginning of the move of humanity on the road up, leading through the steps to moral values, to lasting peace and the brotherhood of man.

The progress achieved in recent years in the scientific and technical fields should not be applied to war purposes, but should be used to serve human prosperity and progress. We must not confine ourselves to attempts to explore the secrets of nature and its immense power. This power must be used for the benefit of man and for the solution of his various political, social, and financial problems.

The gap which lies between the technical problems and the moral standard of life is becoming more and more dangerous. Unless this gap is bridged, mankind will be confronted with disaster. Two destructive wars have resulted in ruin and have plunged millions of people into misery and despair. The bitter experience of World War I should have been sufficient to convince the

people of the world that war is not the best means for the solution of the problems of man. In fact, it is not a means for solution at all. On the contrary, it invariably leads to the creation of even greater difficulties and problems.

Sixteen years after World War II, which resulted in the loss of millions of lives and brought untold hardship and misery, part of humanity is faced today with a more acute problem of poverty and violation of human rights. Man is not yet able to build up his future. Man is not in a position to look forward with confidence. He is not able to plan without fear for the better days to come. He is still living in anxiety of what might happen tomorrow, in the shadow of the threat of possible destruction and the menace of a new war.

In this turmoil two large blocs stand threatening each other. This division makes things more acute and more dangerous. Peace can be regarded as secure only if it is not based on armaments and balance of power but on justice, freedom, and self-determination. But his noble principle cannot survive or coexist with colonialism.

Colonialism has been the cause of great human distress and hardship. In its effort to prolong its hold upon dependent peoples, colonialism is causing a continued conflict with regrettably heavy loss of life in Algeria, Tunisia, Angola, and elsewhere. My country, like other countries, represented in this conference, has emerged from a state of colonial domination after a long struggle full of sacrifice. Our hearts go out in brotherly sympathy and support to all peoples struggling for their liberation from colonial rule. Their struggle is our struggle, and their cause our cause. We cannot be considered free so long as in any part of the world, or in any form, freedom is denied.

Freedom is an individual whole. Therefore there should be a common struggle against colonialism in whichever form it is exercised. I feel sure colonialism will soon be a thing of the past. Its life is protracted at the cost of heavy loss of life, and its death will mean the saving of many lives. The collective voice of humanity has already made its decisive pronouncement against colonialism by the resolution adopted in the last General Assembly of the United Nations, which Cyprus had the honor of cosponsoring.

Colonialism, which in the past was an established and avowed system of domination of one people over another has been definitely and irrevocably condemned. The age of domination by force, in whatever form, can no longer be tolerated. It is incompatible with the spirit of our age. The sooner this is realized by the colonial powers the better it is for themselves and world peace, for there can be no real stable peace where people are kept in any form of subjection against their will.

Freedom is man's best thing, and every suppression of freedom is a violation of that right and a threat to peace. Colonialism in any form or denial of freedom and human rights should be definitely eradicated. Equality of rights must be secured for all people irrespective of color, creed, or race. The basic principle of the United Nations for freedom and self-determination must be universally applied without being impaired by any kind of expediency or other consideration. No consideration can prevail over the application of the principle of self-determination.

The right of self-determination of all peoples is the cornerstone of the U.N. Charter. Any solution which ignores the will of the people concerned cannot be a sound and lasting solution, nor can it preserve peace. In this context we should examine one of the most acute problems which confronts us today—the question of Germany, and Berlin in particular.

I feel that any solution of the problem of Germany should not disregard the will of the German people, whose right to determine their status and future freely cannot be denied. Several arguments are being advanced by the interested parties on the German problem, and in particular on the Berlin situation, because of which the possibility of another war cannot be excluded.

It would not be helpful at this stage to deal in detail with this problem. But I would like to emphasize one point, important to my mind: that the people of Berlin cannot be kept in a kind of concentration camp. They should be allowed freedom of movement between West and East Berlin. All arguments which are meant to justify the existence of barriers are in my view unfounded. Any negotiations for the solution of the Berlin crisis and of the German problem, in general, must be based on the freely expressed will of the German people. Let the Germans themselves decide through a plebiscite under the auspices of the United Nations, their form and system of government, and as to whether Ger-

many should be united or remain divided. To relieve the present dangerous tension, however, there is need for negotiations. Neither side should insist on negotiations on its own basis or set conditions. They should meet in a spirit of understanding and with a common purpose—that of preserving peace with due regard for the rights of the people concerned.

The crisis over Berlin adds to the seriousness of the already existing very great dangers, whose roots can be found in the arms race, in an effort to retain the balance of power. Balance of power, however it may be thought to be necessary as a temporary measure, cannot secure peace. On the contrary, the piling of arms has always led to war. It is regrettable that not only has there been no progress on disarmament, but not even agreement on banning nuclear tests, although the parties concerned know full well the actual evil effects on human life from such tests.

We were shocked to hear that the Soviet Union declared its intention to resume nuclear tests, and still more shocked to hear yesterday that it had already started such tests. In this connection I would also wish to place on record our concern over the carrying out of nuclear tests by France in Africa, against world opinion, and in this regard, of the protests of the people of that continent.

Efforts should be made toward general and complete disarmament in implementing the resolution adopted by the 14th session of the U.N. General Assembly. The principal military powers should resume direct negotiations under U.N. auspices. Since peace is the concern of the whole world, other countries should be associated with the disarmament negotiations. Above all, good will is imperative. Mistrust must be removed. It is beyond any doubt clear that disarmament and international confidence are closely linked. Therefore, while striving for the abolition of armaments, all countries must actively try to reduce tension by helping to remove all unnecessary causes of friction and suspicion. Within this framework the role of the nonalined countries can be of immense importance and value to the whole world and its future.

Mr. Chairman, there are many problems which beset mankind today. They have already been fully and ably dealt with by the distinguished speakers who preceded me. I need not elaborate on all of these problems. Our urgent consideration should be turned, as Prime Minister Nehru said, to the threatening problem that arises from the imminent danger of a general conflagration that may mean the end of our organized human community, and perhaps of all human life on this globe. Let us, therefore, take a view in perspective of this grave problem.

The threat has been increased in the continuous piling up of nuclear weapons. But the crisis in Berlin has made the danger seem to be now fast approaching. Indeed humanity, now as never before, is faced with a great dilemma from which there can be no retreat and no escape. The means of total destruction now placed in the hands of man are as deadly as they are global. Humanity will have to abolish war or perish. But can this be achieved?

War has been the outcome of a certain mental approach to life. It springs from the negative concept of antagonism and selfish pursuits for domination and expansion by force. War has, through the ages, conditioned the evolution of mankind, and has been a determining factor in national and political developments. It would not be possible to abolish war unless the concepts from which it stems are abandoned. This, however, though by no means easy to accomplish, is imperative, and it can be achieved if humanity makes the effort demanded of it for its own physical survival. The first significant and collective step in that effort has been the establishment of the United Nations. This world organization should be encouraged and helped in its evolution toward becoming an effective instrument of government for peace based on world war.

This Conference, Mr. Chairman, coming at the present juncture of the world's history, has a dual duty to perform in this respect: (1) It should exert its influence toward an easing of the tension by an agreement which would restore the sense of security that has been shaken by the present crisis. To this end the Conference should call for an early meeting between the heads of the two leading states in this dispute; namely, President Kennedy and Mr. Khrushchev. (2) The Conference should in an imaginative move call for the placing of moral values first in the policies of nations. The essence of the resolutions to be adopted should convey this call. In this spirit the Conference should give its full moral support to the United Nations, as an effective instrument of peace and freedom in the world. Thank you, Mr. Chairman.

Excerpts From a Speech Delivered by Prime Minister Nehru at the Belgrade Conference on September 2, 1961

DISARMAMENT

We talked, everybody talked and still talks about disarmament. As my friend and colleague, President Nkrumah, has said, "Disarmament is the most vital thing." I entirely agree with him. The fact is that while we have talked about disarmament the world has gone on arming more and more. What does all this lead to? There is something wrong. Some gap between our thinking and the action the world takes. The basic fact is that the world which has talked of disarmament month after month, year after year, has been arming more and more and it has arrived almost at the final stage when either it disarms or it bursts. There is no choice left today and in this field of maneuvering the choice is getting more and more limited. When each party digs in its toes to particular positions, when each great country, even smaller countries, feel their national honor is involved, it is difficult to move them. When big countries feel that their national honor is involved they risk war, whatever the consequences. That is what we are getting to. It is possible then, when these rigid attitudes are taken, that indication from this conference and all those whom it represents—they are many and they count in great parts of the world—a positive indication might have some slight effect on these great protagonists who, with their nuclear bombs threaten each other and incidentally threaten all of us, because it is now known very well that the effects of war will not be confined to those great powers or their lives but that other countries which are not in the war will also suffer. Presumably, if war comes, countries represented here will not rush into war, they will remain apart. But what good will it do them to remain apart when they will suffer from it and when the whole world will suffer? Therefore, we have arrived at a position today where there is no choice. Well, to say that there is no choice between war and peace sounds rather fatuous. I put it this way: There is no choice left between an attempt between negotiations for peace or war. If people refuse to negotiate, they must inevitably go to war. There is no choice. They must negotiate, and I am amaged and surprised that rigid, proud attitudes are taken up by great countries all being too high and mighty to negotiate for peace. I submit with all humility to them and to others that this is not the right attitude, because it is not their pride that is involved in it but the future of the human race.

I cannot—and I rather doubt if even this assembly can go into these matters and suggest that you must negotiate on these lines or you must come to terms on these lines. I do not think that is possible for us or suitable. We may have our ideas and when the time comes we may even say so, but our indication that these are the lines for your settlement for negotiation instead of helping may hinder, because we are dealing with proud nations and they may react wrongly. Therefore we cannot really lay down any terms on which they should negotiate. But it is our duty and function to say that they must negotiate and any party that does not do so does tremendous injury to the human race. I am not talking about basic agreements between rival ideas, rival ideologies and rival attempts to increase the power of a nation. I do not think that by one stroke you can solve all these problems or that anybody can. But at the present juncture one has to see how to lessen these tensions, how at least to remove some of the obstructions to peace, how at least to prevent war coming. If that is done, then other steps will naturally follow.

I believe firmly that the only possible way ultimately to solve these problems or many of them is by complete disarmament. Yet it would be absurd for me to say "in the next week or month decide on complete disarmament" because it is not a practicable proposition. Today the situation is such that their fears from each other are leading them toward greater armaments all the time whether you look at one side or the other. There, although I consider disarmament an absolute necessity for the peace of the world in the future—I think that without disarmament these difficulties, fears and conflicts will continue—nevertheless one cannot expect it suddenly because this conference wants it. We should lay stress on disarmament, of course, but for the present moment the only thing that we can do is to lay stress on the fact of negotiations with a view to getting over these present fears and dangers. If that is done, the next and third step follows and may be taken.

BERLIN

I would venture to say that it is not for us even to lay down what should be done in regard to Germany or Berlin which are the immediate causes of this present tension. There are some things that seem to me obvious. For instance—others have referred to it too—it seems to me obvious that certain facts of life should be recognized. The facts of life are first that there are two independent entities, powers, countries: the Government of West Germany (Federal Republic of Germany) and the Government of East Germany (German Democratic People's Republic). That is the fact of life: It is not a matter of my or anyone else's liking or disliking it; It is a fact that has to be recognized. If you ignore the facts of life and the facts of contemporary politics, that means that you are ignoring something which will lead you to wrong results. The second thing (I am expressing my own opinion for the moment) is that as things are, we find this great city of Berlin divided by what might be called an international frontier. It is a very awkward situation but there it is. But anyhow, West Berlin is very closely allied to Western Germany, to the Western countries and they have had these routes of access to them, and I am glad that Mr. Khrushchev himself has indicated that that access will not be limited; it will be open to them as it is now. Now, if that is made perfectly clear and guaranteed by all concerned, I should imagine that one of the major fears and major causes of conflict will be removed. I am merely putting this forward to indicate how some of the big things that are troubling people are capable of solution without solving the entire problem. If some things are understood and agreed to definitely, immediately the fear of war in the near future disappears. Other things can be considered later. So, I venture to say that the most important thing for the world today is for these great powers directly concerned to meet together and negotiate with the will to peace and not to stand too much on their respective prestige, and I think that if this conference throws its weight on that, as I am sure it must be prepared to do, it will be a positive step which we take to help.

SOVIET TESTING

Now, sir, may I add here that this danger of war comes nearer and nearer, has been enhanced, and has become nearer to us perhaps by the recent decision of the Soviet Government to start nuclear tests. Now I am not in a position and I suppose no one else here is in a position to know all the facts which underline these decisions—all military considerations, political, nonpolitical considerations whatever they may be—but one thing I know: that this decision makes the situation much more dangerous. That is obvious to me, therefore I regret it deeply because it may well lead to other countries also starting this and then apart from danger inherent in nuclear tests—that is, radioactive substances falling and all that—all this brings us to the very verge and precipice of war. That is what I deeply regret. It has become even more urgent that this process of negotiation should begin without any delay, without thinking of who is going to ask whom first. The person who asks first will deserve credit; not the person who shrinks from asking others.

SETTLEMENT OF DIFFERENCES BETWEEN COUNTRIES

Mr. FORD. On pages 3 and 4 of your statement you say:

You readily understand the problem which this poses for us in the formulation of our aid programs. Accordingly, we are alert to every opportunity to help resolve these disputes. However, the countries involved are sovereign and there is a limit to what we can do to assist in the resolution of these conflicts. To attempt to deny all aid as a leverage to bring about solutions of highly intractable conflicts, in our judgment would be impractical. Such an action might prove counterproductive and further limit any useful role which we can play in these conflicts. As you know, these intraregional disputes involved deep-rooted emotions of newly independent countries, each sensitive to any infringement of its dignity or freedom of action. In my opinion, these disputes require the balm of time, patience, and persuasion.

Are you saying there that we should not use our mutual assistance program or foreign aid program to try and resolve differences between countries and assist the establishment of policy in countries?

Mr. TALBOT. I was seeking to say, sir, that we use the policy instruments available to us to attempt to moderate the corrosive disputes between countries. When it comes to using the aid instrument as a club on one country or another, we think in the American interest there are likely to be more difficulties and more disadvantages than there are advantages.

Mr. FORD. Are you saying that we should not use the mutual security program to try to bring about a resolution of the difficulties between the Arabs and the Israelis?

Mr. TALBOT. With respect to the Arabs and Israelis, I think I would say we should use whatever means are available to us, diplomatic and otherwise, which on the one hand will help to reduce those tensions and, on the other hand, will serve our national interest.

Unfortunately, these are very complicated areas, with many different forces at work in them. There are the forces of internal disruption and disintegration. There are the forces and pressures from the Communist world. There are the antagonisms between them. As it happens, there is not a kind of 1-to-1 ratio between our aid and any one of these forces. Our aid works on the complex of forces. When we think about using our aid to meet one of the problems, we also have to think of the effect of the use of that aid on all of the other problems which we are dealing with.

I would say with reference to the Arab countries and Israel that we should strive, as indeed we do strive, to ameliorate the high tensions between these various countries. We have tried in a number of ways to ameliorate these tensions. We are still trying. For example, in supporting the work of the Palestine Conciliation Commission, the special representative, Dr. Joseph Johnson, with respect to the Palestine refugees, and so forth. We shall continue to try.

But to say to Israel, "We will give you no more aid unless somehow this dispute is resolved," or to say the same thing to Jordan or one of the other countries, would, in our estimation, be disadvantageous to our national interest.

If I may give one example, Jordan, as you know, survives to a large extent because of the external assistance that it obtains. Two-thirds of the population of Jordan are Palestinians. The Jordanians and the Israelis have some rather high tensions between them.

(Off the record.)

The Near East is an area where we have very large interests indeed, and those interests would not be served by the kind of combat and hostilities which would result.

FOREIGN ASSISTANCE TO UAR

Mr. FORD. Let us take this situation: For a number of years the Egyptians, the United Arab Republic, have prevented the passage of Israel ships or ships with Israel cargo in them, through the Suez Canal. I have heard it argued that the way for the United States to solve this problem is to have the United States stop making any mutual assistance available to the United Arab Republic. What is your reaction to that?

Mr. TALBOT. If I may say so, sir, the United States virtually tried that at the time that assistance to the Aswan Dam which had been

negotiated was withdrawn. The result was the nationalization of the Suez Canal. It would seem to me, sir, that in dealing with a number of these countries—these happen to be new countries, they happen to be quite sensitive in terms of their sovereignty, and so on—one can very easily bring about unexpectedly adverse results. Again, we look to each of the problems and do what we can about each problem, but in taking any measure with respect to one problem, we must think about the effects of that measure on all of the other problems.

So my answer to your question would be that it would not be to the U.S. interest to hold back aid from the United Arab Republic in the expectation that our action would force the United Arab Republic to end this practice which we do not like.

Mr. FORD. In fiscal 1962, we increased our assistance to the United Arab Republic. Did we get any quid pro quo for that? What was the justification or the basis upon which economic assistance was increased to the United Arab Republic in fiscal 1962?

Mr. TALBOT. Off the record.

(Discussion off the record.)

Mr. TALBOT. When the cotton crop nearly failed last year and there were other economic difficulties, Egypt ran into a severe foreign exchange shortage, and it went to international agencies to assist it through that economic crisis. Egypt came to us. We said in effect, "We would be willing to consider assisting you in this crisis if you would go to the International Monetary Fund and make an agreement with the IMF." Of course, they could not make an agreement with the IMF unless they were willing to do certain things, to adjust their economy. They did make an agreement, and there was a devaluation as one of these efforts.

Then we said:

> We will provide a certain amount of money for the stabilization fund which the IMF is organizing. We will provide another $10 million, provided you make arrangements with Western European countries to assist you beyond the initial $20 million that you will get from them.

In this way, we saw that the United Arab Republic Government began talking with the British and the relations between the United Arab Republic and the British have apparently improved very considerably in the last 6 months or so.

Similarly, we hear that the United Arab Republic is making approaches to the French, and so forth.

So gradually one of our policy objectives is to increase the contacts and communications between the United Arab Republic and the Western countries.

(Discussion off the record.)

Mr. FORD. Nasser was very critical at the Belgrade Conference, as I recall, of our proposed resumption of nuclear testing, was he not?

Mr. TALBOT. Off the record.

(Discussion off the record.)

Mr. TALBOT. Please, sir, let me not overstate this case, because I would not predict at all that we would now find the United States and Nasser have parallel policies. On the contrary, there are many differences.

Mr. FORD. That is what I was going to bring up. The things you have mentioned, which I assume are true, are all to the good.

Mr. TALBOT. There are also some bad things.

USE OF AID PROGRAM TO ASSURE RIGHTS FOR ISRAEL

Mr. FORD. This is the footnote: Every time the mutual security authorization bill and/or appropriation bill comes to the floor of the House, we hear a number of speeches about: Why can't we use the mutual security program to open up the Suez? Why can't we use the mutual security program to permit the free entry into Arab countries by people of Jewish faith? None of these problems have been solved, even though we increased in fiscal year 1962 our economic assistance to the United Arab Republic, according to the executive justifications I have before me, by a ratio of approximately 2 to 41. We have apparently, according to your testimony, achieved some intangible and possibly some tangible results. I hope you are correct. However, in these tough problems that we have heard about as long as I have been here, every year at least twice a year, I see no progress. Yet in fiscal year 1962 the United States substantially increased our economic assistance to the United Arab Republic.

Mr. TALBOT. If I might respond to that, sir, it seems to me there is some indication of change with relation to larger world issues, not a great deal, but some. There is also some indication of willingness on the part of the United Arab Republic to put the Israeli question in the icebox for some time. This does not mean solve it, but at least put it back so it is not a day-to-day irritant in their relations. There has been no observable change yet in the rivalries and tensions that occur between the United Arab Republic and other Arab States, in particular the radio warfare, and this, that, and the other.

On the questions of visas for Americans, regardless of race, creed, or color, once again it seems to me that we must push as hard as we can on this issue, but that the aid instrument is not the right tool for that. If I may go off the record, with Jordan, for example——

Mr. PASSMAN. You may take it off the record when it comes down to you. Regarding anything that deals with security you make the decision whether it stays on the record or comes off.

Mr. TALBOT. That is all right. We are working very quietly with one or two of these states. We have this as a very high priority, and there are indications of progress. This seems to us to be the way in which, in the long run, progress can be obtained.

Mr. FORD. What bothers me, aside from the specifics we have talked about, is that in other areas of the world—Laos, Peru—we do use our mutual security program as a weapon to achieve a policy. What is the difference?

Mr. TALBOT. In this area of the world, sir, as I have suggested, the question is balancing the consequences. If an occasion should arise in which a situation like Laos developed in this region, then it would seem to me worth considering. What I have been saying is not that aid should never be used for this purpose, but in the countries with which we are dealing in the Near East and south Asia, the side effects and the complications lead to the judgment that it would be unwise and not in the interest of the United States for us to use aid in this particular way.

POLICY ON DEVELOPMENT LOANS TO INDIA AND PAKISTAN

Mr. FORD. On page 3 of Mr. Gaud's statement are listed $450 million in development lending proposed for India for fiscal 1963, and $225 million proposed development lending for Pakistan. At the bottom of that column you show figures of $850 million to $950 million in proposed development lending for six countries identified and a seventh called other. Are we firmly committed as a policy to these amounts of development lending for those two countries in fiscal 1963 because of long-range commitments?

Mr. TALBOT. Yes, sir; subject to appropriations and subject to certain matching principles which have been developed.

EFFECT OF REDUCTIONS IN AVAILABLE FUNDS

Mr. FORD. The other amount between the $675 million and the minimum figure of $850 million is for other proposed programs. What happens to them if the Congress, in its wisdom, makes reductions in the total available?

Mr. TALBOT. Sir, when the Congress, in its wisdom, determines an appropriation, the development lending which is indicated here will be worked out within the resources given.

Mr. FORD. Do you mean to say that the amounts which are listed here for India and Pakistan are irrevocable?

Mr. GAUD. No.

Mr. TALBOT. No.

Mr. FORD. Then let us take it this way: Suppose the Congress made available $700 million, as an example. How do you, as a matter of policy, fit your dollar programs into that amount, bearing in mind that you just testified that $675 million was committed to India and Pakistan?

Mr. TALBOT. May I make it clear, sir, that this commitment is both subject to appropriations and subject to certain matching principles which have been accepted. Until now, we do not know whether——

Mr. FORD. In other words, the Congress in its determination of what should be available in fiscal 1963 does have leeway, does have flexibility as to the programs for India and Pakistan.

Mr. TALBOT. Sir, the Congress has already given authority to undertake long-range agreements. One would assume that the Congress in its wisdom would not abrogate the long-range agreements which have been given under congressional authority, except for very serious and critical reasons.

Mr. FORD. On the other hand, the Congress does not have to identify any reduction in any such commitment to India or Pakistan. The Congress can simply make less money available in toto, leaving it up to the Executive's good judgment to determine where the reduction should be made.

Mr. GAUD. May I step into this, please, because I think we are really into the AID side of how we handle our request for appropriations. (Off the record.)

Mr. FORD. You would agree, I am sure, Mr. Secretary, that is a possibility.

Mr. TALBOT. Yes, sir; that the Congress sets the appropriation, yes, sir.

Mr. PASSMAN. I want this record to be in keeping with the prior record. I think I am making a statement of fact that they said it is an annual custom, after they get the appropriations, to make the revisions to fit the amount of money they get. So, if the Congress, in its wisdom, should make a downward adjustment, it simply means that you people downtown, working out our programs, will make whatever adjustments are necessary to keep within the amount that the Congress makes available. Is that not an accurate statement?

Mr. TALBOT. Yes, sir.

Mr. PASSMAN. Thank you.

POSSIBILITY OF MAINTAINING AID PROGRAMS IN INDIA AND PAKISTAN AT DETRIMENT OF OTHER COUNTRIES

Mr. FORD. It bothers me as a policy matter that we apparently are going to maintain the aid programs to India and Pakistan, or there is a possibility of it, to the possible harm or detriment of some other very good friends of ours, provided the Congress does not make all the money available that is requested. I am just trying to be certain that we are not going to exclude some other very good friends of ours and maintain aid and assistance to India and Pakistan regardless. Already the Congress in the authorization bill has made some reductions, very minor, which I suspect would lead to some revisions in the programs that were originally submitted by the Executive. If tradition is followed in fiscal 1963 in the appropriation process, we will probably have reductions there.

Mr. TALBOT. Sir, Mr. Gaud can speak to this more closely, but there will be requests from various countries for assistance in development lending, and these requests, I am sure Mr. Gaud would say, would be judged within the context of the funds available.

COMMITTING FUTURE FUNDS

Mr. PASSMAN. During previous hearings this year, dealing with another section of the world, we discovered—and the law is broad enough to permit it—that the AID people has programed one very expensive project to completion away off some 8 or 10 years from now. I think the total project was $342 million. The country itself, of course, was supposed to arrange for certain parts of it. We got into the breakdown, and we had the Export-Import Bank, the development credit section, and three or four other different categories of aid. This was for a $110 million aluminum smelter that had not even been started. The completion date was some 7 years off, at the minimum, and they had funded the program to completion. We do not know how many other programs we shall run into which are similar to that before we finish the hearings, but we do know that the pipeline has gone up hundreds of millions of dollars—close to a billion dollars, when you get into all phases of it.

The record shows that when you fund a project in its entirety, for some reason or other it gets pushed off on the side, and that condition could pyramid if some of us did not find the time to keep going over these figures.

The fact of the matter is, the Congress has appropriated more money for the program each year than was needed, and this has been verified the following year by the agency's own statements.

What is the land area of Cyprus?

Mr. TALBOT. 3,600 square miles.

Mr. PASSMAN. What is the population?

Mr. TALBOT. The population is about 600,000.

Mr. PASSMAN. The book shows 569,000.

Mr. TALBOT. In 1961; yes, sir.

Mr. PASSMAN. It is one of the smallest countries, if not the smallest, on the face of the earth.

Mr. FORD. Will the chairman yield there? Maybe the fact that they are so small adds luster to their policy statements.

BELGRADE CONFERENCE STATEMENTS

Mr. PASSMAN. With reference to the Belgrade Conference, I believe there were 24 delegates present.

Mr. TALBOT. I would have to check on that.

Mr. PASSMAN. I think that is correct. And you had two observers.

Mr. TENNANT. That is correct, from an insert we provided.

Mr. PASSMAN. Of the other 24 countries, how many presidents or head of government have made a similar statement to that of the President of Cyprus?

Mr. TALBOT. Statements were made by all of the heads of delegations. They varied in detail.

Mr. PASSMAN. I am talking about the change of policy by the heads of government. Are there any other exceptions?

Mr. TALBOT. Some of them were more moderate. Some of them were more on the other side.

PROPOSED AID TO BELGRADE CONFERENCE PARTICIPANTS

Mr. PASSMAN. But it would appear that those people who issued the harshest statements got the largest increase in aid, or at least some of them.

Let me say that the 24 nations which sent delegates to the Belgrade Conference received aid last year, fiscal 1962, in the amount of $671 million, but according to the present plan, if you get the amount of money you request, that aid will go up to $813,500,000, an increase of $142 million. So, it would appear that the aid program will continue running wild. Whether they are for us or against us, in the middle, or do not know, they still are going to get a big increase in the aid program.

Thank you, gentlemen.

We shall recess until tomorrow morning at 10 o'clock.

TUESDAY, JULY 31, 1962.

Mr. PASSMAN. The subcommittee will come to order.

At an earlier date we asked Mr. Miller to get us a detailed opinion as to the position of the Department on a project where we made a commitment, or a partial commitment, we shall say, on a $300 million project, and you gave them $100 million out of 1962 funds. Would the Department feel that under last year's legislation, the intent of the Congress would be such that we would have a moral obligation to provide the remainder of the funds? Have you obtained that opinion yet?

Mr. MILLER. I did not check with the General Counsel this morning, Mr. Chairman. But, they do not have the opinion ready.

Mr. PASSMAN. Thank you.

AID REQUEST TO LIBRARY OF CONGRESS

Is it the understanding of the members of the executive branch that the Legislative Reference Service of the Library of Congress is primarily intended to do research for Members of Congress?

Mr. GAUD. I am afraid I know very little about the Charter of the Library of Congress.

Mr. PASSMAN. If you wanted information about the aid program would you go to the Library of Congress or to the AID agency?

Mr. BIRNBERG. On matters dealing with aid, we would go to AID.

Mr. PASSMAN. Yesterday we requested that you provide us a list of the nations to which we had not given aid, or are not now planning aid, since the end of World War II, and have been informed that the Legislative Reference Service of the Library of Congress has been asked by the AID agency to compile and supply this information which then would be transmitted to this subcommittee by the AID witnesses.

Gentlemen, when it gets to the point that you have to call the Legislative Reference Service of the Library of Congress, and I am, in turn, questioned on the matter, to ascertain the nations to which we have given aid, or have not given aid, that is an indication to me that something is seriously lacking in the Agency.

Would you please give us the list?

Mr. TENNANT. Mr. Chairman, our research and statistics people worked up this list last night. I do not know who they contacted. I neglected to give it to you at the beginning of the session this morning. You asked for two other lists, both with respect to the British Territories. They are apparently working on them and they will be up here this morning.

Mr. PASSMAN. You have Algeria at the top of the list.

All we can ask you to do is to try again.

We know also that Czechoslovakia received aid.

So, I repeat, you had better go over the list again.

Mr. TENNANT. There is a footnote, Mr. Chairman.

Mr. GAUD. If you read the footnote, that will answer the problem on Czechoslovakia.

Mr. PASSMAN. We know that Algeria received aid.

Mr. TENNANT. I believe that was——

Mr. PASSMAN. That was in fiscal 1962, from the contingency fund.

Mr. TENNANT. Yes, sir. I think there is a slipup there.

Mr. PASSMAN. I will stick by my list, which indicates that we are giving, or have given, aid to 101 of the 113 nations.

Mr. ANDREWS. Did the Library of Congress——

Mr. PASSMAN. The AID people called the Legislative Reference Service of the Library of Congress to find out if they could tell them the number of nations to which we are not giving or planning aid. I was then contacted with reference to information on the matter.

Mr. ANDREWS. Off the record.

(Discussion off the record.)

Mr. ANDREWS. You, the chairman of this subcommittee, called on AID to furnish a list of countries that have not received U.S. aid since World War II?

Mr. PASSMAN. Correct.

Mr. ANDREWS. The AID Agency called the Library of Congress for the information?

Mr. PASSMAN. Yes.

Mr. ANDREWS. The Library of Congress, or someone from the Library, then contacted you relative to this information?

Mr. PASSMAN. That was the sequence.

Mr. ANDREWS. Off the the record.

(Discussion off the record.)

Mr. GAUD. There is one thing I would like to say to make the record straight. That is, there is an assumption here that someone from AID called the Library.

Mr. PASSMAN. It is no assumption.

Mr. GAUD. We have no knowledge or information on it.

Mr. PASSMAN. Did somebody call the Library of Congress in connection with my request?

Mr. GAUD. I did not——

Mr. PASSMAN. Some employee of AID called the Library of Congress about this matter.

Mr. TENNANT. I had not heard.

Mr. PASSMAN. Have you, Mr. Birnberg?

Mr. BIRNBERG. No, sir.

Mr. PASSMAN. Had you?

Mr. MILLER. No, sir.

Mr. PASSMAN. I want to say categorically that AID did call the Library of Congress about this information.

Mr. GAUD. I am afraid you drew a false implication from what I was going to say. I did not want to reflect on you or the Library of Congress. All I wanted to say was, that I started to say, as you interrupted, that it would seem perfectly clear from what you were told by the person at the Library of Congress we had called there but we do not know what other efforts we made to find out the list of countries. The only thing I wanted to make very clear is that it is certainly not clear that our activities were limited to a call to the Library of Congress. It is entirely possible we did our best to find out and tried to check the list. This is all I wanted to make clear.

Mr. PASSMAN. In the first place, why did you have to call the Legislative Reference Service of the Library of Congress to ascertain the countries to which you had not given aid?

Mr. GAUD. Mr. Chairman, I do not know whether a call was made.

Mr. PASSMAN. I want to say one more time that the AID called the Library of Congress in this regard and then I was contacted relative to the information requested.

Mr. TENNANT. May I say a few words on this, because the request was directed to me?

Mr. PASSMAN. All right.

Mr. TENNANT. At the time the request was made, we turned it over to our Research and Statistics people. This green book, which I think each member of the committee has seen, lists all of the aid we have given under the foreign assistance program since 1945. I assume that if the Research and Statistics people called the Library of Congress they were trying to ascertain the official list of countries so they could tick off those we had given aid to, and those we had not. I respectfully request Algeria be deleted from the list because I think our Research and Statistics people inadvertently checked against the green book which covers programs through 1961 and not 1962. Aid to Algeria occurred in fiscal year 1962.

Mr. PASSMAN. All this happened since yesterday, and this morning you brought a list down and the first country on that list is Algeria, which did receive aid in fiscal year 1962.

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. I am not going to go beyond that point.

We shall proceed with the regular examination.

VARIOUS AID PROGRAMS IN NESA REGION

Mr. Gaud, it is my understanding that our various AID programs in your section would encompass just about every type of project we have in America: irrigation, drainage, flood control, roads, bridges, and everything else that would contribute to the economy and help to improve the standard of living of the people in the countries we are helping. Is that your understanding of it?

Mr. GAUD. Yes, sir.

Mr. PASSMAN. Would you agree that in establishing the worthiness of a project, we should not, in fact, discriminate against a country or, for that matter, against our own country?

Do you believe a single standard would actually be a good criteria to go by, if it could ever be worked out?

Mr. GAUD. I think it is almost impossible to apply the same standards to countries with different characteristics, Mr. Chairman, but certainly——

Mr. PASSMAN. I am speaking of the overall.

Mr. GAUD. Certainly you want to make certain a project is worthy before you go into it.

U.S. SYSTEM FOR APPROVING PROJECTS

Mr. PASSMAN. Are you familiar with the system we employ in America to bring into being a public works project?

Mr. GAUD. In a general way.

Mr. PASSMAN. Would you like to state your understanding of how we create, we shall say, a flood control project in America?

Mr. GAUD. You are speaking of the budgetary process?

Mr. PASSMAN. No. From the beginning of the project to the beginning of construction, as you understand it?

Mr. GAUD. A project that might be run by the Corps of Engineers?

Mr. PASSMAN. The Corps of Engineers, Department of the Army.

Mr. GAUD. Paid for with public funds?

Mr. PASSMAN. Yes.

Mr. GAUD. As I understand it, and this is a field in which I have not had any actual experience, but it is my understanding that such a project is developed and may originate from any one of the dozen different sources. It will be studies. It will be engineered and presented to the Congress as a project with a request for an appropriation of funds.

Mr. PASSMAN. The gentleman is correct as far as he has gone, but it starts at the local level, usually at the State level. The State engineers and the U.S. Engineers determine whether it would even be eligible for funds for a study.

After you eliminate that factor, and get into the study process, then it moves to the Public Works Committee for authorization for the study.

When you leave that process, then it gets down to a matter of establishing the cost-benefit ratio, whether or not the benefits would exceed the cost of the project. In every case, with no exceptions that I know of, unless you can establish a positive benefit-cost ratio you cannot get the project authorized. When you finally get an authorization, you accept an annual slice of the amount of funds necessary to complete the project. It may require 15, 18, or 20 years, and you are necessarily satisfied with a one-slice appropriation to expend on a project that has been well established at all levels, and that the benefits will exceed the costs.

But, we have a double standard. We go out into other countries of the world and there is no such study required. I have never known of any case where we demanded that a favorable cost-benefit ratio be established and presented before you could get the authorization, much less an appropriation.

On that basis, is it true, with the exception of the continuing projects in your justifications, that they are illustrative, that you may or may not spend the money on the project shown in the book? You may or may not spend the money that you list for one country, but under the legislation you may abandon and start new projects, or you may even transfer the funds to another nation? Is this the authority you are working under, and is it that broad?

Mr. GAUD. Yes, sir; with one qualification. That qualification is that, to the extent we have a commitment to a country, which is, of course, subject to an appropriation in every case, we would not take the money away from that commitment if we get an appropriation.

ORIGIN OF DEVELOPMENT PROJECTS

Mr. PASSMAN. We were told earlier by a member of the AID team that on many of these projects the recipient nation was not let in on what they were doing until they had gone out and firmed up the project and received the money. After they got the money, they let the nation in on the secret. Is that true in your area?

Mr. GAUD. That is not true in my region.

Mr. PASSMAN. You let them in on the secret while you are firming it up?

Mr. GAUD. I would not use those words.

Mr. PASSMAN. Do you discuss it with them and reach a mutual agreement?

Mr. GAUD. We act on applications from the country. This is not a question of letting the country in, because on these capital projects, we act only on applications for specific projects from the country.

Mr. PASSMAN. Who goes out and works up these projects?

Mr. GAUD. That depends. The projects originate with the host country and they are considered by our missions in the field and thus receive the approval of both the host country and the mission before they come to Washington and are considered here.

Mr. PASSMAN. They are considered by some desk officer in Washington?

Mr. GAUD. Ultimately.

Mr. PASSMAN. Many projects which have been started in the past have been abandoned?

Mr. GAUD. Many applications are rejected.

Mr. PASSMAN. I should think so.

EXPENDITURES OF AID FUNDS IN UNITED STATES

Many times in the Secretary's testimony and in your testimony, reference was made to the loan section of the bill. I read into the record Mr. Dillon's statement which speaks for itself.

Many of the so-called loans, if not a majority of them, are long-term loans, with no interest—only three-fourths of 1 percent service charge—with a 10-year grace period; is that correct?

Mr. GAUD. That is true in my region; yes, sir.

Mr. PASSMAN. I have heard this statement before the committee many times, that of AID funds, 80 percent, or approximately that percentage, are spent in America.

Mr. GAUD. I can speak only for my region.

We have made an analysis of the 1963 program in this region and if you will recall from my statement, this will be somewhat as estimated, a little more than $1 billion.

We have made the best estimate we could and it appears that $70 million out of the more than $1 billion will be dollars that will be spent overseas.

Mr. PASSMAN. What percentage?

Mr. GAUD. Less than 7 percent in this region, Mr. Chairman.

Mr. PASSMAN. That would mean 93 percent of the money spent in America?

Mr. GAUD. That is correct. That is our best estimate.

Mr. PASSMAN. It is my understanding that when dollars go abroad, eventually they must be returned to the United States, either through purchases of goods or services from the United States, or purchases of U.S. gold, or purchases of U.S. securities; or they accumulate the dollar credits. Is that correct?

Mr. GAUD. That sounds right.

Mr. PASSMAN. It means that eventually 100 percent of those dollars are spent in America for something, either securities, gold, to pay debts, or to buy something we produce?

Mr. GAUD. 100 percent of the $70 million.

Mr. PASSMAN. 100 percent: is that correct?

Mr. GAUD. Let me make sure we are not talking at cross-purposes. Of the total program, over $1 billion, 93 percent of those dollars are spent in the United States initially and some $70 million are spent initially abroad.

Now, sooner or later, those dollars are spent for exports from the United States.

Mr. PASSMAN. They work themselves back into the United States?

Mr. GAUD. They are a call on the United States.

Mr. PASSMAN. Every nation on the face of the earth earns either dollars or convertible currencies from their exports?

Mr. GAUD. They earn foreign exchange.

Mr. PASSMAN. It is convertible. Under our normal system of operation, the dollars work their way through commerce eventually to purchasing something that is produced in the United States; is that right?

Mr. GAUD. Yes, sir.

Mr. PASSMAN. Thank you.

AID FUNDS RELEASE FUNDS OF RECIPIENTS

If we credit to the accounts of these foreign nations the gifts, grants and development credits, then they could requisition from the United States their requirements in full, or at least in part, against the dollar credits; could they not?

Mr. GAUD. Yes, sir.

Mr. PASSMAN. That being true, then that would release to them for their own use, would it not, the convertible currencies or dollars they earn from their exports?

Mr. GAUD. To the extent——

Mr. PASSMAN. Which means that if we provide free dollars or dollar credits for them to requisition what they would normally buy, and since we have no control over the budgetary system of those governments, it would release to them their dollars to do with whatever they desired, whether it should be to buy securities, whether it is to buy gold, or whether it is to accumulate——

Mr. GAUD. If they have them.

Mr. PASSMAN. That is understood. We have already agreed that they earn them.

Mr. GAUD. Some of these countries do not have free foreign exchange.

Mr. PASSMAN. I do not know of any nation that does not export something for which they do not finally get convertible currencies. That being true, it would simply mean that foreign nations, receiving aid, accumulate dollars in excess of what they would otherwise have to deal in normal trade channels in commerce?

Mr. GAUD. It depends on the situation of the particular country. There may be countries which earn so little foreign exchange they cannot accummulate any kind of a surplus at all.

They may have less foreign exchange than they need to pay the interest and principal on their debts. Their imports may be vastly greater than their exports. I think it is impossible to generalize.

Mr. PASSMAN. All we have to do is pick up the Treasury statement and look at the countries that are buying gold with dollars they got from some source. Many of these are countries to which we have given aid. In the case of Latin America some of them have taken dollars and purchased gold while we are sending them aid. They are buying our gold, and we know this to be the case.

U.S. GOLD HOLDINGS

On December 31, 1952, we had gold holdings of $23,252 million.

On December 31, 1961, our gold holdings had been reduced to $16,947 million, and the total has been reduced an additional three-quarters of a billion since that date.

The so-called free countries of the world had only $13,028 million in gold on December 31, 1952.

However, by having dollars in excess of their needs to deal in commerce, they were able not only to reduce our gold holdings by $6,305 million, but they purchased other gold to bring their total increase in gold holdings up by $10,655 million.

We dropped down to $16 billion plus during this period, and they are up to almost $24 billion.

Continuing, on December 31, 1952, foreign free world countries had short-term dollar assets of $10,546,100,000. In the subsequent 9 years, they increased this total to $22,558 million.

So, they more than doubled their dollar holdings and, at the same time, almost doubled their gold holdings.

Dollars had gone abroad in such large sums in excess of their needs that not only had they purchased our gold, but they had built up to where our net balance-of-payments deficit was $19.6 billion—1952 to 1961, inclusive—and every year for the 10 years, except one, we had a substantial balance-of-payments deficit. The one year in which there was a credit was 1957, and that was for only $500 million.

As we talk today, it is still running rampant.

In the case of Cyprus——

Mr. GAUD. Could I say a word about the general subject first?

Mr. PASSMAN. Surely.

Mr. GAUD. So you do not misunderstand me. I certainly agree there is a serious balance-of-payments problem facing the country.

Mr. PASSMAN. Gold, too?

Mr. GAUD. Yes, and the administration feels that. The point I was trying to make was that as far as this particular program in my region is concerned of about $1 billion, this is only $70 million, or 7 percent of that, spent initially overseas. A large part of that comes back to the United States so that when you are looking for the causes of the gold drain, my point is that there is very little. This particular program has very little effect on it.

Mr. PASSMAN. I think this program is substantially responsible for our mess.

MOVEMENT OF FOREIGN-AID DOLLARS

The dollars which come back do not go out to start with, do they? It is handled by a downtown bookkeeping transaction, is it not?

Mr. GAUD. Which dollars?

Mr. PASSMAN. The dollars for foreign aid.

Mr. GAUD. The dollars in this program here—let us take the development loans, we enter——

Mr. PASSMAN. Secretary Dillon calls them credits.

Mr. GAUD. I call them development loans.

I use the statutory language.

I started to say that if we act favorably on a project for development loans, and let us say this is something to build some kind of a powerplant in India, that contract for that powerplant is let to an American contractor.

It is not a bookkeeping transaction and the dollars—go to the American contractor who is building the——

Mr. PASSMAN. You send the dollars over there?

Mr. GAUD. No, sir. The dollars do not go overseas.

The dollars go to the American contractor.

Mr. PASSMAN. This is a built-in subsidy. When you ship out goods from America against the aid program, the bills are paid for by the U.S. Treasury, and not by the recipient country; is that correct?

Mr. GAUD. The money comes from the Treasury.

Mr. PASSMAN. The trouble is, you ship out these things, and instead of the recipient country taking dollars that they earn and paying for the goods and services, you forward the invoices to the U.S. Treasury for payment.

PURCHASE OF GOLD BY AID RECIPIENTS IN NEAR EAST-SOUTH ASIA

Is Cyprus in your area?

Mr. GAUD. Yes, Mr. Chairman.

Mr. PASSMAN. Is Egypt in your area?

Mr. GAUD. Yes, sir.

Mr. PASSMAN. Is Iran in your area?

Mr. GAUD. Yes, sir.

Mr. PASSMAN. Lebanon?

Mr. GAUD. Yes, sir.

Mr. PASSMAN. Saudi Arabia?

Mr. GAUD. I beg your pardon. We have no aid program for Saudi Arabia.

Mr. PASSMAN. It is still in your area?

Mr. GAUD. Yes.

Mr. PASSMAN. We have had an aid program there for many years, a big program.

Is Turkey in your region?

Mr. GAUD. Yes, sir.

Mr. PASSMAN. Each one of these countries in 1961 purchased substantial amounts of gold with their dollars: Cyprus, $2.3 million; Egypt, $7.8 million; Greece, $10.2 million; Iran, $16.1 million; Lebanon, $21 million; Saudia Arabia, $47.5 million; Turkey, $2.5 million.

They are going to buy a lot more gold if we do not slow down on this tremendous outflow of credits.

LEVEL OF FOREIGN ASSISTANCE FOR NESA

Did you tell us yesterday that the total request for your area for fiscal 1963 was $1,028,150,000?

Mr. GAUD. You have to take a range. It would run from $1,028,-150,000 to $1,128,150,000 because we are not entirely sure how many development loans we would program.

Mr. PASSMAN. I believe the estimate sent down is all based on a low figure, is it not?

Mr. GAUD. Yes, sir.

Mr. PASSMAN. Thank you.

You have had experience with bankers, have you not?

Mr. GAUD. I certainly have.

Mr. PASSMAN. Did you ever have to borrow money?

Mr. GAUD. Yes, sir.

Mr. PASSMAN. If you went to the bank and said you wanted to borrow between $200,000 and $300,000, the chances are you would not get very much consideration, would you?

Mr. GAUD. Between $200,000 and $300,000?

Mr. PASSMAN. Just run in and say, "I want to borrow between $500 and $1,000."

Mr. GAUD. If it were my bank, I would get a good deal of consideration but if it were a strange bank, I would not.

Mr. PASSMAN. I would like to see someone run into a well operated company and say, "I would like to borrow from $100,000 to $600,000." You do not do business that way. Yet you people come in here and give a range.

1962 PROGRAM

What size program did you have in each category of aid in fiscal year 1962 for development credits, supporting assistance, and development grants?

Mr. GAUD. 1962?

Mr. PASSMAN. Yes.

Mr. GAUD. We had development loans of $759.5 million; development grants, $64.3 million; supporting assistance, $253.1 million, and the total is $1,076,900,000.

Last year, it was about $58 million more than we are asking for this year.

UNLIQUIDATED BALANCES

Mr. PASSMAN. Do you have any unliquidated funds in these categories to carry over to be expended in subsequent fiscal years?

Mr. GAUD. Unliquidated; yes, sir, we have.

Mr. PASSMAN. Would you tell us the amount, Mr. Tennant?

Mr. TENNANT. $1,512,589,000.

Mr. PASSMAN. In excess of $1.5 billion?

Mr. TENNANT. That is correct.

Mr. PASSMAN. Your fiscal year 1963 funds will be intact plus an additional $1.5 billion from prior fiscal years?

Mr. GAUD. They are not in usable form.

Mr. PASSMAN. Tell us which funds you cannot use.

Mr. GAUD. If we sign up on a project to build, as I said a moment ago, a powerplant, we fund that project at once. For example, if I

go downtown to buy an automobile, and I sign a contract for $2,000 for that automobile, and it is not due for 10 days or 1 month, or later, I do not consider I have that money to spend for anything else.

Mr. PASSMAN. You do not?

Mr. GAUD. No, sir.

Mr. PASSMAN. You do have the right to deobligate, do you not—and reassign this money?

Mr. GAUD. If a project is canceled?

Mr. PASSMAN. You do not have to cancel it. You do not have to fund a project to conclusion, do you? Does the law force you to do that?

Mr. GAUD. I do not think so.

POTENTIAL EXPANSION OF PROGRAM COSTS

Mr. PASSMAN. I think Mr. Miller realizes that I have asked about five times, for a ruling on that very point.

This thing could pyramid until it would be a frightening figure.

Mr. GAUD. I do not think, Mr. Chairman, that it would grow a great deal.

Mr. PASSMAN. You do not?

Mr. GAUD. Unless the size of the program grows.

Mr. PASSMAN. If you fund projects 8, 10, or 12 years in advance, you do not think they would grow?

Mr. GAUD. I do not think we fund that many projects 8 or 10 years in advance.

Mr. PASSMAN. I refer you to one contract of $362 million.

Mr. GAUD. I am sure you could find one.

Mr. PASSMAN. I could refer you to many.

Mr. GAUD. I could speak only with reference to my own region. The point I was making is this: The AID program over the last 3, 4, or 5 years has increased, until you get to the point, and it seems this point has been reached in my region for the last year, that you have the amount leveling off. By the same token, your pipeline would be running more or less at an even level. This is the point I am making.

Mr. PASSMAN. You do say that the AID program is moving upward again?

Mr. GAUD. I said that over the period of the last 3 or 4 years, it has gone up.

Mr. PASSMAN. Substantially; especially in the last 2 years?

Mr. GAUD. The program overall, that is certainly true.

Mr. PASSMAN. You have unliquidated for your region $1,512,589,000?

Mr. GAUD. That is correct.

Mr. PASSMAN. As of June 30, 1962?

Mr. GAUD. Unliquidated but assigned to projects.

DEOBLIGATION AND REOBLIGATION OF PRIOR YEAR FUNDS

Mr. PASSMAN. We are very familiar with the deobligation process. The military assistance people found a new word for it, "recoup."

Mr. MONTOYA. I would like to ask the witness to supply the committee with figures from the previous fiscal year reflecting the amount of obligated funds as well as at the end of the fiscal year, and any transfer of those allocations by the process of deobligation and recommitment.

Mr. GAUD. For 1962?

Mr. MONTOYA. For fiscal year 1962.

Mr. GAUD. Yes, sir.

Mr. MONTOYA. As well as what you did after the fiscal year to reobligate them to other projects. Let us have that for 1960, 1961, and 1962.

Mr. GAUD. We will certainly do that, Congressman. I do not have the information now.

Mr. MILLER. Just as a matter of clarification, did you want this on a project or nonproject commodity support basis?

Mr. MONTOYA. Anything committed at that time and also reflecting the amount that was uncommitted at the end of the fiscal year so that it is all inclusive.

Mr. MILLER. Yes, sir.

(The requested information follows:)

Obligations, deobligations, and reobligations, fiscal year 1960, fiscal year 1961, fiscal year 1962—NESA Region

[In thousands of dollars]

	Fiscal year 1960	Fiscal year 1961	Preliminary actuals, fiscal year 1962
Afghanistan:			
Technical cooperation-development grant:			
New obligational authority	4,364	9,082	7,400
Prior year deobligations	−202	−97	−227
Prior year reobligations	664		95
Net total	4,826	8,985	7,268
Special assistance-supporting assistance:			
New obligational authority	5,300	3,738	31,137
Prior year deobligations	−3,147	−23	−37
Prior year reobligations	9,133		
Net total	11,286	3,715	31,100
Development loans:			
New obligational authority	700		
Prior year cancellations			−700
Net total	700		−700
Ceylon:			
Technical cooperation-development grants:			
New obligational authority	1,500	1,693	1,321
Prior year deobligations	−206	−195	−188
Prior year reobligations	153		90
Net total	1,447	1,498	1,223
Development loans:			
New obligational authority	4,500	3,200	
Prior year cancellations		−4,624	
Net total	4,500	−1,424	
Cyprus:			
Development grants:			
New obligational authority		15	679
Prior year deobligations			
Prior year reobligations			
Net total		15	679
Greece:			
Technical cooperation-development grants:			
New obligational authority	600	500	330
Prior year deobligations	−76	−132	−68
Prior year reobligations	86		38
Net total	610	368	300

Obligations, deobligations, and reobligations, fiscal year 1960, fiscal year 1961, fiscal year 1962—Continued

[In thousands of dollars]

	Fiscal year 1960	Fiscal year 1961	Preliminary actuals, fiscal year 1962
Greece—Continued			
Supporting assistance:			
New obligational authority	25,000	20,000	20,000
Prior year deobligations	−158	−1	−31
Prior year reobligations	158		31
Net total	25,000	19,999	20,000
Development loans:			
New obligational authority	31,000		10,000
Prior year cancellation			
Net total	31,000		10,000
India:			
Technical cooperation-development grants:			
New obligational authority	8,565	21,500	19,203
Prior year deobligations	−2,265	−795	−1,259
Prior year reobligations	1,438		1,721
Net total	7,738	20,705	19,665
Development loans:			
New obligational authority	171,300	208,100	445,900
Prior year cancellation		−28,000	
Net total	171,300	180,100	445,900
Iran:			
Technical cooperation-development grants:			
New obligational authority	5,650	4,333	4,450
Prior year deobligations	−822	−688	−525
Prior year reobligations	672		292
Net total	5,500	4,645	4,217
Supporting assistance:			
New obligation authority	31,717	21,800	44,000
Prior year deobligations	−479	−589	−334
Prior year reobligations	680		
Net total	31,918	21,211	43,666
Development loans:			
New obligational authority		38,200	6,000
Prior year cancellation		−1,045	−345
Net total		37,155	5,655
Iraq:			
Technical cooperation-development grants:			
New obligational authority	815	1,087	799
Prior year deobligations	−399	−343	−151
Prior year reobligations			31
Net total	416	744	679
Israel:			
Technical cooperation-development grants:			
New obligational authority	1,363	1,000	390
Prior year deobligations	−429	−179	−437
Prior year reobligations	56		
Net total	990	821	−47
Supporting assistance:			
New obligation authority	7,500	7,500	
Prior year deobligations	−15		−7
Prior year reobligations			
Net total	7,485	7,500	−7
Development loans:			
New obligational authority	15,000	16,000	45,000
Prior year cancellations			
Total net	15,000	16,000	45,000

Obligations, deobligations, and reobligations, fiscal year 1960, fiscal year 1961, fiscal year 1962—Continued

[In thousands of dollars]

	Fiscal year 1960	Fiscal year 1961	Preliminary actuals, fiscal year 1962
Jordan:			
Technical cooperation-development grant:			
New obligational authority	8,218	6,580	6,790
Prior year deobligations	−289	−94	−602
Prior year reobligations	698		676
Total net	8,627	6,486	6,864
Supporting assistance:			
New obligational authority	40,500	40,000	37,000
Prior year deobligations	−780		−6
Prior year reobligations	250		
Total net	39,970	40,000	36,994
Development loans:			
New obligational authority		1,000	
Prior year cancellations	−1,000		−1,000
Total net	−1,000	1,000	−1,000
Lebanon:			
Technical cooperation-development grant:			
New obligational authority	913	761	450
Prior year deobligations	−156	−250	−166
Prior year reobligations	95		84
Total net	852	511	368
Development loans:			
New obligational authority	400		
Prior year cancellations			
Total net	400		
Nepal:			
Technical cooperation-development grants:			
New obligational authority	2,670	4,355	3,786
Prior year deobligations	−304	−468	−297
Prior year reobligations	141		171
Net total	2,507	3,887	3,660
Development loans:			
New obligational authority		400	
Prior year cancellations			
Net total		400	
Pakistan:			
Technical cooperation-development grants:			
New obligational authority	7,080	7,519	7,954
Prior year deobligations	−1,468	−1,095	−943
Prior year reobligations	1,043		940
Net total	6,655	6,424	7,951
Supporting assistance:			
New obligational authority	90,000	95,554	25,000
Prior year deobligations	−9,582	−5,061	−8,096
Prior year reobligations	9,568		8,096
Net total	89,986	90,493	25,000
Development loans:			
New obligational authority	102,000	30,250	207,900
Prior year cancellations		3,006	
Net total	102,000	27,244	207,900
Syria:			
Technical cooperation-development grants:			
New obligational authority	(1)	(1)	166
Prior year deobligations	(1)	(1)	
Prior year reobligations	(1)	(1)	
Net total	(1)	(1)	166

[1] Syria programs for fiscal years 1960 and 1961 included in the United Arab Republic.

Obligations, deobligations, and reobligations, fiscal year 1960, fiscal year 1961, fiscal year 1962—Continued

[In thousands of dollars]

	Fiscal year 1960	Fiscal year 1961	Preliminary actuals, fiscal year 1962
Syria—Continued			
Supporting assistance:			
New obligational authority	(1)	(1)	9,000
Prior year deobligations	(1)	(1)	
Prior year reobligations	(1)	(1)	
Net total	(1)	(1)	9,000
Development loans:			
New obligational authority	7,500		14,700
Prior year cancellations	−300		
Net total	7,200		14,700
Turkey:			
Technical cooperation-development grant:			
New obligational authority	4,370	4,415	4,854
Prior year deobligations	−423	−594	−714
Prior year reobligations	745		538
Net total	4,692	3,821	4,678
Supporting assistance:			
New obligational authority	82,000	90,000	58,000
Prior year deobligations	−21,176	−11,023	−10,786
Prior year reobligations	19,998		8,831
Net total	80,822	78,977	56,045
Development loans:			
New obligational authority	6,000	129,600	10,000
Prior year cancellations		12,300	
Net total	6,000	117,300	10,000
United Arab Republic:			
Technical cooperation-development grant:			
New obligational authority	[1] 5,671	[1] 2,282	1,950
Prior year deobligations	−502	−135	−281
Prior year reobligations	485		280
Net total	[1] 5,654	[1] 2,147	1,949
Supporting assistance:			
New obligational authority			20,000
Prior year deobligations			−1
Prior year reobligations			
Net total			19,999
Development loans:			
New obligational authority	15,450		20,000
Prior year cancellations		−250	
Net total	15,450	−250	20,000
Yemen:			
Supporting assistance:			
New obligational authority	2,986	3,996	6,800
Prior year deobligations	−6	−2	−362
Prior year reobligations			237
Net total	2,980	3,994	6,675
Cento:			
Technical cooperation-development grant:			
New obligational authority	229	320	350
Prior year deobligations	−8	−13	−18
Prior year reobligations			
Net total	221	307	332
Supporting assistance:			
New obligational authority	11,212	1,500	2,030
Prior year deobligations	−1	−22	−3
Prior year reobligations			
Net total	11,211	1,478	2,027

[1] Syria programs for fiscal years 1960 and 1961 included in the United Arab Republic.

Obligations, deobligations, and reobligations, fiscal year 1960, fiscal year 1961, fiscal year 1962—Continued

[In thousands of dollars]

	Fiscal year 1960	Fiscal year 1961	Preliminary actuals, fiscal year 1962
Regional:			
Technical cooperation development grant:			
New obligational authority	2,475	3,204	3,451
Prior year deobligations	−165	−99	−61
Prior year reobligations	168		
Net total	2,478	3,105	3,390
Saudi Arabia:			
Supporting assistance:			
New obligational authority			150
Prior year deobligations			
Prior year reobligations			
Net total			150
Asian Economic Development Fund:			
Development grants:			
New obligational authority			
Prior year deobligations		−8	−1,076
Prior year reobligations			
Net total		−8	−1,076
Total—Near East South Asia:			
Technical cooperation development grants:			
New obligational authority	54,483	68,646	64,323
Prior year deobligations	−7,714	−5,177	−7,013
Prior year reobligations	6,444		4,956
Net totals	53,213	63,469	62,266
Special assistance-supporting assistance:			
New obligational authority	296,215	284,088	253,117
Prior year deobligations	−35,344	−16,721	−19,663
Prior year reobligations	39,787		17,195
Net totals	300,658	267,367	250,649
Development loans:			
New obligational authority	353,850	426,750	759,500
Prior year cancellations	−1,300	−49,225	−2,045
Net totals	352,550	377,535	757,455

Explanatory Notes

GENERAL

Prior to fiscal year 1961, country malaria eradication programs were statistically shown on a worldwide basis. Beginning with fiscal year 1961 this program is included within country development grants totals. This change is the main cause of the large increases in the development grants programs in the Near East-South Asia region between fiscal year 1960, and fiscal year 1961. The largest program being carried out is in India.

AFGHANISTAN

Fiscal year 1960 special assistance.—$3.5 million of the reobligations were transferred from Indonesia and $2.5 million from Burma. This $6 million was obligated for the regional transit project.

Fiscal year 1960 development loan.—The loan to Afghan Airlines was canceled in fiscal year 1962.

INDIA

Fiscal year 1960 development grant.—$300,000 of the deobligations were reallotted to the Afghanistan program.

Fiscal year 1962 development grant.—The reobligations in excess of the deobligations transferred from the other Near East-South Asia development grant programs. The reobligated funds were used for the expanded malaria program.

IRAN

Development loans.—The fiscal year 1961 and 1962 reductions cut back the loan for economic development made to the Plan Organiztaion.

ISRAEL

Fiscal year 1962 development grants.—The program was terminated in fiscal year 1962. Therefore a large amount of prior-year program obligations were cleared.

JORDAN

Development loan, fiscal year 1960.—$1 million reduction in the fiscal year 1959 phosphate mine loan.

Development loan, fiscal year 1962.—Cancellation of the loan made in fiscal year 1961 to the Arab Land Development Bank.

PAKISTAN

Fiscal year 1960 technical cooperation development grants.—Approximately $400,000 of prior-year funds were transferred to the Afghanistan development grants program.

Fiscal year 1961 development loans.—Port facilities and jet runway loans were reduced.

TURKEY

Defense support/supporting assistance—Deobligations fiscal year 1960–62.—Closings of PA's and termination of contracting dates required the deobligations.

Fiscal year 1962 development grant.—$5.4 million approved program was funded in part from deobligations.

Fiscal year 1961 development loans.—Two loans were canceled.

ASIAN ECONOMIC DEVELOPMENT FUND

Development grant fiscal year 1962.—$1.1 million represents deobligation of a small part of the Orissa (India) iron ore project.

INITIATION OF NEW PROJECT WITH DEOBLIGATED FUNDS

Mr. PASSMAN. Is it your understanding of the development assistance program in prior years, with one exception, that you could take deobligated funds and initiate new projects without having previously justified or listed them, by name, to the Congress?

Mr. GAUD. That is my understanding.

Mr. PASSMAN. That is maybe why we are so completely overboard, that you could take $100,000 and deobligate it and then initiate 10 separate projects, or $8,000 to start, or $12,000 to start, and by this process they would become continuing projects; would they not?

Mr. GAUD. Yes, sir.

SPIGOTS OF FOREIGN AID

Mr. PASSMAN. We have 19 different spigots of foreign aid. We say "spigots" because that is something you draw out of. Here we have covered three spigots: development grants, supporting assistance, and development credits.

There are other spigots, such as the international organizations, for instance.

Mr. GAUD. The ones under the United Nations?

Mr. PASSMAN. Yes, sir.

The nations you deal with are eligible for Export-Import Bank loans?

Mr. GAUD. Yes, sir.

Mr. PASSMAN. They are also eligible for Export-Import Bank loans under long-term industrial types, too, are the not?

Mr. GAUD. Yes, sir.

Mr. PASSMAN. Would they also be eligible under the International Development Association?

Mr. GAUD. Yes, sir.

Mr. PASSMAN. They would also be eligible for loans under Public Law 480?

Mr. GAUD. That is correct.

Mr. PASSMAN. Gentlemen, let us find out how much you had unliquidated in all of these categories in fiscal 1962, and how much the total amount will be in fiscal 1963 by putting together all categories.

TOTAL FUND AVAILABLE TO NEAR EAST-SOUTH ASIA

We have development grants, credits, and supporting assistance of $1,028 million. When we were discussing Latin America the other day and we found the request to be $600 million and we were disturbed because it was so high, but when we found out they would have available $1,378,250,000 we were really amazed.

You have given us three items, development grants, supporting assistance and development credits. We want to put them all down.

Development grants, $78,050,000. Supporting assistance, $100,-100,000. Development credits, $850 million.

Let us get Public Law 480.

Mr. TENNANT. You are talking now about 1963?

Mr. PASSMAN. 1963 now.

Mr. TENNANT. The projected figure, $611,900,000.

Mr. PASSMAN. $611,900,000. Let us go along with the other organizations.

Mr. TENNANT. I do not have any figures on international organizations.

Mr. PASSMAN. What amount did this region get out of the international spigots in fiscal 1962?

Mr. GAUD. I do not think those figures are available.

Mr. BIRNBERG. We have on each of the country sheets, estimates——

Mr. PASSMAN. Did we not agree that the sheets were about as antique as some of the things you can bring over without paying duty. Let us deal with realities.

Mr. GAUD. These international agencies. Give us their figures.

Mr. PASSMAN. Let us move to the next spigot, military assistance. What is your total under that category?

Mr. TENNANT. The figure in the books is $422 million.

Mr. PASSMAN. What are the final figures?

Mr. TENNANT. $422,900,000.

Mr. PASSMAN. We have only pulled out of two other spigots, Public Law 480 and the military, and we have doubled it.

When we pull down on all the spigots across this fountain, you can see what we can get into.

Would you get us an estimate on the others, the international organizations? We would like to know what you have available for your region.

Mr. GAUD. I do not have that available.

Mr. PASSMAN. We got it for Latin America.

Mr. GAUD. I do not say we cannot get the figures. The money is not available for our control.

Mr. PASSMAN. It will be spent in your area?

Mr. GAUD. I cannot control the spending.

Mr. PASSMAN. You would not want the taxpayers to think that $1,208 million was all, when maybe it is 2½ times that. My point is to show how much foreign aid is going into your region.

Mr. GAUD. It is a valid point, if it is not tied up with the amount going in this program.

Mr. PASSMAN. We mentioned three spigots, with Public Law 480 public assistance, and we are up to $2,062,050,000.

That is aid going into your area?

Mr. GUAD. Yes, sir.

Mr. PASSMAN. This is mutual security, plus Public Law 480?

Mr. TENNANT. Yes.

Mr. PASSMAN. Could you get us information on all the other different organizations?

Mr. TENNANT. We will attempt to get it. I am not sure these international agencies always program out.

Mr. PASSMAN. Give us an average.

Mr. TENNANT. We will request this information from them.

Mr. PASSMAN. Could you pick up the long-term industrial section of the Export-Import Bank?

Mr. TENNANT. If they will give us a figure, yes.

Mr. MILLER. It is my understanding the Export-Import does not program loans in advance and therefore any estimates would have to be of a historical nature.

Mr. GAUD. We will do what we can.

Mr. PASSMAN. You know what spigots you should check?

Mr. TENNANT. Yes.

(The information appears on pp. 516–518.)

Mr. PASSMAN. We were about to get started on our examination showing $1,028,050,000, but when we pick up Public Law 480 and the military, we bring it then to $2,062,050,000, which is more than double the figure on which we are going to examine.

Mr. GAUD. That is correct.

UNLIQUIDATED BALANCES

Mr. PASSMAN. Let us get the same type of figures on the unliquidated balances for these same programs.

I believe you told us you had $1,512,589,000 as of June 30, 1962, a little over a month ago, to the credit of this region, for development grants, supporting assistance, and development credits.

The amount of the military aid that is on hand, unliquidated, is $652,590,000.

Is that correct?

Mr. GAUD. Yes, sir.

Mr. PASSMAN. Under Public Law 480, do you have that figure, Mr. Tennant?

Mr. TENNANT. I do not have the Public Law 480 figures. I will have to supply those for the record.

Mr. PASSMAN. We are going to have a brief lunch period. Could you find out how much? If we are going to compare one with the other we must have the information.

Mr. TENNANT. I will attempt to secure it during the lunch hour.

Mr. PASSMAN. That brings the unliquidated amount to the credit of your region, including just the military, to $2,165,199,000? That is substantial, is it not?

Mr. GAUD. Yes.

AID MISSIONS AND REPRESENTATIVE IN NEAR EAST-SOUTH ASIA

Mr. PASSMAN. What is the anticipated number of aid missions you will have in operation in your region in fiscal 1963?

Mr. GAUD. We will have either missions or aid representatives.

Mr. PASSMAN. Give us the number of missions first.

Mr. GAUD. There will be 13 missions. And there will be four aid representatives. One of the latter is to CENTO. There are 16 countries in which we have either missions or aid representatives.

Mr. PASSMAN. How many countries are in your area?

Mr. GAUD. There are 18 countries in the area. There are only 16 in which we have any kind of an aid program.

Mr. PASSMAN. Can you name the two in which you do not have an aid program?

Mr. GAUD. Kuwait and Saudi Arabia.

UNLIQUIDATED FUNDS—SAUDI ARABIA

Mr. PASSMAN. Let us see what we have unliquidated to those countries from previous years, to the credit of Saudi Arabia as of June 30, 1962.

Mr. TENNANT. Our estimated figures on Saudi Arabia, 1962, were zero. I have not had a chance to verify.

Mr. PASSMAN. Can you tell us the amount of military aid to their credit?

Mr. TENNANT. I do not have the military book here, sir.

Mr. PASSMAN. Let us say, because we cannot get too involved in classified figures, to the credit of Saudi Arabia, unliquidated, out of spigot M, there is several million dollars. That will not be violating security, will it?

Mr. LEE. No.

Mr. PASSMAN. It is a classified figure, but I want the record to show that there are funds to the credit of Saudi Arabia that will be expended in subsequent years.

Mr. ANDREWS. May I ask a question?

Why is a dead account classified?

Mr. PASSMAN. Will you tell us why that is classified, Mr. Miller?

Mr. MILLER. The military program?

Mr. PASSMAN. Yes.

Mr. MILLER. I am not aware of the reason for the classification.
Mr. PASSMAN. Off the record.
(Discussion off the record.)

STATUS OF AID PROGRAM IN GREECE, LEBANON, AND ISRAEL

Mr. GAUD. In this region, sir, we have aid representatives in three countries, Greece, Lebanon, and Israel, which are countries where we are winding up our development grant programs where the job, is much smaller than it was before, where we do not need a full-fledged mission, and where we are looking, as soon as we reasonably can, to discontinuing the aid representation altogether.
Mr. PASSMAN. They are still there performing services?
Mr. GAUD. That is correct.
Mr. PASSMAN. The same services as the aid mission, except there are fewer of them?
Mr. GAUD. That is right.

NUMBER OF PERSONNEL EMPLOYED IN NEAR EAST-SOUTH ASIA REGION

Mr. PASSMAN. Can you tell us the number of personnel on board in your region for fiscal year 1962?
Mr. GAUD. As of the end of the year?
Mr. PASSMAN. Yes.
Mr. GAUD. I have figures as of April 30. I would have to get you figures as of June 30 and supply them unless Mr. Tennant has them.
My April 30 figures show that in Washington—did you say over seas?
Mr. PASSMAN. Total—the number of personnel aboard.
Mr. GAUD. In Washington, it was 205, on board or committed to report for duty. Overseas, we had a total of 3,021, of which 1,231 were direct-hire U.S. nationals.
Mr. PASSMAN. What is the number in Washington?
Mr. GAUD. 205.
Mr. PASSMAN. Now, the nationals?
Mr. GAUD. Oversea nationals, direct-hire, 1,231; U.S. contract personnel, 614; U.S. consultants, 25; local employees, 3,021.
Mr. PASSMAN. Could you project that into 1963, and give us your estimate?
Mr. GAUD. I do not have that with me.
Mr. MONTOYA. That figure of 3,161, or whatever it was——
Mr. GAUD. Of local employees.
Mr. MONTOYA. Yes, does that include the U.S. personnel and the local nationals?
Mr. GAUD. None of those are U.S. personnel, Congressman. The 3,021 are all local employees.
Mr. MONTOYA. Local nationals?
Mr. GAUD. Yes.
Mr. MONTOYA. Plus the 1,200?
Mr. GAUD. 1,200 direct-hire U.S. nationals, and 600 U.S. contract personnel; 25 U.S. consultants; and then 3,000-odd local nationals.

Mr. MONTOYA. What is the total complement?

Mr. GAUD. I will just have to add that up. It is 5,096, including the people in Washington.

Mr. MONTOYA. That is what I wanted to get.

Mr. PASSMAN. That covers only the three spigots of aid that we are presently discussing; development grants, supporting assistance, and development credits; is that correct?

Mr. GAUD. These people would also administer the Public Law 480 program to the extent it was a title I, II, or IV program; in other words, all the Public Law 480 except that which would be administered through private voluntary agencies, so to that extent it covers that spigot too.

Mr. PASSMAN. There are people in Public Law 480 other than those under your jurisdiction?

Mr. GAUD. Not overseas.

Mr. PASSMAN. In Washington?

Mr. GAUD. Yes.

Mr. PASSMAN. That total would not cover, of course, the military assistance program?

Mr. GAUD. That is right.

Mr. PASSMAN. That figure covers only these three items we have mentioned, plus Public Law 480 in the field?

Mr. GAUD. Yes.

PROJECTS TERMINATED IN FISCAL YEAR 1962

Mr. PASSMAN. Could you tell us the number of projects terminated in your area in 1962: those brought to completion, those you discontinued, those that you consolidated?

Mr. BIRNBERG. The figures we gave the committee in response to an earlier question——

Mr. PASSMAN. What committee?

Mr. BIRNBERG. This committee—did not include consolidated, because——

Mr. PASSMAN. We asked for the worldwide figures earlier. Let us now get it by category.

Mr. BIRNBERG. I would have to spend a few minutes totaling these because I do not have them by the breakdown you have.

Mr. PASSMAN. All right.

(Discussion off the record.)

Mr. PASSMAN. Do you have the figures?

Mr. BIRNBERG. We do. We are telling you the numbers of projects terminated. We terminated 70 in total in fiscal year 1962 in this region.

Mr. PASSMAN. How many did you bring to completion?

Mr. BIRNBERG. Sixty-four, sir.

Mr. PASSMAN. Give us a list of the countries and on what basis you brought them to a termination, whether they were abbreviated, or carried to completion according to previous plans.

Mr. BIRNBERG. Do you want them country by country?

Mr. PASSMAN. Yes. Now, those that you discontinued, the six.

Mr. BIRNBERG. You want those?

Mr. PASSMAN. What countries were they in?

Mr. BIRNBERG. Two in Iran, two in Nepal, and two in Turkey.

Mr. PASSMAN. What had been the total expenditures on the six projects prior to their discontinuance?

Mr. BIRNBERG. I will check that.

I am sorry. Since we are not going further with them, I do not have project sheets here. I will have to provide information.

PROJECTS DISCONTINUED IN IRAN

Mr. PASSMAN. You have discontinued six projects. Could you give us the type of projects you discontinued in Iran?

Mr. BIRNBERG. I do have the total figures, I am sorry.

The first of the two——

Mr. GAUD. This is the amount of money we spent before we terminated?

Mr. BIRNBERG. Yes. There are two we terminated before completion of the project. One of these two——

Mr. PASSMAN. Give us the amount.

Mr. BIRNBERG. $357,000 was obligated and expended.

Mr. PASSMAN. That is for one project?

Mr. BIRNBERG. That is correct, sir.

Mr. PASSMAN. What kind of project?

Mr. BIRNBERG. It was called municipal management. It covered a rather wide range of activities.

Mr. PASSMAN. Next?

Mr. BIRNBERG. The second was a project called the Industrial Development Center on which we had obligated $965,000, and estimated expenditures $888,000.

DISCONTINUED PROJECTS IN NEPAL

Mr. PASSMAN. Nepal?

Mr. BIRNBERG. In Nepal, for the first project, crop improvement, $361,000 has been obligated and——

Mr. PASSMAN. Give us the amount you spent.

Mr. BIRNBERG. $350,000 spent.

Livestock improvement, $283,000 expended.

DISCONTINUED PROJECTS IN TURKEY

Mr. PASSMAN. Turkey?

Mr. BIRNBERG. The first of the two, local government administration, $19,000, and an institute of applied geology, $74,000.

CONSOLIDATED PROJECTS

Mr. PASSMAN. Of the total 70 projects, you abandoned 6, which is under 10 percent. Of the remaining 64, how many of them were being consolidated?

Mr. BIRNBERG. None of these were consolidated.

Mr. PASSMAN. Did you bring them all to completion, or did you merely complete them by transferring them?

Mr. BIRNBERG. We did not transfer any of them.

Mr. PASSMAN. These are definitely completed projects?

Mr. BIRNBERG. Yes. May I say one thing, however, for clarification?

A number of these, and I can identify them for the record, if necessary, are completed. This listing here is a completion in the obligation sense. We are planning to carry them on, using the current funding, and therefore, in activity terms, some may be going on in 1963; not many, but some.

Mr. PASSMAN. They will not go into subsequent years' appropriations?

Mr. BIRNBERG. They will not go into subsequent years' appropriations; they will go into one more year of expenditure in a number of cases that we can identify for you.

Mr. PASSMAN. Then they are not completed? You still have unliquidated funds to their credit?

Mr. BIRNBERG. That is correct, sir.

I think it is fair to say we understood the way the question was put earlier by the committee and on which basis we supplied the information——

Mr. PASSMAN. I do not know how to accept it. They have not been brought to completion? They are nearing completion?

Mr. BIRNBERG. The vast majority have been brought to actual completion.

Mr. PASSMAN. But some are still to continue. Only time will tell the number for which you will require additional sums?

Mr. BIRNBERG. No additional funds will be required.

Mr. PASSMAN. If you have unliquidated funds to their credit, you are going to have pull money out of the spigot and expend it on the projects beyond 1962.

Mr. BIRNBERG. No new money.

Mr. PASSMAN. You have money on hand that was obligated 8 or 10 years ago. We are going to try to find out someday what it was obligated for and when you are going to bring it back into use. The Asian fund is one of these items.

NEW PROJECTS INITIATED IN FISCAL YEAR 1963

What new projects, by country, will be initiated in fiscal year 1963?

Mr. BIRNBERG. Would you like them listed by country, the title of the project?

Mr. PASSMAN. Yes.

Mr. BIRNBERG. Very well.

Mr. PASSMAN. We would have thought you had the total.

Mr. BIRNBERG. We do have the total.

Mr. PASSMAN. All right, sir. The total number of new projects. We will get into the country items later when we get into the country examination.

Mr. BIRNBERG. We have 12 new projects for 1963.

Mr. PASSMAN. Name the countries, please.

Mr. BIRNBERG. There are three new projects in Iran, there are six in Turkey, and three in the United Arab Republic.

COST OF NEW PROJECTS

Mr. PASSMAN. Can you give us the total cost of the 1963 requests?

Mr. BIRNBERG. The total cost of these 12 is $3,564,000.

Mr. PASSMAN. Could you give us the amount to complete them?

Mr. BIRNBERG. I will have to look it up, but I can give it to you.

Mr. TENNANT. I believe we have these by individual projects.

Mr. PASSMAN. We would think you would have the total for fiscal 1963.

Mr. BIRNBERG. You would like the total?

Mr. PASSMAN. Yes, please—and the completion dates.

Mr. BIRNBERG. I think it would be easier if I read them out.

For Iran, the first of the three, industrial surveys, the estimated completion date is fiscal year 1967 and the amount additional required for completion is $250,000.

Mr. GAUD. The project has been dropped.

Mr. BIRNBERG. This project we will not be undertaking.

Mr. PASSMAN. Is that in this $3,540,000?

Mr. BIRNBERG. That is correct.

Mr. PASSMAN. You saved some money there, did you not?

Mr. GAUD. Yes, we did.

Mr. PASSMAN. Let us try to do more of that.

Mr. GAUD. I agree.

Mr. TENNANT. We will knock that figure out since it is not going forward.

Mr. BIRNBERG. The first for Iran, estimated cost to end, is another ———. That is estimated to end in ———.

Mr. PASSMAN. Give us the totals here. They get discontinued before they started.

Mr. TENNANT. Let us give it to you after the luncheon recess.

Mr. PASSMAN. That would be satisfactory.

(The information was supplied to the committee.)

JORDAN

SUPPORTING ASSISTANCE

Mr. PASSMAN. Mr. Gaud, what countries are supposed to receive supporting assistance in the form of a cash transaction?

Mr. GAUD. Supporting assistance in the form of a cash transaction; there could only be one, Jordan.

Mr. PASSMAN. Or, we shall call it budgetary support.

Mr. GAUD. That is the only one scheduled, Jordan.

Mr. PASSMAN. For what amount?

Mr. GAUD. ———.

Mr. PASSMAN. That is a lot of money for such a small country.

Do you think at any time in the foreseeable future this country will be self-supporting?

Mr. GAUD. Well, personally, I do not think that will happen within the next half-dozen years. I think it is unlikely.

Mr. PASSMAN. There have been problems in that area clear back into Biblical days.

Mr. GAUD. Off the record.

(Discussion off the record.)

Mr. GAUD. The amount of supporting assistance we are going to give them in 1963 is ————.

Mr. PASSMAN. You are dealing with only one spigot, and that is the cash you are giving to their treasury. We have got ourselves into rather an awful predicament, having to actually put hundreds of

millions of dollars over a period of years into a little landlocked country, and there is slight chance for them to become self-supporting.

Mr. GAUD. If you look at all the spigots, the amounts are ———.

TOTAL UNLIQUIDATED FUNDS FOR JORDAN

Mr. PASSMAN. What is the total you have in Jordan in all categories for fiscal year 1963, unliquidated?

Mr. TENNANT. The unliquidated figures for Jordan, and this is the economic aid program, $11,063,000 estimated as of June.

Mr. PASSMAN. Unliquidated?

Mr. TENNANT. Yes.

Mr. PASSMAN. Can you give us a total of all categories and put it in the record?

Mr. TENNANT. Yes.

(The information follows:)

Jordan: Unliquidated obligations as of June 30, 1962 [1]

[In millions]

Program	*Amount*
Foreign assistance program (mutual security program):	
Economic assistance	$14.7
Military assistance	7.1
Total, foreign assistance	21.8
IDA	2.0
Total	23.8

[1] Preliminary.

LEVEL OF PROPOSED AID IN FISCAL YEAR 1963

Mr. PASSMAN. Could you give us a total in all categories, the proposed aid for Jordan in 1963?

Mr. GAUD. ——— as far as we are concerned.

Mr. PASSMAN. Could you give us the amount under Public Law 480, Mr. Tennant?

Mr. TENNANT. You want the military figure?

Mr. PASSMAN. We want the whole thing.

Mr. TENNANT. The military figure is ———. You are talking about new money now.

Mr. GAUD. As Mr. Talbot was saying yesterday, the State Department feels it is very much to our national interest to support Jordan and thereby maintain stability in the Middle East. The thing that does encourage us, with the new Government there, they seem to be taking more of an interest in tax reform, fiscal reform, and all that sort of thing, and perhaps I am too much of an optimist, but I think this amount of aid we are going to give to Jordan will go down in these next few years.

Mr. GARY. About 2 years ago I took an automobile ride from Amman to Jerusalem and I have never seen such barren desolate country in all my life. I have often heard about the feeding of the flocks of sheep on the hills along the Jericho Road, but unless the situation has changed very materially in recent times, I do not know how they ever fed anything along there. I never saw a sprig of grass on most of those hills.

EAST GHOR SECTION OF JORDAN

Mr. GAUD. Did you get up to the East Ghor section, up west of Amman? This is where we are pinning our hopes on the future—I would not call it the viability of Jordan, but the future improvement there. These dams are going in for an irrigation project. The soil is extremely rich, and with water they can grow citrus crops, high-priced crops, strawberries, and that sort of thing. We have about 30,000 acres that are going to come into production before very long, and another 70,000 possibly.

The hope of Jordan really is to improve that section of the country and grow a lot of crops they can export.

Mr. GARY. Is that over near the Lebanon Valley?

Mr. GAUD. Yes, and over toward Israel.

Mr. GARY. The Lebanon Valley is very fertile and productive. We visited the Lebanon Valley.

By the way, I saw what I considered one of the best foreign aid projects in Lebanon. They had one of their agricultural attachés come over to this country and study our poultry business. He had gone back over there and he carried us to several poultry farms, he had modeled them very successfully after the American farms, and they appeared to be doing a good job. We were told the people in Lebanon ask for point 4 eggs, and they are sold at a premium. They prefer the point 4 eggs to any other eggs.

DEVELOPMENT OF ANCIENT WATER FACILITIES

Mr. GAUD. There is one amusing little incident in connection with our aid program in that area you might be interested in—developing water obviously is one of the primary things in Jordan, and this is being done not only by way of damming and irrigation from the Yarmuk River, but also trying to revive some of the old Roman cisterns and wells, and within the last year the boys were looking for a place which looked as though once upon a time it had a lot of water and they started digging and excavating and they came across an enormous Roman reservoir which will hold 30 million gallons of water. This thing was excavated. It was in perfect condition, and for a total cost of $17,000 we got a little aid from Julius Caesar. That thing is now in use, and is irrigating a large part of that country.

Mr. PASSMAN. There have been thriving civilizations out there centuries ago.

Mr. GAUD. In the past that is right.

LEBANON BREEDING STOCK FARM

Mr. PASSMAN. Mr. Gary mentioned a chicken project. I visited a bull barn in Lebanon. They had about as much use for that bull and cow barn out there as I have for a cork leg. There were about nine stalls for each bull. They admitted it was supposed to be sort of a pilot project. They had a nice looking cow and a couple of bulls out there, but a lot of empty stalls. Are you familiar with the bull barn?

Mr. GAUD. I heard of it.

Mr. GARY. I went to that bull farm too. The great trouble they have there with cattle is that about 99 percent of the cattle there have tuberculosis.

Mr. GAUD. The stock is run down.

Mr. GARY. They were trying to bring in some noninfected stock. That was not as good an operation as the chicken farms.

Mr. PASSMAN. It was supposed to be a pilot plant. Look at the cost of it, and you will really get a shock.

Did you get the figures for us?

TOTAL AID FOR JORDAN

Mr. TENNANT. The total, including economic, military, and Public Law 480, ——— for 1963.

Mr. PASSMAN. Is this country also eligible for development credits?

Mr. GAUD. For development loans; yes, sir.

Mr. PASSMAN. Do they have any applications pending?

Mr. GAUD. Yes.

Mr. PASSMAN. In what amount?

Mr. GAUD. There you have me. I do not have the details with me.

Mr. PASSMAN. If you have applications for development credits, long-term, no-interest, and a 10-year grace period, why would they need direct budgetary support?

Mr. GAUD. The two spigots, to use your term, serve different purposes as far as Jordan is concerned. The supporting assistance is really to keep the country going day in and day out. The purpose of the development loans, if we make any to Jordan, and we have not decided it yet, would be to promote her economic development and give her the capacity to earn foreign exchange.

For example, a potash factory, assistance to develop her tourist trade, and to develop other industries in the country which would put her on a more self-supporting basis so she would hopefully in the long run be able to take over a part of this budget support we are now supplying.

That is the long run, you might say, while the budget support is the short term.

HIGHWAY AND IRRIGATION PROJECTS

Mr. RHODES. Over in Jordan you have a rather large project for maintenance of highways. This was just outside of Amman. Mr. Gary will remember, I am sure. It was so large, compared to the highways, I was shocked by it.

Do you know anything about that?

Mr. GAUD. I know the project, Congressman. I may not have been to the shops there.

Mr. RHODES. It looked like you were using a sledge hammer to drive a carpet tack.

Mr. GAUD. I am afraid I cannot speak with too much detail on that.

The purpose of the project is to emphasize highway engineering and teach the people repair and maintenance. I think I am correct in saying some of the heavier equipment maintained there is used also on the irrigation projects in the country. It is sort of a central

maintenance proposition. It is not solely connected with the highways.

TERMINATION OF FOREIGN ASSISTANCE TO SAUDI ARABIA

Mr. PASSMAN. In Saudi Arabia did we discontinue the aid program because of its complete success? We accomplished our objectives and these people became self-supporting and no longer needed aid?

Mr. GAUD. I was not here at the time.

Mr. PASSMAN. Do you have anyone here who can testify whether that is a statement of fact, that our objectives were accomplished, we made them self-supporting, and we said the job is well done, we are moving out?

Mr. GAUD. I can tell you why we are not moving a program there next year. We feel they are sufficiently well off they do not need aid from us. They have a lot of oil revenues.

We sent a mission at the request of the King. He was here in this country and had an eye operation up in Boston. Subsequently, he saw the President and discussed the future of the country and said he would like us to send an economic mission to Saudi Arabia to check on what he was doing in terms of economic development.

We sent a mission there for some 6 weeks, which went over the plans of the country, and so forth. But while we propose to give the Saudi Arabs that kind of assistance, we feel they have sufficient resources to pay for their own economic development, and that is the reason we have no program for them.

PROGRAM IN LEBANON

Mr. PASSMAN. Lebanon is among the wealthiest countries out there per capita. Do we have a program in Lebanon?

Mr. GAUD. We have.

Mr. PASSMAN. We were told 3 years ago there would not be a program there.

Mr. GAUD. There is only one project going on in Lebanon after the end of fiscal year 1962.

Mr. PASSMAN. They are still eligible for development credits?

Mr. GAUD. Yes, sir; any country is eligible.

Mr. PASSMAN. You have applications pending now?

Mr. GAUD. From Lebanon?

Mr. PASSMAN. That you are considering?

Mr. GAUD. There was a gentleman in the office the other day with an application. I would not say we were considering it very seriously.

SAUDI ARABIAN PROGRAM

Mr. PASSMAN. Let us see what happened in Saudi Arabia, as to the gross national product.

Mr. GAUD. The GNP of Saudi Arabia?

Mr. PASSMAN. Yes. We wonder how you arrive at the conclusions you gave us, about dropping the program there. I am looking at the 1961 book. From your justifications books the information to make a decision is not available.

Mr. GAUD. That book is 2 years old.

Mr. PASSMAN. I am trying to pin this down. I think there are another 55 or 60 countries that would fall into this same type of category. We have already established that you will have millions of dollars in unliquidated aid going into Saudi Arabia in subsequent years. You are not putting any more in the pipeline, but you are draining what is in the pipeline.

I think the committee should know why you discontinued it.

Let us consider their balance-of-payments situation, their gold situation, and let us find out how much progress has been made with the aid dollars. That was the only purpose of going back into Saudi Arabia, to see whether or not we moved out because our objectives had been accomplished and whether or not it was for some other political reasons.

Mr. GAUD. We are not continuing there because we feel they do not need the aid financially.

Mr. PASSMAN. I wish you would have the same look at some other countries. Of course you did have some funds, new funds, in fiscal year 1962 for Saudi Arabia.

Mr. GAUD. We did; $150,000.

USE OF CONTINGENCY FUND IN FISCAL YEAR 1962

Mr. PASSMAN. Could you tell us what countries received funds from the contingency fund in your area?

Mr. GAUD. Yes.

Mr. PASSMAN. In fiscal year 1962.

Mr. GAUD. The countries which received aid from the contingency fund in 1962, the United Arab Republic, $15 million.

Mr. PASSMAN. That is Nasser's country?

Mr. GAUD. That is correct.

Mr. PASSMAN. On what date did you allocate these funds to Mr. Nasser?

Mr. GAUD. We had that a minute ago. It was May, I think.

Mr. PASSMAN. May of this year, $15 million.

Mr. GAUD. The next nation is Yemen, $1.8 million.

Mr. PASSMAN. What date?

Mr. BIRNBERG. April.

Mr. GAUD. The next is Greece, $20 million, and that was in January.

The next is Iran, $29 million. That was partly in November and partly in January.

Next, Syria, February.

That totals $74.8 million, and of that, the $15 million for the United Arab Republic, the $9 million for Syria, making $24 million and $14 million for Iran loans.

Mr. PASSMAN. What kind of loans?

Mr. GAUD. The terms varied.

The Egyptian loan was for 10 years, 2½ percent.

The Syrian loan was for 5 years, and I think 5¾ percent.

The loan to Iran was 20 years at 3.5 percent.

JUSTIFICATION FOR LOANS OUT OF CONTINGENCY FUND

Mr. PASSMAN. These nations would have been eligible for loans out of the development credit category.

Mr. GAUD. They were eligible for development loans.

Mr. PASSMAN. Did you have any applications from Egypt for loans out of the development credit category?

Mr. GAUD. We did.

Mr. PASSMAN. In what amount did you approve credits for Egypt for fiscal 1962?

Mr. GAUD. Did we approve? I beg your pardon; $20 million, sir.

Mr. PASSMAN. They could just as easily have obtained the $15 million out of some of the other spigots.

Mr. GAUD. The loan was for a different purpose.

Mr. PASSMAN. It does not make any difference; they would have been eligible, would they not?

Mr. GAUD. They were eligible. We could have given them the $15 million loan for the easier terms; that is correct.

Mr. PASSMAN. The whole story is that this contingency account is used for just about anything the AID officials see fit.

Mr. GAUD. That is not true, sir. I said there was a different purpose in these loans. May I explain that, sir?

Mr. PASSMAN. Yes.

Mr. GAUD. Development loan funds are supposed to be used for development purposes, and the statute, as you know, sets up certain criteria which we have to meet in order to make a development loan. This $15 million loan was not made for development. In the last year, United Arab Republic had a very severe crop failure as a result of a pest. They lost about $100 to $120 million worth of foreign exchange.

They came to this country and tried to work out an arrangement with the IMF to get them over this temporary, if you will, balance-of-payments problem. They entered into a stabilization agreement with the IMF whereby they were allowed to draw off $42.5 million from the IMF.

LOAN FROM CONTINGENCY FUND AFTER DEPLETION OF SUPPORTING ASSISTANCE

Mr. PASSMAN. We are talking about Egypt now?

Mr. GAUD. Yes. This was not enough to get them over their problem. They came to us and asked us for a loan to get them over their difficulties during the first phases of stabilization. We made them a loan of $20 million: $5 million we had in supporting assistance; the other $15 million had to come from contingency funds because there was not money left in the supporting assistance funds.

Mr. PASSMAN. That is exactly what I said.

Mr. GAUD. The development loan criteria, as we see it, do not permit you to make a loan for stabilization purposes.

Mr. PASSMAN. Did you say you had to take it out of the contingency fund because you had depleted the supporting assistance?

Mr. GAUD. Supporting assistance under the statute has quite different criteria. Under the statute you can make a supporting assistance loan for either economic or political purposes.

Mr. PASSMAN. If you had the money out of supporting assistance——

Mr. GAUD. We would have used it.

Mr. PASSMAN (continuing). You could have used it. So, I say again, you use this contingency fund for just about any purpose you want. You could use it for the same purpose as the development assistance fund if you had not depleted it?

Mr. GAUD. The supporting assistance funds were gone.

Mr. PASSMAN. I said development assistance. You said that fund had been liquidated.

Mr. GAUD. Had been used.

Mr. PASSMAN. If it had not been used——

Mr. GAUD. We would have used supporting assistance.

Mr. PASSMAN. If you had been available?

Mr. GAUD. Yes, and we did use $5 million of it.

Mr. PASSMAN. Did you tell us this was to meet a balance-of-payments deficit?

Mr. GAUD. A stabilization problem.

Mr. PASSMAN. What is the difference between stabilization and balance-of-payments deficit?

Mr. GAUD. The same thing. It was a crisis or emergency.

DEVELOPMENT LOANS FOR BALANCE-OF-PAYMENT PROBLEMS

Mr. PASSMAN. Development credits cannot be used for that purpose?

Mr. GAUD. No, sir; not according to my notion.

Mr. PASSMAN. My friends, study the program. Go down to Colombia, Argentina, or around the world, and look at the testimony of people from other sections. They certainly are doing so.

Mr. GAUD. I have never used it in my region.

Mr. RHODES. If other people are doing it the other way, I think they are wrong.

Mr. PASSMAN. Is it not true that in some of the other countries you are using it for that purpose?

Mr. MILLER. Mr. Chairman——

Mr. PASSMAN. Just answer my question. Are they using it for the balance-of-payments deficits in other countries?

Mr. MILLER. My understanding, Mr. Chairman, is that in certain situations where there is a developmental possibility, it may be possible to use development lending for a situation in which there is a balance-of-payments crisis.

BALANCE-OF-PAYMENT LOAN TO COLOMBIA FROM CONTINGENCY FUND

Mr. PASSMAN. I am asking you a specific question. Do you know of any countries where they have used the development credit category to meet a balance-of-payments situation? We want a direct answer. If you are not going to give it, I shall read it into the record.

This is from a press release of AID, your own Agency:

THIRTY-MILLION-DOLLAR ALLIANCE FOR PROGRESS LOAN TO COLOMBIA ANNOUNCED

A $30 million Alliance for Progress loan from the U.S. Agency for International Development to the Government of Colombia was signed today in Bogotá, the capital of the country.

Teodoro Moscoso, Coordinator of the Alliance, said the loan will assist Colombia's balance-of-payments position and help maintain a flow of essential imports of capital goods from the United States.

This is your own press release. All we want to know is "Yes" or "No."

Mr. MILLER. Mr. Chairman, this did not come from development lending funds. My recollection is it was a use of the contingency fund. It was released in April, and it was a $30-million loan which was attributed to supporting assistance purposes for Colombia. As I tried to say, there are some situations where a balance-of-payments crisis does meet the criteria of development lending. It would be possible—but I cannot think of any specific example offhand—that a balance-of-payments situation would be a severe impingement upon the developmental possibilities of a country, and so it might be possible in some circumstances to use it.

Mr. PASSMAN. The legislation is broad enough to do just about anything you want to with it?

Mr. MILLER. Mr. Chairman, the development lending loans must meet the development lending criteria.

TERMS OF DEVELOPMENT CREDITS

Mr. PASSMAN. Let us get into development credits. You can extend one of these credits for 40 years at no interest, with a three-fourth of 1 percent service charge and a 10-year grace period, can you not?

Mr. MILLER. Yes, Mr. Chairman.

Mr. PASSMAN. Which would be the better transaction for the United States—one on those terms or one due in 12 years at 5 percent? Which would be the best loan, if you had to put your money in it?

Mr. MILLER. It depends upon the circumstances.

Mr. PASSMAN. I mean if it is a good loan, as you say it is, would it be beter terms if you had a 12-year loan at 5 percent or had a 40-year loan, 10-year grace period, no interest?

Mr. MILLER. It still depends upon the circumstances in every case.

Mr. PASSMAN. I am talking about so far as the validity of the loan.

Mr. MILLER. A 12-year loan at 5 percent can be just as phony as a $3 bill.

Mr. PASSMAN. "Phony" is right. That is the way I see it.

Mr. RHODES. May I ask one question?

Mr. PASSMAN. I want to say this, and then I shall yield: These are evasions for getting around the answer, when you and I know very well that you do have cases where you have extended development credits in Latin America for budgetary purposes.

I yield to the gentleman.

Mr. RHODES. Are the loans you mentioned, Mr. Gaud, repayable in dollars?

Mr. GAUD. Yes, sir.

Mr. RHODES. Thank you.

Let us explore this a little further. Do repayments of a loan from the contingency fund go into the general Treasury of the United States, or does the money remain in the program for later obligation?

Mr. GAUD. I do not know the answer to that question.

Mr. TENNANT. The Treasury.

Mr. RHODES. The answer is that it goes back into the Treasury.

Mr. Chairman, the more I think of that, the better I like that contingency fund as a balance-of-payments support fund. Let them use it for that.

Mr. PASSMAN. The other day the gentleman said, "Put that back in the bottle," and I hope he will reciprocate.

Mr. RHODES. When you start from zero and you go up one, you are higher than you were before.

Mr. PASSMAN. I will have to buy that.

This thing is so loose it does not make any difference if you run out of funds. Had you had the money in the supporting assistance category, you would have obligated it out of that account and it would have gone back into the revolving fund?

Mr. GAUD. No, sir. I think you are mistaken.

Mr. PASSMAN. I did not say it. I just asked the question.

Mr. GAUD. Supporting assistance funds that are paid back also go into the Treasury.

Mr. TENNANT. That is correct.

Mr. GAUD. It is only the development loan funds——

Mr. PASSMAN. The others go back into the Treasury. Then you would not have had to handle this out of the contingency. You could just as well have handled it out of supporting assistance or the development grants, had the funds been available. Is that correct?

LOAN TO EGYPT

Mr. GAUD. Here is the point. The loan to Egypt was for $20 million. There is another hooker on that loan, and I would like to describe the whole loan, if I may, before we adjourn, so there will be no misunderstanding and so you will not think I have told you only half the story.

The loan to Egypt was $20 million. Supporting assistance funds were all committed or obligated, except for $5 million. So we used $5 million of supporting assistance funds for this loan, and then we had to go to contingency for the other $15 million.

Mr. PASSMAN. So, there is no difference in the supporting assistance and the contingency fund and the development grants, as it would apply to that type of loan?

Mr. GAUD. I think there is.

Mr. PASSMAN. I would like to know the difference, because you used some out of supporting assistance. You were out of funds, so you took it out of the contingency fund. Did you get two notes from the nation, one paid out of supporting assistance?

Mr. GAUD. No. The criteria of supporting assistance and contingency are the same.

Mr. PASSMAN. It could be either grants or loans, then?

Mr. GAUD. Yes, supporting assistance could be either grant or loan. We could have given them this money if we liked. We preferred to make a loan at 10 years.

Mr. PASSMAN. I wish you would get good, hard-boiled loans on all of it, but the record now will show that you had development grants, supporting assistance, and contingency. You could have made a loan or given it to them out of three categories. Had the money been available in supporting assistance or in development grants, then you would not have taken it out of the contingency fund?

Mr. GAUD. No; I do not agree with that. If the supporting assistance funds had been available, we would have used them.

Mr. PASSMAN. Is that not what I said?

Mr. GAUD. You also said development grants. The development grant money would not have been appropriate for this use. Here is the problem, sir: This requirement, as we saw it, was not a developmental requirement. It was primarily a short-run political problem which we wanted to meet. Therefore, this loan, as we saw it, should come either from supporting assistance or, there being insufficient supporting assistance, from the contingency. If the loan had had developmental purposes, we would then have made it from the Development Loan Fund.

Now, what was the problem we were trying to meet? It was the shortage of foreign exchange, but we took a look at Egypt's overall requirements, overall foreign exchange capabilities, and concluded that she could pay this loan back in 10 years and that they could pay 2½ percent interest on it.

Syria, which I mentioned a moment before, had an even better foreign exchange situation, and when we made a stabilization loan to Syria, we made it on the basis of 5 years.

Mr. PASSMAN. Does that mean to meet a balance-of-payments situation?

Mr. GAUD. Yes, that is right.

Mr. PASSMAN. We always refer to it in this country as a balance of payments deficit.

Mr. GAUD. That is right. In each of these cases we made the loan only after the country involved had made its peace with the International Monetary Fund, and had gone to other nations and got them——

Mr. PASSMAN. They got $42.5 million out of the International Monetary Fund, did they not?

Mr. GAUD. That is correct. In addition, Egypt is getting other money from Germany, England, France, and perhaps others.

Mr. PASSMAN. It is clear to me that if you had had the money in supporting assistance——

Mr. GAUD. We would have used it.

Mr. PASSMAN. That is right. That means you are making the loans or gifts, depending on what category, in advance of a specific justification to the Congress, other than your blanket authority.

Mr. GAUD. This is a classic example of why we need a contingency fund, because in April Nasser sent his Minister of Economy over here and made his deal with the IMF. We concluded for political reasons—and you recall Mr. Talbot went into this yesterday—we concluded it is in the interest of the United States to make this loan. It was then April of the fiscal year.

Mr. PASSMAN. It presumably applies to all loans or grants or gifts, does it not, that it is in the interest of the United States?

Mr. GAUD. That is our judgment.

Mr. PASSMAN. That is what you said. You are not singling that out.

Mr. GAUD. No, sir.

Mr. PASSMAN. I would regret to think that the others are not.

Mr. GAUD. That is right.

PAST AID PROGRAMS IN EGYPT AND SYRIA

Mr. PASSMAN. We did not have an aid program in Egypt for many years.

Mr. GAUD. After the Suez business.

Except Public Law 480.

Mr. PASSMAN. We were told differently, that, for all practical purposes we were out of Egypt for years with the aid program.

Mr. GAUD. Certainly on a much reduced program, yes, sir. We did not provide Public Law 480 commodities for a number of years.

Mr. PASSMAN. But now we are back in Egypt dealing with the same Nasser you dealt with in the past?

Mr. GAUD. It is the same man.

Mr. PASSMAN. For many years we had no aid program in Syria because they did not want an aid program. Is that correct?

Mr. GAUD. I do not know.

Mr. PASSMAN. Now we have talked Syria into coming into the aid program, or they have talked us into it, or we have talked each other into it.

Mr. GAUD. Let us say we have a program.

Mr. PASSMAN. We have a program in Syria, and they still have a substantial gold reserve.

Mr. GAUD. Yes, sir.

Mr. PASSMAN. They still have the gold, do they not?

Mr. GAUD. I do not know whether it is all there, but they are in relatively good shape.

Mr. PASSMAN. The committee will adjourn until 2 o'clock, if there is no objection.

AFTERNOON SESSION

Mr. PASSMAN. The subcommittee will come to order.

CONTINGENCY FUND USAGE FOR AFGHANISTAN

Mr. GAUD. May I get something on the record here?

Mr. PASSMAN. Surely.

Mr. GAUD. Shortly before we adjourned, you asked me for a list of items we have taken out of the contingency fund in this region. I inadvertently missed one in going over the list. There is an item of $23.7 million for Afghanistan.

Mr. PASSMAN. Thank you.

USES OF CONTINGENCY FUND

Let us see if this is a statement of fact: Development grants, supporting assistance, and the contingency fund all could be used, if necessary, for grant aid?

Mr. GAUD. Those can all be used for grants.

Mr. PASSMAN. Development grants, supporting assistance, and the contingency fund could all be used in their entirety for grant aid, if there were reasons for such aid?

Mr. GAUD. That is correct.

Mr. PASSMAN. Also, if you had reason, you could make some type of loans out of either of the three categories; is that correct?

Mr. GAUD. Except for the development grants.

Mr. PASSMAN. That must in every case be grants, exclusively?

Mr. GAUD. That is my understanding.

Mr. PASSMAN. In supporting assistance, you may have an outright grant or you make make some type of loan?

Mr. GAUD. Yes, sir.

Mr. PASSMAN. The same thing would apply to the contingency fund?

Mr. GAUD. Yes, sir.

Mr. PASSMAN. In the one instance we discussed, had there been funds in the supporting assistance category by which you would have taken care of Egypt, then you would not have disbursed money out of the contingency fund?

Mr. GAUD. That is true.

Mr. PASSMAN. Only after you had depleted your supporting assistance account did you dip over into the contingency fund to take care of Egypt; is that a statement of fact?

Mr. GAUD. That is true.

Mr. PASSMAN. I did not overstate the matter when I said that the contingency fund could be used just about in any field that the Executive should decide it would be in our interest to use it?

Mr. GAUD. I think I am right but I defer to Mr. Miller over here. I think I am right in saying this contingency fund cannot be used for development loans; is that right?

Mr. MILLER. I do not think there is anything that precludes it from being so.

Mr. PASSMAN. You could use it for any purpose you wanted to use it?

There is no justification in advance for the contingency fund or what it may be used for; is that correct?

Mr. RHODES. Off the record.

(Discussion off the record.)

Mr. PASSMAN. The contingency fund can be used for all the mutual security aspects of foreign aid; is that correct?

Mr. MILLER. Except for the military assistance program.

Mr. PASSMAN. The military assistance program is not in the mutual security economic category.

Mr. MILLER. No, sir.

Mr. FORD. Off the record.

(Discussion off the record.)

APPROVAL OF CONTINGENCY FUND USE

Mr. ANDREWS. Who approves the use of the contingency fund?

Mr. FORD. The President.

Mr. PASSMAN. The President does not go out and look for projects on which to spend it.

Mr. ANDREWS. It takes his approval for expenditure from the contingency fund, as I understand it.

Mr. MILLER. He may delegate this function.

Mr. ANDREWS. I am certain he does. In other words, if the Director of AID were to go to the President with a recommendation that

a certain project be financed from the contingency fund, then the President, I am sure, would likely go along with that recommendation. Under the law, it is my understanding that it takes Presidential authority to spend money from the contingency fund.

Mr. PASSMAN. No; he can delegate the authority.

Mr. TENNANT. I think the law states that, Mr. Andrews, and I believe there has been a delegation under it.

Mr. PASSMAN. He can delegate under it. I have always said this thing was open at both ends and busted in the middle.

This is not in your territory but it is one of the larger ones, so we thought we would cite this as an example of what could be done: This is an item of development support and stabilization. I think we agreed that stabilization is budgetary support, is that right?

Mr. MILLER. Under the circumstances, Mr. Chairman, I think it is a stabilization loan when given for imports of American commodities into the country.

Mr. PASSMAN. All right; let us see what it does.

DEVELOPMENT SUPPORT AND STABILIZATION LOAN TO BRAZIL

This is a development support and stabilization loan for Brazil. The loan was approved for $65 million and disbursements were $65 million; duration of loan, 40 years; rate of interest, zero.

The purpose of the loan is described as being to assist the Brazilian Government's program of promoting economic and social progress under conditions of financial stability. Support is given both indirectly to balance of payments and directly to specific projects, which are intended to contribute to the goals of stabilization and a balanced budget.

Whether it is directly or indirectly, the loan provides for a system of balance-of-payments deficit application, does it not?

Mr. MILLER. Mr. Moscoso testified at some length about this particular loan, as I recall. I think that is correct, Mr. Chairman.

Mr. PASSMAN. If it is correct, there is no use going further.

Mr. MILLER. I defer to Mr. Moscoso.

Mr. PASSMAN. It speaks for itself.

Mr. GAUD. The balance of the page is quite interesting in this particular. It says that—

examples of projects which meet these criteria are a railroad program aimed at a reduction of the deficit railroads, a highway constuction program to improve communications, development of an oil shale industry to effect a considerable savings in foreign exchange outlays and the development of market storage facilities.

Mr. PASSMAN. You are only quoting examples. It could be anything—a marble factory, a rumshed, or a racetrack.

Mr. GAUD. It could be.

Mr. PASSMAN. We made them the loan and disbursed it in its entirety, and the statement was that "Support is given both indirectly to balance of payments and directly to specific projects which contribute to the goals."

Mr. GAUD. Right.

Mr. PASSMAN. If that is not budgetary support, I then shall place some others in the record to show this.

OBLIGATION AND DISBURSEMENT OF LOAN TO BRAZIL

Mr. TENNANT. I do not believe we fully disbursed that loan. It has been obligated but not disbursed.

Mr. PASSMAN. The book says that it has been disbursed. I agree with you, however, that you cannot go by these books.

Mr. RHODES. Let us have him find out whether it is or not.

Mr. MILLER. Mr. Chairman——

Mr. PASSMAN. This justification was printed in February. This was approved in the amount of $65 million and disbursed, $65 million.

Mr. TENNANT. I stand corrected, Mr. Chairman.

Mr. MILLER. Mr. Chairman, I would like to have Mr. Moscoso prepare an insert at this point since he testified at some length on this.

LOAN TO ARGENTINA

Mr. PASSMAN. Let us go into Argentina, and make one other case for the record so it cannot be said that only happened one time.

This is one that was not signed as of the printing of this book.

Mr. TENNANT. It was signed subsequent to that time.

Mr. PASSMAN. The item has been approved under the same category of loans. The loan was made to assist the Government of Argentina, acting through the Banco Central de la Republica Argentina, in maintaining a flow of essential—nonluxury—imports into the Republic of Argentina. It will be used in the financing of foreign exchange costs of these imports. The proposed amount of the loan is US$20 million.

May I ask you something off the record?

(Discussion off the record.)

TRANSFER OF SUPPORTING ASSISTANCE PROJECTS TO GRANT STATUS

Mr. PASSMAN. How much money formerly budgeted for "Supporting assistance" has been transferred over to another category and is now being requested under the "Development grant" category?

Mr. GAUD. Do you mean, sir, projects we formerly carried under "Supporting assistance"?

Mr. PASSMAN. That is right, projects budgeted under "Supporting assistance" that you have now transferred over to the "Development grant" category.

Mr. BIRNBERG. There are four projects, sir, which we are transferring from what has been supporting assistance in 1962 and special assistance prior to that, which we are showing for the future in development grants. They are:

Helmand Valley development, Arghandab hydroelectric power, Afghanistan regional transit, and air transportation development.

Mr. PASSMAN. Could you give us the amount?

Mr. BIRNBERG. The amount for 1963?

Mr. PASSMAN. That you formerly budgeted under supporting assistance and transferred.

Mr. GAUD. If I may, subject to correction by Mr. Birnberg, I do not think we transferred any money. It is a question of future money we need for these projects. We are going to ask for this under the

development grant rather than the supporting assistance. We have not changed.

Mr. PASSMAN. Why are you changing from one fund to the other?

Mr. GAUD. Because we feel these projects are developmental projects and they ought to be treated as such. They are not political projects.

Mr. PASSMAN. Are we being told maybe that defense support—of which this supporting assistance is the successor—all this, in the past, has been political projects?

Mr. GAUD. Not at all, sir. The statute provides supporting assistance may be used for either political or economic justification.

Mr. PASSMAN. If you are carrying on a project out of supporting assistance that is a worthy project, would there be any reason why it should not be completed out of supporting assistance and be transferred to development grants?

Mr. GAUD. I can tell you about the specific projects rather than talking generally. I am the one who is responsible for this switch.

Mr. PASSMAN. If you have worthy development projects that were previously budgeted out of supporting assistance, the mere fact that you transferred them to development grants would not make them any more deserving, would it?

Mr. GAUD. Not at all.

Mr. PASSMAN. If the objectives are the same, what would be the purpose of transferring one to the other?

Mr. GAUD. Well, that is what I would like to tell you.

I am trying to establish the principle as far as my region is concerned, that supporting assistance is used in a limited number of cases and is used for budget support or for short-term political results. These are projects which are purely development in their aspects. It seemed to me they belong under the development side of the ledger rather than the other side.

Mr. PASSMAN. I do not say that is your purpose, but it has been indicated time and again that you are shifting this thing away from closer identification.

LONG-TERM COMMITMENTS TO PAKISTAN AND INDIA

Page 181 of the justifications indicates that in response to greater emphasis on long-term development, authority has been used to make long-term commitments in two major countries in this region.

What two countries?

Mr. GAUD. Under the act, we have made only one long-term commitment in this region, to Pakistan. Before the act was enacted, the executive did make a long-term commitment, a 2-year commitment, to India.

Mr. PASSMAN. Are you qualifying both of them for funds?

Mr. GAUD. This year?

Mr. PASSMAN. Yes.

Mr. GAUD. 1963?

Mr. PASSMAN. Yes.

Mr. GAUD. Yes, sir.

Mr. PASSMAN. One commitment was made before the enactment of the legislation last year, referring to section 202(b); is that right?

Mr. MILLER. Right, sir.

Mr. PASSMAN. You have two spigots, side by side, and if you have a bucket under each, when you get them full, one is just as full regardless of what spigot you draw it out of, and that is the way it goes.

What is the amount requested for these commitments?

Mr. GAUD. The amount for India which we are programing is $450 million. The amount for Pakistan is $225 million.

Mr. PASSMAN. Those two are total amounts?

Mr. GAUD. Yes, sir. That is the total amount under the long-term commitment.

AID TO INDIA CLUB

Mr. PASSMAN. This clipping from the Washington Post of today, July 31, 1962, says:

India still short of goal with $218 million more.

The World Bank's "Aid India Club" yesterday pledged $218 million in additional loans to help India through her current 5-year economic plan—but still fell $65 million short of target.

On May 28, the "Aid India Club" had to recess its session because some nations had not yet made up their minds about pledging and others did not even bother to show up.

The United States which heretofore had been performing the role of honest broker decided last month to let India do her own pleading.

Congratulations.

The United States, the largest of the lenders, put up $545 million last year and was prepared to put up another $500 million this year, providing the other nations matched it. But the others came up with only $435 million for matching. State Department officials said the rest of the matching offer remains "open" for any country that wants to increase its pledge.

It is acknowledged that from time immemorial nations have been making loans to other nations, short-term loans, good pledges, and agreed-upon rate of interest, depending on the economy of the country, and so forth.

Now, we come along and take the old, soft, giveaway part of it.

FAVORABLE TERMS OF WEST GERMAN LOANS

Then, when we get into the actual loans outside the United States, we run into some rather unusual situations.

Let us take the case of West Germany. I think they had eight loans, and the first one was $157 million; is that correct?

Mr. GAUD. Yes, sir.

Mr. PASSMAN. This was a typical German loan, 6.3 percent interest, repayable in 3 years.

Another one of $40 million, 5.5 percent interest, 20 years; another one of $30 million, 6.5 percent interest, 20 years; another one of $30 million, 5.5 percent interest, 30 years; one of $24 million, 5.75 percent interest, 20 years; another one for $48 million, 5.5 percent interest, 13 years; $25 million, 5.5 percent interest, 20 years; $42.5 million, 3 percent interest, 20 years.

TERMS OF UNITED KINGDOM LOAN

Then we get to the United Kingdom, which had a $32-million loan with the regular Treasury rate, plus a bonus of 1 percent, payable in 2½ years; another one of $42 million, Treasury rate, plus a one-quarter

percent bonus, 11 years; $79 million, Treasury rate, plus one-quarter percent bonus, 20 years; another one of $8 million, Treasury rate, plus one-quarter percent bonus, payable in 6½ years.

EASY TERMS OF U.S. LOANS

Now, let us take a look at the United States. Let us see how this runs, so we will know how this consortium is working.

Let us pick up No. 1: $33 million, no interest, three-quarters of 1 percent and no closing charge, 40 years.

Another one of $38 million, no interest, 40 years; another one of $40 million, no interest, other than the collection charge, and that is three-quarters of 1 percent service charge.

Then, $17.9 million, no interest, 40 years; $4.2 million, no interest, 40 years; $9.8 million, no interest, 40 years; $200 million, no interest 40 years.

Without objection, we shall put this résumé in the record.

(The document referred to 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*	*Millions*				
Cambay thermal powerplant	$52.5	$33.6	July 28, 1961	¾ of 1 percent	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				
Industrial raw materials, components, steel, etc	[1] 200.0	200.0	Mar. 16, 1962	¾ of 1 percent	U.S. dollars	40 years.
Grand total	[1] 502.7	405.5				

[1] Other local or foreign exchange costs of project or nonproject nature over the years not included in this report.

[2] Development Loan Committee approved June 14, 1962.

Loans other than United States to India

[Dollars in millions]

Country	Total project cost	Loan value	Date authorized	Interest rate	Terms of repayment	Maximum maturity
FREE WORLD						
West Germany:						
Rourkela	$241.5	$157.1	Feb. 26, 1958	6.3	(1)	3 years.
Capital goods	(1)	40.1	Jan. 6, 1959	5½	(1)	20 years.
Do	(1)	30.0	May 27, 1960	6½	(1)	Do.
Do	(1)	30.0	Nov. 15, 1960	5½	(1)	15 years.
Rourkela	(1)	24.6	Jan. 30, 1961	5¾	(1)	4 years.
Do	(1)	48.3	Apr. 29, 1961	5½	(1)	13 years.
Balance of payments	(1)	25.0	do	5½	(1)	20 years.
Do	(1)	42.5	Sept. 14, 1961	3	(1)	Do.
United Kingdom:						
Lazard Credit Durgapur (private loan).	(1)	32.2	Jan. 5, 1957	[2] +1	(1)	2½ years.
Durgapur	(1)	42.0	June 30, 1958	[2] +¼	(1)	11 years.
Capital goods	(1)	79.8	Dec. 20, 1958	+¼	(1)	20 years.
Naharkatiya oil pipeline	(1)	8.4	June 23, 1959	+¼	(1)	6½ years.
Capital goods	(1)	53.2	Nov. 25, 1959	+¼	(1)	20 years.
Do	(1)	28.0	Aug. 16, 1960	+¼	(1)	Do.
Do	(1)	14.0	Dec. 23, 1960	+¼	(1)	Do.
Do	(1)	28.0	May 1, 1961	+¼	(1)	25 years.
Do	(1)	84.0	do	+¼	(1)	Do.
Do	(1)	14.0	Nov. 10, 1961	+¼	(1)	Do.
Japan:						
Credit	(1)	50.0	Feb. 4, 1958	5¾	(1)	10 years.
Ad Hoc	(1)	10.0	Aug. —, 1958	(1)	(1)	
Do	(1)	10.0	Mar. —, 1959	6	(1)	Do.
Consortium	(1)	80.0	Aug. 18, 1961	6	(1)	15 years.
Bailadila Iron	(1)	21.0	Mar. 8, 1960	6	(1)	
Orissa Iron	(1)	8.0	Jan. 4, 1958	6	(1)	5 years.
Switzerland	(1)	22.9	July 30, 1960	3¾	(1)	10 years.
Yugoslavia	(1)	39.9	Jan. —, 1960	3	[3]	
France:						
Consortium	(1)	30.0	Sept. 12, 1961		[4]	
2d plan	(1)	100.0		(1)		
Italy	(1)	96.0	Aug. 29, 1961	5	(1)	12 years.
Total, free world		1,249.0				
SOVIET BLOC						
U.S.S.R.:						
Bhilai Steel	(1)	132.5	Feb. 2, 1955	2½	[5]	Do.
Industrial	(1)	126.0	Nov. 9, 1957	2½	[5]	Do.
Drugs	(1)	20.0	May 29, 1959	2½	[5]	7 years.
Barauni Oil	(1)	25.0	Sept. 28, 1959	2½	[5]	12 years.
Credit 3d plan	(1)	375.0	Sept. 12, 1959	2½	[5]	Do.
Do	(1)	125.0	Feb. 21, 1961	2½	[5]	Do.
Czechoslovakia		48.5	Nov. —, 1959	2½		8 years.
Poland	(1)	30.0	May —, 1960	2½		Do.
Rumania	(1)	11.0	Oct. —, 1958	2½		7 years.
Total, Soviet bloc		893.0				

[1] Not known.
[2] Treasury rate.
[3] Under negotiation.
[4] To be negotiated.
[5] Export of Indian commodities to U.S.S.R.

DISPOSITION OF SERVICE CHARGE ON U.S. LOANS

Mr. ANDREWS. May I ask one question?

Mr. PASSMAN. Surely.

Mr. ANDREWS. Who gets the three-fourths of 1 percent service charge?

Mr. PASSMAN. It goes into the Agency, does it not?

Mr. GAUD. Yes, sir.

Mr. PASSMAN. Let us say Company X in New York ships out against foreign aid approval an invoice for $1,286,000. They take

that transaction down to their bank, and the bank gets some consideration for handling the transaction; is that a statement of fact?

Mr. TENNANT. Yes, sir; there are some banking charges.

Mr. PASSMAN. In addition to that, the bank gets an agreed-upon rate of interest from the time they advance on the transaction until it clears the Treasury and they get their check back; is that right?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. You have to have a little windfall for the bankers. When the borrower pays out this loan instead of getting back capital plus, you get capital minus, because you have to pay the bankers their charge for handling whatever transactions they handle as well as interest on any advance they make against shipments. That comes out of what expense account?

Mr. TENNANT. That is the one I am not sure of.

Mr. PASSMAN. Please find out.

Mr. TENNANT. I will be glad to check.

(The information requested follows:)

BANK SERVICE CHARGES ON LOANS

Banks normally process the documents concernng materials purchased by AID borrowers. The fees for these bank services are set at the competitive rates, and are paid by the purchaser, who is the borrower from AID. These fees may be paid by the borrower from funds loaned by AID, as these fees are considered to be part of the total dollar costs of the equipment being purchased.

Two fees are charged. A fee of about one-tenth of 1 percent is paid on the face amount of each payment with a minimum fee of about $5. The fee on large payments will sometimes be reduced. An interest charge is paid to the bank during the period between the bank's payment for the materials and the receipt by the bank of payment from AID. On a normal transaction this period is from 24 to 48 hours. The charge is between one-fourth and one-half of 1 percent above the Federal Reserve Bank of New York's discount rate, which is presently 3 percent.

Mr. PASSMAN. I did want to pinpoint the hypocrisy of trying to fortify our gifts with the fact that some of the nations are making the same kind of loans. Yet they do not and have not—they are making the good, hard loans—they were making them long before anybody on this committee was born, and they will be making them long after we are put 6 feet under ground.

JUSTIFICATION FOR TERMS OF U.S. LOANS IN CONSORTIUM

Mr. FORD. May I ask a question?

Mr. PASSMAN. Certainly.

Mr. FORD. I am disturbed by what the chairman just read into the record from material supplied to the committee.

How do you justify that, Mr. Gaud?

Mr. GAUD. May I say a word about it before I justify it?

Mr. FORD. Yes.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. GAUD. We join you gentlemen in deploring these hard terms. We do not like it and we think that if you are lending a sizable amount of development money to a country in sore straits which has a balance-of-payments problem, you complicate its problems by lending it money for too short a term at high interest rate. We feel

that these development loans made by these other countries should be on a much more generous basis, more generous terms, and terms approaching ours. We have been doing our best, both bilaterally in the consortia and in Paris with the OCED and the DAC to have these countries liberalize their terms. We are making some progress and within the last 6 or 8 months, subsequent to the loans which are on this insert here, we have gotten a number of these countries to lengthen loan terms and reduce their interest rates. They are still not as good as ours or as easy as ours.

CONTRIBUTION OF CANADA TO INDIAN CONSORTIUM

Canada does not appear here but most of her aid to the India consortium is in outright grants.

Mr. FORD. To what extent in dollars? Could you supply that for the record?

Mr. GAUD. Yes, sir.

Her total contribution to the India consortium is $33 million.

Mr. FORD. Over how long a period of time?

Mr. GAUD. This is for the first 2 years of the plan.

Mr. FORD. Is this prior to or subsequent to her recent economic troubles?

Mr. GAUD. $28 million commitments were made a year ago.

Five million dollars was made yesterday.

ADJUSTMENT OF INTEREST RATES BY OTHER CONSORTIUM PARTICIPANTS

Germany has now moved so that most of her loans to the consortium are for a 20-year period with a 7-year grace term and interest down to 3 percent. There are still some at 5.5 or 5.75.

Japan has lengthened her terms and the new ones will be 15 years against a prior rate of 10. The United Kingdom——

Mr. FORD. What will the interest rate be?

Mr. GAUD. Her interest rate, I regret to say, is still high; 5.75 to 6 percent.

Mr. FORD. They made no change?

Mr. GAUD. They made no change.

The United Kingdom's loans under the present consortium are going to be 25-year loans with a grace period of 5 to 8 years. The interest rate is still the same as before, what it costs the Treasury, plus a service charge of one-quarter of 1 percent.

Mr. FORD. That would average out about what?

Mr. GAUD. Around 6 percent.

As I say, this still, as we see it, is an unsatisfactory situation. We are working on it and we think we are making some progress. There is another factor I would like to mention and that is that some of these countries grant very different terms to different beneficiaries. For example, France, on a pro rata basis, as a part of her program, makes more grants than the United States does. They have hard terms with India. They have grant terms or much softer terms with other countries. The same thing is true of England.

The point I am making is that you do not get a full picture of the aid program of these other countries by concentrating on the loans they are making to India.

COMMERCIAL TIES WITH FORMER DEPENDENCIES

Mr. PASSMAN. Neither do you get a full picture when we indicate that India is a former dependency of Great Britain and they have certain economic ties which are advantageous to Great Britain; is that right?

Mr. GAUD. It is true she was a former dependency; yes.

Mr. PASSMAN. As far as their trade agreements are concerned, they represent a distinct advantage to Great Britain?

INCREASED INTEREST RATE ON JAPANESE LOANS

When Japan increased its term to 15 years, it also increased the interest rate, did it not?

Mr. GAUD. I do not think so.

Mr. PASSMAN. What is the interest rate there?

Mr. BIRNBERG. There was one at 5.75 percent and the rest at 6 percent.

Mr. PASSMAN. That is for 10 years; let us get to the long-term item.

Mr. GAUD. The long-term item is still at 6 percent and 5.75 percent.

Mr. PASSMAN. I am looking at a loan of $50 million. That was 5.75 percent.

Mr. GAUD. But there are four at 6 percent.

Mr. PASSMAN. I wanted to show the hypocrisy of this thing. Here we are picking out what has been going on in other nations from time immemorial, that is, the granting of short-term loans at high rates of interest, and for the specific purpose of reciprocity and contracts. That we know, yet here you are endeavoring to fool the American people, and telling them that other nations are doing same as we in this consortium arrangement.

Mr. RHODES. You mentioned that the French vary their interest rate from nation to nation?

Mr. GAUD. Yes, sir.

ADVISABILITY OF VARYING INTEREST RATES

Mr. RHODES. Do they do this on the basis of whether the Nation to which they are lending is friendly to them or not?

Mr. GAUD. Frankly, I do not know.

Mr. RHODES. It would be interesting to establish a pattern like this because I have always thought we ought to do that, too. Certainly, if we are going to do it, we would not be lending to India at a quarter of 1 percent.

Mr. GAUD. We have been following a different standard. It has been in terms of the capacity of the country to repay. In other words, we have the tough loans——

Mr. RHODES. I know what you do and I do not approve of it. That is the point I am trying to make. If we must give aid, I approve of the spigot type which Mr. Coffin mentioned.

Mr. PASSMAN. While our loans are without interest, with a 10-year grace period, alert nations abroad are taking advantage of us.

During their grace period, whether it is 1, 2, or 7 years, as they have a 6-percent interest rate, they are accumulating interest on that loan?

Mr. GAUD. That is right.

Mr. PASSMAN. At the same time, we are building up a lot of zeros.

(A short recess was taken.)

Mr. PASSMAN. Mr. Gaud, so often when we go abroad, bankers in the European countries, and the industrialists and heads of governments, point out that if Germany, for instance, had followed the recommendations of the United States, their recovery would not have been as far advanced as it is. The United Kingdom is quite adept in the diplomatic field and in finances, too.

We go over there and these gentlemen say, and I paraphrase, "We are business people, bankers, and are a sovereign nation, and this is the way we have been doing it. These are the types of loans we have been making, and these are the rates of interest we should get if we are to get a return on those loans. You can go on out in left field, if you want to, and set yours up for 40 years, no interest, with 10 years' grace and the right to cancel it."

We turn around and say, in effect, "Gentlemen, we want you to be more liberal. We want you to loosen up a little on your terms." However, they do not heed our requests.

EXPORTS AND IMPORTS—NESA REGION

What has been the amount of U.S. exports to your area, by dollar amount, during the past 5 years, Mr. Gaud?

Mr. GAUD. By exports, do you mean non-U.S. aid exports or all exports?

Mr. PASSMAN. Total exports.

Mr. GAUD. I am afraid we shall have to get those figures.

Mr. PASSMAN. Maybe the Controller has the information.

Mr. TENNANT. No, sir; I do not have the exports figure.

Mr. PASSMAN. Can you give us the amount of our imports from this area during the same period of 5 years?

Mr. GAUD. I do not think we have that here.

Mr. PASSMAN. Thank you.

I hope you will inform the committee concerning the amount of exports to your region and the amount of imports from your region for which the Treasury picked up the checks, as well as the subsidy, as well as Public Law 480, and outright gifts.

(The information requested follows:)

U.S. trade with Near East and South Asia program countries

[Millions of dollars]

	U.S. exports (excluding special category items)					U.S. imports				
	1957	1958	1959	1960	1961	1957	1958	1959	1960	1961
Afghanistan	9.4	10.4	6.9	9.2	18.4	17.5	14.0	16.4	19.8	11.8
Ceylon	13.3	21.9	23.1	14.3	14.8	32.4	27.1	34.7	38.7	31.5
Cyprus	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Greece	88.4	75.1	53.5	63.8	78.4	35.1	37.0	34.0	33.5	46.4
India	439.6	312.2	336.4	640.7	482.6	210.9	191.1	207.3	228.1	252.2
Iran	82.8	105.8	113.6	117.1	91.9	32.9	41.9	50.9	51.3	61.3
Iraq	40.2	32.1	27.5	36.9	37.4	29.1	30.1	34.5	27.2	29.5
Israel	97.3	105.3	116.6	125.7	146.0	20.1	18.2	27.5	27.3	32.6
Nepal	(2)	.2	.2	.7	.4	(2)	(2)	(2)	(2)	(2)
Jordan	6.6	10.0	15.6	17.0	23.6	.1	(2)	.1	.1	.5
Lebanon	43.6	38.6	42.5	44.3	45.4	4.5	3.8	3.3	3.5	4.4
Pakistan	115.7	112.1	104.1	169.9	195.3	39.6	26.8	35.4	36.0	37.0
Syria	17.8	15.9	11.8	37.2	26.8	9.8	5.1	9.5	6.5	5.1
Turkey	142.8	122.9	125.7	126.2	141.8	92.4	55.4	82.2	60.2	74.8
United Arab Republic (Egypt)	40.9	53.9	107.2	150.7	161.9	17.0	17.8	16.8	31.6	34.2
Yemen	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)

[1] Not available.
[2] Less than $50,000.

Source: U.S. Department of Commerce, U.S. customs data.

HIRING AID PERSONNEL

Mr. PASSMAN. What is the percentage fee that you pay to private organizations for recruiting and backstopping your contract technicians, based upon salary? Also, what percentage of your recruiting comes from that segment?

Mr. TENNANT. I think, Mr. Chairman, you want the average overhead cost of the contracts.

Mr. PASSMAN. That is part of what we want. If you are going to hire 25,000 technicians, how many of them are hired by AID and how many are hired by the outside firms?

Mr. GAUD. We have contractors who are doing jobs for us.

Mr. PASSMAN. Yes, but you have people right in downtown Washington, who have a desk, telephone, and stenographer, to whom you are awarding lucrative contracts to recruit technicians to send abroad. Is that correct?

Mr. TENNANT. I think the figure Mr. Gaud gave you this morning is that there were 614 of such technicians under contract in the fields.

Mr. GAUD. In my region.

Mr. PASSMAN. How many are employed directly by AID and how many are employed by contractors?

Mr. TENNANT. In the Near East region, 1,231, direct hire.

Mr. PASSMAN. They are all direct hire?

Mr. TENNANT. Yes.

CONTRACTOR OVERHEAD FEE

Mr. PASSMAN. Of the direct hire, what is the average fee of the contract employers?

Mr. TENNANT. When we speak of direct hire, Mr. Chairman, we are talking about AID employees hired under Government regulations.

Mr. PASSMAN. I am talking about your contract personnel.

Mr. TENNANT. The 614 contract employees, hired by various contractors.

Mr. PASSMAN. By "contractor," we mean the consulting people who recruit and backstop the technicians.

Mr. TENNANT. When we employ a contractor, he does both backstopping work and actual work in the field. He does the total job.

Mr. PASSMAN. Does he do any plowing or digging ditches or cutting trees or building bridges?

Mr. GAUD. Sure. He may.

Mr. TENNANT. If it is that type of project; yes, sir.

Mr. PASSMAN. What is the fee that you pay to them, as a percentage of the salaries, for employing the technicians? Mr. Tennant, you know what we want.

Mr. TENNANT. On all of these contracts, we end up invariably—when I say "all of these contracts," there is a question of distinction between nonprofit and profit institutions, but when we are handling commercial contracts, we pay an overhead and a fee.

Mr. PASSMAN. That is what we want.

Mr. TENNANT. The overhead includes——

Mr. PASSMAN. We know what overhead is. What percentage of the salary do you pay them for employing and backstopping these technicians?

(Discussion off the record.)

Mr. PASSMAN. Here is what we found in Cameroon: The average estimate of $30,000 per man-year is based on the following factors:

Mr. FORD. Profit or nonprofit?

Mr. PASSMAN. The nonprofit in most instances cost more than the profit, so I stick with the profit organizations. Average salary, $12,000. Twenty-five percent post differential, $3,000. Contractor's overhead and fee, 80 percent of average salary.

We are trying to find out what percentage of the $15,000, if you have a $15,000-a-year technician, do you pay as a fee to the contractor.

Mr. GAUD. I do not think we have that information here.

Mr. PASSMAN. In Cameroon it is 80 percent, and I believe we were told that was about the average. Is that your understanding?

Mr. TENNANT. There was some conflict as to exactly what Mr. Hutchinson said on that. I would have to refer back to the record as to whether he said it was the average for the region. I know he said it was the estimate for that contract, but I am not sure about the average for the region.

Mr. PASSMAN. He said this was the average, but it could be higher. You have the right of a subsequent audit. You can audit up as well as down.

Mr. TENNANT. You can audit either way.

Mr. FORD. These are contracts AID makes with consulting firms that go to a country to perform advisory work or to execute programs in those countries?

Mr. PASSMAN. That is right. But you have to get the technicians, for which the contractors are given an 80 percent overhead fee.

Mr. MILLER. Mr. Chairman, I think the Cameroon project indicated it was overhead and fee.

Mr. PASSMAN. We always include the overhead, because it would be everything pertaining to the employment.

COMPUTATION OF OVERHEAD FEE

Mr. FORD. It would be very simple to come up with whatever formula they have. There must be a formula used.

Mr. PASSMAN. To see whether or not it is applicable all over the world, or whether a particular region is high or low. All we want is to get your formula.

Mr. TENNANT. In connection with our overhead, Mr. Ford, we use the same regulations, the regulations prescribed in the Armed Services Procurement Regulations as to what qualifies as overhead. Obviously, some contractors have higher overhead rates than others. I think the only question is that we have not averaged out for this region what it would be.

Mr. FORD. I am familiar with the fact that in the Defense Department, in grants and contracts for research and development programs they use various overhead rates. There is a great controversy at the present time, as you may or may not know, particularly as pertains to research and development grants for universities. A flat limitation of 20 percent has been imposed on universities and colleges for indirect costs and overhead in the grant area.

If there is a difference in these cases from what I have just discussed, we ought to have it on the record. The universities vary from 72 percent in the case of a grant to Princeton down to other colleges which run from 15 or 40 percent. This depends somewhat on their bookkeeping policies, but the Department of Defense felt there should be some uniformity, and it now has been established at 20 percent.

Mr. PASSMAN. So as to pin down one particular case, we went to a firm downtown, domiciled in the District of Columbia. Do you recall?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. These people recruited contract technicians for the AID program. Do you recall that part of it?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. The statement indicated that this firm received a fee of 80 percent for doing the recruiting, but encompassed in the 80 percent would be all of their overhead. It could cover 40 different items of overhead. Is that correct?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. The important point is that this local firm, domiciled in Washington, received an 80-percent fee, based on salary. We want to find out whether it is the same thing in all of the regions.

Mr. MILLER. Mr. Chairman, the overhead fee applies, of course, to the entire time that the employee is in the employ of the contractor, not just at the time of recruitment.

Mr. PASSMAN. The 80-percent fee applies for the entire duration that this technician may be working for AID. Is that correct?

Mr. MILLER. While he is working for the contractor who is employed by AID.

Mr. PASSMAN. So, if this goes on for 5 or 6 or 7 years, then the 80-percent fee applies for the entire time?

Mr. MILLER. That is my understanding, subject to the audit which Mr. Tennant suggested.

Mr. PASSMAN. It could be audited up or down.

Mr. MILLER. That is correct, sir.

Mr. FORD. Do I understand if the man's salary is $15,000 and he gets an allowance of another $3,000, which is $18,000, this recruiting firm for the recruiting process gets 80 percent of his salary, not only for the first year, but for all subsequent years that that man is employed?

Mr. TENNANT. The overhead is not solely the recruiting process, as you know. Basically, we are saying we hire an established constructing firm and they have certain elements of cost. Under the GAO decisions, you now make a contract with a provisional rate of overhead, provisional subject to audit. The figure that we mentioned, 80 percent, was a provisional rate. One of the most convenient ways of allocating that overhead is to use some common denominator related to the salary cost. So when the auditors go in and review overhead on the man's books, they disqualify certain items such as whisky, representation-type items which are not allowed under the Armed Services Procurement Regulation, and then they allocate the allowable items of overhead to the contract as a percentage of the business the man may be doing. It includes light, power, heat, the research the man is doing, plus whatever facilities he might use in his employment if he has to employ additional people in our particular contract.

Mr. FORD. Is there a difference between the firm that recruits the individual and the firm that uses him?

Mr. TENNANT. No, sir.

Mr. FORD. Are they one and the same?

Mr. TENNANT. One and the same.

Mr. PASSMAN. You have a firm domiciled downtown, and they stay there on a permanent basis?

Mr. TENNANT. It may be downtown or it may be in California.

Mr. PASSMAN. They employ the technicians?

Mr. TENNANT. Yes; or they may already be on the staff.

Mr. PASSMAN. They recruit technicians who are sent, let us say, to Iran. This firm also sends a supervisor with them to see that this work is carried out in keeping with the contract. Is that correct?

Mr. TENNANT. Generally.

Mr. PASSMAN. They get a fee of 80 percent based on the salary from the time the contract becomes effective until the contract has been terminated.

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. Have I put it correctly in the record?

Mr. TENNANT. Yes.

Mr. PASSMAN. Will you find out for us whether or not the contracting firm gets an 80-percent fee on the salary of the men who go out to supervise?

Mr. TENNANT. Yes, sir.

(The information requested follows:)

OVERHEAD AND FEE RATES ON AID CONTRACTS

In the Near East and south Asia region, of 13 representative contracts in effect on May 31, 1962, the average overhead rates were:

	Provisional (percent)	Maximum (percent)
Overhead salaries	61	67
Home-office salaries	67	74

Fixed price, construction type and university contracts were not included in the calculation of the foregoing average rates.

A total amount of $615,275 was to be paid under the 13 contracts for fee (i.e., profit to the companies) for the 2,564 man-months of service due under the contracts. This is an average fee of approximately $240 per man-month. Since $12,000 is the average annual salary, the percentage of fee to salary is 24 percent. But, in addition to salary, there is an oversea salary differential, generally about $3,000. Therefore, the percentage of fee to salary plus differential is 19 percent.

FUNDS FOR EDUCATION

Mr. PASSMAN. What amount have you budgeted for education in your area?

Mr. GAUD. The total figure is $19,270,000, Mr. Chairman.

Mr. PASSMAN. Mr. Gaud, that is the grant part alone, is it not?

Mr. GAUD. That is grant plus a small amount under supporting assistance, $180,000.

Mr. PASSMAN. The rest of it would be grant; would it not?

Mr. GAUD. All grant.

Mr. PASSMAN. Under the legislation, you could make development credits for education, also, in these areas; could you not?

Mr. GAUD. Development loans?

Mr. PASSMAN. I am going to call them credits. You have a right to call them loans. In addition to the $19,270,000 in outright grants for education, you do have development credits, which you call loans?

Mr. GAUD. I do not believe we have any for education.

Mr. PASSMAN. Would educational projects qualify under the development credit section of the law?

Mr. GAUD. It is a question I have never examined, Mr. Chairman.

Mr. PASSMAN. Let me address myself to Mr. Miller. Is it your understanding that the same countries that get the $19,270,000, in this area, as grants for education, could also apply for development credits for the construction of educational facilities?

Mr. MILLER. It is my understanding that development lending may be used, among other things, for construction of schools or other matters meeting the criteria.

Mr. PASSMAN. So the education part of it is not limited to this $19,270,000 AID spigot?

Mr. GAUD. It is, in fact, in my area.

Mr. PASSMAN. Limited?

Mr. GAUD. Yes, sir.

Mr. PASSMAN. At the moment, but they may apply before you get your shower tonight. These people move fast.

Mr. GAUD. That is what I mean by "in fact." At the moment we have no development loans for education. Judging by what Mr. Miller says, we might have, but we have not, in fact.

Mr. PASSMAN. But at present, I still say that you are speaking of only one spigot when we are talking about the $19,270,000, and that is the grant aid sector for your section.

Mr. GAUD. That is right.

Mr. PASSMAN. If other spigots are available, they may avail themselves of those sources at some subsequent date.

USE OF FOREIGN CURRENCIES UNDER PUBLIC LAW 480

What amount of Public Law 480 currencies do you plan to utilize in your area during fiscal 1963?

Mr. TENNANT. The estimated obligation for 1963 for the Near East for U.S.-owned foreign currencies available for country use is $170.8 million.

Mr. PASSMAN. What did your consultation come up with?

Mr. GAUD. $170.8 million.

COUNTERPART FUNDS

Mr. FORD. Would the chairman yield? The question you just asked relates to one that I wanted to inquire about. I have in my hand here the February 14, 1962, issue of "News From Turkey," volume XV, No. 7. It says, "U.S. releases counterpart funds totaling $122.2 million." Is this the same as what you were just discussing with the chairman?

Mr. TENNANT. No. I was referring to U.S.-owned, and counterpart is in addition to what I referred to.

Mr. BIRNBERG. Those funds were generated by the supporting assistance part of the program.

Mr. FORD. In other words, this $122.2 million for Turkey is in addition to the $170 million——

Mr. GAUD. That is not Public Law 480 at all.

Mr. TENNANT. That would be in addition. It is part in 1962 and part in 1963.

Mr. FORD. This is for 1962.

Mr. TENNANT. The total counterpart for 1963 is $82.9 million, which is in addition to the $170.8 million which I mentioned earlier.

Mr. FORD. How much was released in this way for this area of the world in fiscal 1962?

Mr. BIRNBERG. That we would have to get for you, because agreements to release counterpart vary depending upon the budget year of the country concerned. Although they flow from the aid figures which you see in the book, we could not easily derive it from them. We can check that for you.

Mr. FORD. I would like to have, country by country, that which was released during our fiscal 1962. This would include, of course, the $122.2 million which is indicated here for Turkey.

Mr. TENNANT. There are estimates in the presentation book, and I could summarize them for you, sir. The country-owned foreign currencies estimated release in 1962, $247.9 million.

Mr. FORD. Near East and South Asia? This is the area we are talking about.

Mr. GAUD. I doubt your earlier $170 million figure. That does not sound right to me.

Mr. FORD. The $122.2 million is for Turkey. I am certain there are substantial amounts involved in India.

Mr. GAUD. And Pakistan.

Mr. TENNANT. I read the Near East figures.

Mr. GAUD. May we go back and correct that $170 million figure? It should read $863.8 million.

(Off the record.)

Mr. FORD. Where in the justification books are the counterpart utilizations shown, if anyplace?

Mr. TENNANT. That would appear in volume V.

Mr. FORD. The brown book?

Mr. TENNANT. No, the blue book.

Mr. FORD. In the figures which are shown on pages 179 and 180 of the brown book, are any of these released counterpart funds shown?

Mr. GAUD. No, sir. They are not set forth by appropriation.

Mr. FORD. In other words, take Turkey. In fiscal 1962, your total estimate, according to this book, on page 180, is $73,370,000. This is for development loans, development grants, supporting assistance.

Mr. GAUD. That is right.

Mr. FORD. We have released, according to the February 14, 1962, "News From Turkey," $122.2 million in addition.

Mr. GAUD. Of Turkish currency.

Mr. FORD. Of Turkish currency which was generated by U.S. programs of one sort or another.

Mr. GAUD. For which the appropriation was made earlier.

Mr. FORD. That is right. In addition to that, were any other funds of one sort or another utilized in Turkey in fiscal 1962?

PUBLIC LAW 480 FUNDS, TURKEY

Mr. GAUD. There would be some Public Law 480 funds.

Mr. FORD. How much would that have been in fiscal 1962?

Mr. GAUD. I think I have a figure on that right here. I cannot give you the released figure, but $101 million worth of Turkish currency was generated in fiscal 1962 by Public Law 480.

Mr. FORD. So we have $73,370,000, and what was the figure you just gave us?

Mr. GAUD. $101 million.

Mr. FORD. And we have at least this amount of $122.2 million.

Mr. BIRNBERG. I think it rather important to distinguish between the internal bookkeeping, if I may call it that, from the Turkish point of view, of the releases, and the balance-of-payments aid shown here. It is true the Turkish Government, as all other governments, announce the release as a release to their budget because it is important to their budget.

Mr. FORD. This release says, and I am quoting:

> Of the total, $77 million will be used to support the state budget, $61 million for defense, $16.5 million for technical cooperation and other projects. In addition, $21 million will be allocated for the state enterprise internal financing funds, $17 million for various private sector funds, $4.6 million for other technical

cooperation projects, and $1.8 million for the general trust fund. Counterpart funds granted to Turkey since the U.S. aid program began in 1948 now total $420 million. Of this total, approximately $294 million has been allocated to national defense and the remaining $126 million to economic development projects.

In the past I supported the program. However, I want the record to show precisely how much is available out of our aid every year in every country. I think these figures shown in your book do not reflect what we are doing.

GENERATION OF COUNTERPART FUNDS

Mr. GAUD. No. Our book is supposed to reflect in this respect what we are coming to you for an appropriation for. Most of the counterpart was generated by the $90 million of supporting assistance we gave them in 1961, some by the $58 million that we gave them in fiscal year 1962. There is a duplication.

Mr. FORD. I appreciate this, but it seems to me that there is some lack of full and complete information. Somewhere, sometime, I would like to see precisely how these figures can be reconciled. I have yet to find it in the 10 years I have been sitting on this committee.

ACCOUNTING FOR COUNTERPART FUNDS

Mr. RHODES. Of course, this is an old argument. What is counterpart? The people downtown have said for many years, that once you appropriate the money, then whatever we get back is gravy. The counterpart is regarded as "funny" money. I have always felt, as the gentleman from Michigan expressed himself, that really there should be more controls to the handling of counterpart.

I am not accusing anybody of doing anything wrong, either, but it just seems that we have the wrong attitude toward counterpart. It represents a very small return on the investment of the American taxpayer in tangibles, but at least it is something I am not saying intangibly the taxpayer did not get his money's worth. Perhaps he did. If this is the tangible return, more care should be taken in accounting for it and handling it.

Mr. PASSMAN. Would the gentleman yield?

Mr. FORD. Surely.

Mr. PASSMAN. Our distinguished chairman, Mr. Cannon, and the distinguished minority leader, the former chairman, Mr. Taber, have never permitted any member of the Committee on Appropriations to use even the first dollar of any local currency, because it is a peculiar fund and a lot of accusations have been made. I do not know anything about the accuracy of them. We have never touched it. I want the record to show that no member of the Committee on Appropriations that I know of has ever used one dime of the so-called counterpart, or local currencies, in these countries. We deal entirely with dollars. We do not get over into this, because both of these great men think of this as something for which there should be an accounting.

Mr. GAUD. I think this is an important question.

Mr. Birnberg, who has been with the program longer than I and has seen this thing from the field and Washington, would like to say a few words to help to try to clear up some of the confusion.

Mr. BIRNBERG. If I may take the case of Turkey, I would like to say this, the figures we give you here in the books are obligation figures, as you know. We do not present you with what we call true expenditure figures which would reflect the flow of the resources into Turkey arising out of our aid of all sorts, Public Law 480, or other.

The next stage in this would be, when the level of our aid is announced to Turkey. At that point, the mission in Turkey would discuss with the Turkish Government in some detail the proper size of the Turkish internal government budget, giving the amount of aid that is contemplated to be flowing in, arising from old and new obligations. The release of local currency generated from old and current aid would be an amount which both parties agreed would be both appropriate and desirable for the particulars to which they are directed, and the activity they would generate.

The split between military and economic is sometimes a purely budgetary technique, but in the case of Turkey there is a specific effort to keep the military budget at a certain level and the other budget at a certain level.

With regard to the other funds to which you referred, some of these are extra budgetary items and some of them are budgetary items. By that I mean the state enterprises and others.

Our mission discusses these items either in particular or general with the Government of Turkey in this case, depending on the nature of the case. It does not discuss the defense budget in particular. The MAAG does.

Setting that aside, looking at it from the Turkish Government point of view, the Turkish Treasury would probably be especially interested in these release figures, while the Central Bank would be especially interested in the aid figures, but they are both interested in both sides of the coin.

Mr. FORD. The point I make is, you look at the justification books and they do not reflect the true extent of our aid in any 1 fiscal year.

Mr. GAUD. They reflect the foreign exchange aid, which is the only aid we provide.

Mr. FORD. To me this is not the right way for the executive branch, and I know this has been done this way for years, to present the extent of our fiscal assistance to 100-plus nations throughout the country.

Mr. GARY. I want to agree thoroughly with the gentleman; I think counterpart funds are money, although they are moneys of other countries, and they should be accounted for. I thought we had taken care of that situation.

At the beginning, when we first set up this foreign aid program, we set it up on the basis of counterpart funds. We would give the commodities to the government, or give them U.S. dollars, and they would buy American commodities and then they would sell them to the people for local currencies and that generated the counterpart funds. A certain percentage of such funds went into the foreign

treasury and a certain percentage of it was turned over to the United States.

At that time, the amounts were relatively small and no one thought a great deal about it. But when they began to accumulate, some of the people in Government got the idea we would never be able to get rid of all this counterpart and therefore we might go ahead and spend it, and they did get very lax in spending these counterpart funds.

Finally, we adopted a law requiring all of these funds, which belong to the United States, to be paid into the U.S. Treasury, and to be taken out only upon the payment of dollars.

Mr. TENNANT. That is correct. The 5 or 10 percent put into the U.S. Treasury can only be drawn on by putting up appropriated dollars, and for any administrative costs we incur where we use local currency, we buy that local currency.

Mr. GARY. You say the 5 or 10 percent is paid to the Treasury. That is all that actually belongs to the United States?

Mr. TENNANT. That is correct.

Mr. GARY. All the U.S. holdings in foreign currency are paid into the U.S. Treasury and can only be gotten out of the Treasury by paying in dollars?

Mr. TENNANT. That is correct.

Mr. GARY. That does give complete control over the part of the currency that is owned by the United States.

Mr. PASSMAN. We are still only covering about 15 percent of the local currency, the counterpart?

Mr. TENNANT. In the range of about 15 or 20 percent.

Mr. PASSMAN. You have to get out into the other broad field of local currencies. This represents a very small part. You have billions of dollars of local currency paid back under other legislation, such as the original development loan plan, where they would repay in local currencies and those contracts——

Mr. GAUD. That goes into the Treasury under the Development Loan Fund Act.

Mr. PASSMAN. Development loans, if repaid in local currency, with the exception of some small percentage, would be spent on projects in the country. You could not import anything from that country. You could not buy something from an adjacent country and bring it out. You had to spend it back in that country on projects mutually agreed upon between the two countries.

Mr. TENNANT. Generally true.

Mr. PASSMAN. If you make a loan to country X out in the Far East of $1 million, to be repaid in local currency, that is plowed back into their economy at some subsequent date through contracts mutually agreed upon by the two countries; is that correct?

Mr. TENNANT. They may not be agreed upon. At the present time they are being held.

Mr. PASSMAN. If it is not agreed upon, it is not spent.

Mr. TENNANT. We do not have the authority to spend those funds at the present time, sir.

On the Public Law 480 side——

Mr. PASSMAN. We are not going to get away from that so easily. Off the record.

(Discussion off the record.)

Mr. PASSMAN. We are going to plow this money back into the economy of the country at some subsequent date upon projects mutually agreed upon. I think the record is abundantly clear on that score.

We have made a lot of money today if you are willing to reduce your requests by what we have established you have available.

Mr. GAUD. This is local currency, not foreign exchange.

Mr. PASSMAN. We are leaving that out.

LEVEL OF AID—ALL CATEGORIES—FOR FISCAL YEAR 1963 FOR NESA

You have planned, as we have established earlier, including Public Law 480, military assistance, and the development grants, supporting assistance and development assistance, a total of $2,062,950,000 for fiscal year 1963. Those are the projected figures?

Mr. GAUD. I will accept your arithmetic.

Mr. PASSMAN. How about you, Mr. Tennant?

Mr. TENNANT. That is correct.

Mr. PASSMAN. Gentlemen, in Mr. Gaud's region, the Near East and south Asia, you had development grants, $78,050,000; supporting assistance, $100,100,000; development credits, $850 million, for a total of $1,028,150,000. However, when we move to this spigot arrangement, we start picking up out of the other categories and find out that under military assistance they have $422,900,000; Public Law 480, $611,900,000, for a total, not of $1,028 million, but just out of these five spigots alone, $2,062,950,000.

You agreed to supply for the record a statement of the amount of aid in the other categories, international organizations, international development and long-term industrial loans under the Export-Import Bank.

Mr. TENNANT. We will do our best on that.

Mr. PASSMAN. Normally we would think in terms of having only $1,512,589,000 unliquidated to the credit of the gentleman's area, but when we add just one of the other spigots alone, military, we find we have credited to this area $2,165,179,000; is that correct, Mr. Tennant?

Mr. TENNANT. That is correct, sir.

Mr. PASSMAN. But now we are going to pick up the other spigots, and there are about 14, when you get them all. You are going to give us the total projected, and the total unliquidated; is that your understanding?

Mr. TENNANT. Yes.

Mr. PASSMAN. That just gives you an idea.

Are there any more general questions before we get to the individual countries?

EDUCATION PROGRAM FOR NESA

Mr. ALEXANDER. Is there any money in your sector for school buildings?

Mr. GAUD. A little, yes.

Mr. ALEXANDER. How much?

Mr. GAUD. I can break it out of the educational figure and submit it later.

Mr. ALEXANDER. Would you submit all the educational programs for the record, broken down into component parts?

Mr. BIRNBERG. Technicians and commodities, and so forth; is that what you mean?

Mr. ALEXANDER. Or whether it is to colleges, or buildings, or students that are coming to the United States, or to some other country?

Mr. BIRNBERG. Yes.

(The information follows:)

EDUCATIONAL REVIEW, NESA

1. Afghanistan

(*a*) Fiscal year 1962 projects:

(1) Kabul University development	$1,751,000
(2) Vocational education	546,000
(3) Educational facilities	363,000
(4) Ministry of Education Audiovisual Center	155,000
Total	2,815,000

(*b*) Fiscal year 1963 projects:

(1) Kabul University development	1,490,000
(2) Public school education	1,771,000
(3) Vocational education	481,000
(4) Educational facilities	1,930,000
Total	5,672,000

The current educational projects in Afghanistan are designed to accomplish two principal objectives: (1) Provide the necessary physical plant from the primary through the university level; and (2) to extend and improve the quality of education in Afghanistan both in respect to vocational training and within the formal educational organization under the Ministry of Education. Assistance to the Afghanistan education sector will amount to approximately ——— of the development grants to Afghanistan in fiscal year 1963. The increase in grant funds for fiscal year 1963 over fiscal year 1962 resulted from a substantial increase in planned construction of public and university school facilities.

2. Ceylon

(*a*) Fiscal year 1962 projects:

(1) Labor education	$50,000
(2) Health education	84,000
(3) Science education	38,000
(4) Management training	88,000
Total	260,000

(*b*) Fiscal year 1963 projects:

(1) Labor education	63,000
(2) Health education	10,000
(3) Science education	55,000
(4) Management training	90,000
Total	218,000

The educational projects in Ceylon have been designed to provide a substantial increased in worker productivity, health services, and effective management through the widespread use of vocational and on-the-job training projects. Assistance to the educational sector represents approximately ——— of the total U.S. development grant assistance to Ceylon for fiscal year 1963.

3. Cyprus

None for fiscal year 1962 or 1963 in the educational sector.

4. Greece

(*a*) Fiscal year 1962 project: (1) Vocational education, $38,000.
(*b*) Fiscal year 1963 projects: None.
The vocational education projects in fiscal year 1962 was terminated at the close of the fiscal year. It involved rendering advice and assistance to the Ministry of Education in its efforts to establish a nationwide vocational training program. In fiscal year 1962 this project amounted to approximately ——— of the development grant assistance provided Greece in fiscal year 1962.

5. India

(*a*) Fiscal year 1962 projects:	
(1) Secondary education	$210,000
(2) Indian Institute of Technology, Kanpur	1,906,000
(3) Professional education	180,000
Total	2,296,000
(*b*) Fiscal year 1963 projects:	
(1) Professional education	420,000
(2) Secondary education	300,000
(3) Indian Institute of Technology, Kanpur	1,800,000
(4) Public administration training	33,000
Total	2,553,000

The educational projects in India both for fiscal years 1962 and 1963 were directed principally toward expanding India's professional training facilities. This would permit India to turn out a greater number of physicians, engineers, and teachers and thus fill this critical need for professional people in the Indian economy. The educational projects represented approximately ——— of the projected development grant assistance to India in fiscal year 1963. It will be noted that a substantial portion of these grant funds are to be utilized for classroom and laboratory facilities at the Indian Institute of Technology at Kanpur.

6. Iran

(*a*) Fiscal year 1962 projects:	
(1) Armed forces vocational training	$26,000
(2) Vocational training	99,000
(3) General education	202,000
(4) National education planning and research	4,000
Total	331,000
(*b*) Fiscal year 1963 projects:	
(1) Vocational training	230,000
(2) General education	175,000
(3) Development of Pahlavi University	300,000
(4) Development of instructional materials	119,000
(5) Armed forces vocational training	79,000
(6) National education planning and research	61,000
Total	964,000

The educational projects in Iran both for fiscal years 1962 and 1963 have been oriented toward providing a broad basis of assistance to the entire Iranian educational effort. This has involved such widely separated efforts as assisting the Ministry of Education in policy planning, teacher training, and curriculum development of vocational programs in the armed forces. The Iranian educational projects represent approximately ——— of our projected development grants to Iran in fiscal year 1963. It will be observed that the increase in grants in fiscal year 1963 over 1962 largely resulted from plans for a substantial construction program at Pahlavi University and for services and commodities for the instructional materials program.

7. Iraq

(*a*) Fiscal year 1962 projects: (1) Participant training projects..... $799,000

(*b*) Fiscal year 1963 projects:

(1) University of Baghdad	175,000
(2) Participant training projects	775,000
Total	950,000

The educational projects in Iraq for fiscal year 1962 were entirely devoted to participant training. This participant training involved a number of disciplines such as industrial power, transportation, Government management, and public safety; and in the past 3 years 200 Iraqis have received this specialized training in the United States. The fiscal year 1962 projects involved 100 percent of our development grants to Iraq. Similarly, in fiscal year 1963 most of the grants are to be used for participant training although a limited amount will be utilized for contract services to develop a better curriculum at the University of Baghdad. In fiscal year 1963 approximately ——— of our total development grants for Iraq will be utilized in the educational sector.

8. Israel

(*a*) Fiscal year 1962 projects: (1) Teacher training in vocational education, $3,000.

(*b*) Fiscal year 1963 projects: None.

In fiscal year 1962, $3,000 in development grants, or less than 1 percent of our development grants to Israel in fiscal year 1962. The project was terminated at the end of fiscal year 1962.

9. Jordan

(*a*) Fiscal year 1962 projects:

(1) Human resources development	$600,000
(2) Arab Development Society	75,000
Total	675,000

(*b*) Fiscal year 1963 projects:

(1) Human resources development	669,000
(2) Agricultural college	250,000
(3) Arab Development Society	75,000
Total	994,000

The development grants for the Jordanian educational sector for fiscal year 1963 represent approximately ——— of our total development grants assistance to Jordan for fiscal year 1963. It will be observed that the increase over fiscal year 1962 is due to those funds allocated for the development of a suitable curriculum for the Khadoorie Agricultural College.

10. Nepal

(*a*) Fiscal year 1962 projects:

(1) Primary education	$28,000
(2) Secondary education	89,000
(3) Higher education	25,000
(4) Adult education	8,000
(5) Educational materials	67,000
(6) Agricultural extension and training	130,000
(7) Agricultural engineering	23,000
(8) Industrial premanagement training	37,000
(9) Health education	27,000
(10) Nursing education	39,000
Total	473,000

(*b*) Fiscal year 1963 projects:

(1) Agricultural extension and training	137,000
(2) Agricultural engineering	25,000
(3) Industrial premanagement	6,000
(4) Health education	41,000
(5) Nursing training	56,000
(6) Primary education	35,000
(7) Secondary education	70,000
(8) Higher education	62,000
(9) Adult education	19,000
(10) Education materials	90,000
(11) Library	5,000
Total	546,000

The broad objectives of the Nepalese educational effort, which we are supporting with development grants is to extend the primary and secondary educational facilities to provide as many Nepalese with a formal education as is feasible within this level of assistance. At the same time, a concerted effort is being made to bring vocational training to the Nepalese farm families to increase productivity and to improve health training and to develop an engineering and industrial management cadre. Our fiscal year 1963 development grants in the educational sector represent approximately ——— of our total development grant program in Nepal.

11. Pakistan

(*a*) Fiscal year 1962 projects:

(1) Intercollege exchange	$1,165,000
(2) Teacher training institute	525,000
(3) Atomic energy research and development	122,000
(4) Business administration	379,000
(5) Skilled labor training	100,000
Total	2,292,000

(*b*) Fiscal year 1963 projects:

(1) Intercollege exchange	$1,339,000
(2) Teacher training institutes	655,000
(3) Atomic energy research and development	120,000
(4) Business administration	483,000
(5) Skilled labor training	200,000
Total	2,797,000

Pakistan's second 5-year plan calls for significant improvements in education. If the facilities of existing universities are properly developed and expanded, they can produce many more qualified professional men and women in the arts and sciences. Thus, one of the principal objectives of grant programs is to assist the development of Pakistani universities and agricultural schools, to expand their curricula in the fields of agriculture, engineering, and business administration so that an adequate number of students may be trained in the

above professions. In addition, we are training a number of participants in the atomic energy field in the United States. The development grant for the educational sector in Pakistan represents approximately ——— of our total development grants to Pakistan for fiscal year 1963.

12. Syria

(*a*) Fiscal year 1962 projects: None.
(*b*) Fiscal year 1963 projects: None.

13. Turkey

(*a*) Fiscal year 1962 projects:

(1) Literacy training and adult education	$14,000
(2) Teacher education	108,000
(3) School design and construction	4,000
(4) Vocational and trade schools	203,000
(5) Technical and vocational education	120,000
(6) Commercial training institutions	31,000
(7) Education services	60,000
(8) Research, measurement, and statistical services	76,000
(9) Audiovisual education	76,000
(10) Educational materials development	59,000
Total	751,000

(*b*) Fiscal year 1963 projects:

(1) Teacher education	123,000
(2) Vocational and trade schools	185,000
(3) Technical and vocational education	165,000
(4) Commercial training institute	260,000
(5) Research, measurement, and statistical services	110,000
(6) Literacy training and adult education	26,000
(7) School design and construction	18,000
(8) Education services	45,000
(9) Audiovisual education	80,000
(10) Education materials development	86,000
(11) Radio for education	60,000
Total	1,158,000

As is evidenced from the number of educational projects, the Turkish Government is undertaking a massive educational effort both in formal and vocational education. Our financial assistance through development grants will enable the Turkish Government to obtain the necessary technical and teaching services, textbooks, laboratory equipment, and other educational media to carry out its overall educational program. Our development grant assistance to the Turkish educational sector represents approximately ——— of our total development grants to Turkey for fiscal year 1963.

14. United Arab Republic

(*a*) Fiscal year 1962 projects: None.
(*b*) Fiscal year 1963 projects: (1) Special participant program ——— $145,000

The goal of this project is to provide grants for approximately 100 United Arab Republic Government officials and employees in private industry to pursue post-graduate studies in the United States. This development grant represents approximately ——— of the total development grants for the United Arab Republic in fiscal year 1963.

15. Yemen

(*a*) Fiscal year 1962 projects: (1) Scholarships ——— $115,000
(*b*) Fiscal year 1963 projects: (1) Educational activity ——— 180,000

The objective of this project is to give 45 Yemeni students college training at the National College in Lebanon. An effort is thus being made to develop a

nucleus of college-trained leadership for Yemen which, at present, does not exist. This development grant represents approximately ——— of the total development grants for Yemen in fiscal year 1963.

16. Cento

(*a*) Fiscal year 1962 projects: None.
(*b*) Fiscal year 1963 projects: None.

17. Regional

(*a*) Fiscal year 1962 projects:	
(1) AUB contract	$1,886,000
(2) Regional AUB training	900,000
(3) Regional training office	68,000
Total	2,854,000
(*b*) Fiscal year 1963 projects:	
(1) AUB	3,028,000
(2) Regional training office	65,000
Total	3,093,000

The objectives of the AUB project, the principal recipient of grant funds, are to assist each of the cooperating countries in the NESA area to develop trained technicians who will assist the cooperating governments to move more rapidly and effectively toward their economic and social goals. The development grants for the regional education sector represents approximately ——— of the total development grants for regional assistance in fiscal year 1963.

NATIONS RECEIVING AID IN NEAR EAST-SOUTH ASIA

Mr. PASSMAN. I believe we should restate for the record one more time for your area how many nations there are.

Mr. GAUD. Eighteen, and two have no aid programs for 1963, so there are 16.

Mr. PASSMAN. So, you still have aid in the pipelines?

Mr. GAUD. There is military assistance to Saudi Arabia.

Mr. PASSMAN. In your area, comprising 18 nations, whether they do or do not get aid, out of the grant aid section alone for education, you have $19,270,000; is that correct?

Mr. BIRNBERG. That is true.

Mr. PASSMAN. We established earlier that all of these nations in your area, if you have an aid program, are also eligible for any development credits out of other spigots, if they should apply?

Mr. BIRNBERG. That is true.

Mr. GARY. Mr. Chairman, off the record.

(Off the record.)

FOREIGN CURRENCY AVAILABLE FOR AID PROGRAM IN FISCAL YEAR 1963

Mr. PASSMAN. In prior years we may have neglected to ask the witnesses to place in the record, and make available to the committee, the amount of currencies of the recipient countries that would likewise be available for the program.

I would like to make that request now. This will refer to all the countries. We have been dealing with dollars along the way, but in practically all of the countries where we have some type of an aid program, you do have what we refer to as local currencies, currencies of

that country that may be spent for certain expenditures in connection with the aid program; is that correct?

Mr. TENNANT. That is correct.

Mr. PASSMAN. Would you be able to give it to us by nations? I would assume it would be to your advantage to list it by nation.

Mr. TENNANT. These figures are in the books by nation.

Mr. PASSMAN. Put it in total, as well as by nation.

Mr. GAUD. To make sure I understand, you are not talking about the money available for U.S. uses; you mean money available for the countries' use.

Mr. PASSMAN. The amount of local currency.

You have two types of accumulations of local currency; is that correct?

Mr. GAUD. That is true.

Mr. PASSMAN. It is sometimes complicated.

Mr. Tennant, will you put together for us the total amount of all foreign currencies that will be available for the foreign aid program for fiscal year 1963, foreign currencies we presently own that will be available for expenditure on a worldwide basis? Will you do that?

(The information follows:)

Estimated U.S.-owned country-use foreign currencies available for obligation in fiscal year 1963

[In millions of dollars equivalent]

Region/country	Estimated unobligated deposits, June 30, 1962	Estimated deposits, fiscal year 1963	Total
Far East, total	60.4	177.0	237.4
Burma	17.4	8.0	25.4
Cambodia		.8	.8
China	19.7	36.5	56.2
Indonesia	17.0	44.0	61.0
Japan	.4		.4
Korea	1.8	48.2	50.0
Philippines		14.4	14.4
Vietnam	4.1	25.1	29.2
Near East, total	93.1	207.7	300.8
Greece	3.6	7.1	10.7
Iran	1.6	8.4	10.0
Israel	13.5	32.3	45.8
Syrian Arab Republic	10.1	7.8	17.9
Turkey	25.7	48.6	74.3
United Arab Republic	38.6	103.5	142.1
South Asia, total	518.8	696.8	1,215.6
Ceylon	6.1	2.9	9.0
India	394.6	511.0	905.6
Pakistan	118.1	182.9	301.0
Europe, total	33.0	101.1	134.1
Finland	1.7		1.7
Germany, Federal Republic	7.0		7.0
Europe, total—Con.			
Iceland	0.2		0.2
Italy	5.1	.4	5.5
Spain	9.0	26.0	35.0
Yugoslavia	10.0	74.7	84.7
Africa, total	6.5	50.4	56.9
Congo, Republic of the		18.0	18.0
Ethiopia		.9	.9
Guinea		5.0	5.0
Kenya		.7	.7
Morocco	3.0	12.0	15.0
Senegal		3.3	3.3
Sierra Leone		.5	.5
Sudan	1.5	3.0	4.5
Tunisia	2.0	7.0	9.0
Latin America, total	35.0	125.2	160.2
Bolivia	2.5	6.2	8.7
Brazil	10.4	85.0	95.4
Chile	6.0	8.2	14.2
Colombia	7.7	16.7	24.4
Ecuador	.3	1.3	1.6
Paraguay	4.1		4.1
Peru	1.1	2.3	3.4
Uruguay	2.6	5.5	8.1
Grand total	746.8	1,358.2	2,105.0

NOTE.—Details may not necessarily add to totals due to rounding.

Mr. TENNANT. Yes, I will do that.

AFGHANISTAN

PROGRAM FOR FISCAL YEAR 1962

Mr. PASSMAN. For Afghanistan in 1962, you had a program of $16.7 million. Is that correct?

Mr. GAUD. The actual figure for fiscal year 1962, Mr. Chairman, was $38,537,000.

Mr. PASSMAN. Under mutual security alone. That encompasses the grant as well as development credits?

Mr. GAUD. Yes.

Mr. PASSMAN. It does not include the military?

Mr. GAUD. No, sir.

Mr. PASSMAN. But you did have a military program for Afghanistan in fiscal year 1962?

Mr. GAUD. I do not think so.

Mr. TENNANT. That military presentation books show a ——— program.

Mr. PASSMAN. What amount did you have unliquidated to the credit of Afghanistan?

Mr. TENNANT. At the end of June, unliquidated, all economic aid programs, $40,728,000.

Mr. PASSMAN. Let us not get away from the military.

Your books show what you have in the pipeline to the credit of Afghanistan for the military?

Mr. TENNANT. No, sir.

Mr. PASSMAN. You did have a new request for ——— in fiscal year 1962?

Mr. TENNANT. For the military?

Mr. PASSMAN. Yes.

Mr. TENNANT. It was———.

Mr. PASSMAN. Then in the little "kitty" that Mr. Rhodes brought to my attention that we have been missing, you have———?

Mr. TENNANT. Unliquidated.

Mr. PASSMAN. ——— to the credit of Afghanistan for the military, unliquidated?

Mr. TENNANT. That is correct.

SOVIETS SUPPLY AFGHANISTAN WITH MILITARY EQUIPMENT

Mr. PASSMAN. I read in the paper that all of the military equipment in Afghanistan was Russian made.

Mr. GAUD. I cannot vouch for the "entirety," but they get a great deal of military assistance from the Soviets.

Mr. PASSMAN. This article said all of the military equipment came from Russia.

What disposition are you going to make of the ——— credit, or should I address that question to the military people?

Mr. GAUD. That would be my recommendation.

UNLIQUIDATED BALANCES

Mr. PASSMAN. What amount do you have unliquidated in the economic field for Afghanistan??

Mr. TENNANT. $40,728,000, estimated June 30, 1962.

Mr. PASSMAN. What is your estimate for fiscal year 1963?

Mr. GAUD. For the program?

Mr. PASSMAN. Yes, sir.

Mr. GAUD. ———, of new money, sir.

Mr. PASSMAN. Then you have on hand a ——— pipeline, percentagewise and dollarwise, as compared to the 1963 level you plan?

Mr. GAUD. That is the relationship of the two figures, yes.

Mr. PASSMAN. The justifications seem to indicate our aid program to this country is geared to offering an alternative to Soviet bloc aid; is that correct?

Mr. GAUD. Yes, sir.

BORDER DISPUTE BETWEEN AFGHANISTAN AND PAKISTAN

Mr. PASSMAN. Last year I believe there was a border dispute between Afghanistan and Pakistan.

Mr. GAUD. Yes, there was.

Mr. PASSMAN. What additional cost to the AID program was incurred as a result of that dispute?

Mr. GAUD. I have not any figure that I can give you on that, Mr. Chairman.

Mr. PASSMAN. There is an amount, though?

Mr. GAUD. Relatively small.

Mr. PASSMAN. If there was a program, small or large, you do not know the figure. Will you get it for us?

Mr. GAUD. May I expand my answer?

Mr. PASSMAN. Certainly.

Mr. GAUD. The border was closed at the end of August 1961, and as a result of that the goods we had for Afghanistan did not get in there for some time.

On January 29, the border was reopened. We made no effort to get any supplies in by any other route in these few months. At the end of January, the border was reopened, and it stayed open for a period of 8 weeks. During that 8-week period we got across the border in Afghanistan roughly 26,000 tons of goods which were in Pakistan. We cleaned up everything there was in Pakistan, and when the gate was dropped again, you might say, everything we had had in Pakistan headed for Afghanistan was there.

Now, there were no additional costs incurred up to that time, and I am talking now about the end of March. Since March, we have agreed with the Afghans to run some pilot shipments over the Iranian route to test the feasibility of that route. Those shipments have not yet been made. We do not yet know what the results will be. That is why I say I cannot tell you what additional costs, if any, have been incurred as a result of the border closing.

Mr. PASSMAN. We are dealing with two AID recipient countries?

Mr. GAUD. We are.

Mr. PASSMAN. When you held up all the shipments, and had to hold them up in Pakistan, who stored them free for you, and who protected them during their stay there?

Mr. GAUD. Happily, they were stored at a time of the year, and in a climate and country where there is no rain at that time of the year, and I do not believe the storage costs us anything.

Mr. PASSMAN. Any supervision?

Mr. GAUD. Yes.

Mr. PASSMAN. There must have been some cost, as you stated earlier, so find out the amount of the costs.

Mr. GAUD. I can try.

Mr. PASSMAN. There are two recipient countries getting aid. Pakistan would not let you take the aid over into Afghanistan?

Mr. GAUD. I would like to add another possible item, and again we do not have figures on this and they are not available at the present time, but the performance of some of our contracts was delayed, and I dare say some of the contractors will be coming around and are going to claim damages on us, but we do not have the information yet.

Mr. PASSMAN. Pakistan, one of the largest recipients of foreign aid, held up substantial shipments to Afghanistan at the border, another aid-recipient country. At least that part is correct, is it not?

Mr. GAUD. I would be afraid to say that is correct.

The Pakistanis took the position, rightfully or wrongfully, that they would let the Afghans take the stuff over the border, and their position was that if the Afghans had walked across the border they could have had the goods.

Mr. PASSMAN. You did not attempt to deliver whatever you had for Afghanistan after the curtain was dropped? You held it until the border was opened?

Mr. GAUD. We could only have delivered them by force of arms.

Mr. PASSMAN. Force of arms against Pakistan?

Mr. TENNANT. It was a closed border.

Mr. PASSMAN. I am not trying to get in a debate.

Mr. GAUD. I am trying to bring out facts.

Mr. PASSMAN. There were two aid-recipient countries, Pakistan and Afghanistan, and we had certain supplies destined for Afghanistan that were held up at the border of Pakistan because there was a feud between the two countries?

Mr. GAUD. We could not get them in there.

Mr. PASSMAN. You could have done so if there had not been the dispute?

Mr. GAUD. Absolutely. This was one of the regional disputes Mr. Talbot was talking about yesterday.

Mr. PASSMAN. And you do not know whether it was food or medicine, the shipments you held up? You do not know of what they consisted?

Mr. GAUD. Of course we do. They were supplies to carry out our aid projects, and in some cases it was machinery, equipment, wheat, all kinds of different things.

Mr. PASSMAN. Pharmaceutical supplies, perhaps?

Mr. GAUD. That I doubt.

TECHNICAN COSTS IN AFGHANISTAN

Mr. PASSMAN. What was the average cost per U.S. technician in fiscal 1962?

Mr. GAUD. In my region?

Mr. PASSMAN. Yes. Since we are dealing with Afghanistan, let us consider the cost in that country.

Mr. GAUD. The average cost of a technician in Afghanistan?

Mr. PASSMAN. Yes, in fiscal year 1962.

Mr. GAUD. We have it for 1963.

Mr. PASSMAN. We want the information for 1962.

Mr. GAUD. Just a moment and I think we can calculate it; roughly $23,500.

Mr. PASSMAN. For a technician?

Mr. GAUD. Yes.

Mr. PASSMAN. What amount do you propose to fund for technicians in 1963, per technician?

Mr. GAUD. It is $4,874,000.

INCREASED TECHNICIAN COSTS

Mr. PASSMAN. How much per technician?

Mr. BIRNBERG. About $29,500 per technician, but that is caused by a rather difficult matter of estimating the proper funding of the Corps of Engineers in one project. The Corps of Engineers' people show a range of numbers. We do not know the exact number, and the estimate of funding reflects this range.

Mr. PASSMAN. You are taking the high figure for one project and projecting the average increase to be $6,000 per technician across the board in fiscal 1963.

Mr. BIRNBERG. That is true, sir, but outside the Corps of Engineers the average is still what it was before, very close to the $23,000 figure.

Mr. PASSMAN. You gave us an average increase of $6,000?

Mr. BIRNBERG. That is correct.

Mr. PASSMAN. Which means in some instances it may be double that amount?

Mr. BIRNBERG. No, sir.

Mr. PASSMAN. We are going to ask you again for the average.

Mr. BIRNBERG. The average has gone up to $29,500.

Mr. PASSMAN. Then, that is $6,000 per technician higher than a technician cost in fiscal year 1962.

What you are actually doing is using the high figure; is that correct?

Mr. BIRNBERG. No, sir. We are using the high figure on the estimated cost. We are using a range on the number of technicians. It tends, therefore, to raise the average.

Mr. PASSMAN. You are using the same type of technicians for fiscal year 1963 that you had in 1962?

Mr. BIRNBERG. That is correct.

Mr. PASSMAN. If you go across the board, the cost is $6,000 per technician more than in 1962?

Mr. BIRNBERG. That is correct, sir.

If I may explain. Only because the number of Corps of Engineers personnel in 1963 is estimated much higher, and the range is so great——

BUDGET FOR TECHNICIANS

Mr. PASSMAN. How much money have you budgeted for technicians for Afghanistan?

Mr. GAUD. $4,874,000.

Mr. PASSMAN. How much money do you have budgeted for third country technicians for fiscal year 1963 in Afghanistan?

Mr. GAUD. I do not think we have a breakout of that here.

Mr. PASSMAN. You have some employees in that category?

Mr. BIRNBERG. Yes. We have a certain number of Philippine nationals and others under the direct hire.

Mr. GAUD. They are not technicians, but they would show up as direct hire.

Mr. PASSMAN. You do have third country technicians coming in?

Mr. BIRNBERG. That is right, sir.

Mr. PASSMAN. Would it be because we have run out of technicians over here that you require the skills of more trained technicians?

Mr. GAUD. No, sir; it is not.

In Afghanistan, you have a very tough problem in terms of getting locals who can do jobs that locals can do in most countries, and we bring in Indians and Filipinos and it is cheaper than bringing in Americans.

Mr. PASSMAN. The cost per technician, with this new program, is $6,000 per technician higher?

Mr. GAUD. That is correct.

OBLIGATIONS FOR HELMAND VALLEY PROJECT

Mr. PASSMAN. How much money has been obligated to date for the Helmand Valley project?

Mr. GAUD. We have obligated a total of $4,845,000.

Mr. FORD. During what time period?

Mr. GAUD. Since 1960.

Mr. PASSMAN. What sum do you have in your justifications for fiscal year 1963?

Mr. GAUD. For the Helmand Valley in 1963?

Mr. PASSMAN. Yes.

Mr. GAUD. We have estimated obligations of $2.5 million.

Mr. PASSMAN. In addition to the amount you have already given us?

Mr. GAUD. That is correct.

Mr. PASSMAN. Let us project it to completion.

Mr. FORD. Off the record.

(Off the record.)

Mr. BIRNBERG. The estimated additional cost beyond that for 1963 is $7.2 million.

Mr. PASSMAN. That is only the AID part?

Mr. GAUD. Yes, sir.

TOTAL COST OF HELMAND VALLEY PROJECT

Mr. PASSMAN. What is the total cost of the project to completion, from all categories?

Mr. GAUD. It is very close to $112 million, of which $61 million was the Afghanistan Government's part.

Mr. PASSMAN. How much is our money?

Mr. GAUD. AID and Export-Import Bank about $51 million spent and to be spent.

Mr. PASSMAN. I shall quote:

The project is regarded by the Royal Government of Afghanistan as an American project.

Continuing to quote:

In view of major financed commitments from U.S. agencies, including the Export-Import Bank which loaned $39.5 million and the fact that an American contractor worked on the project from 1946 to 1959.

Am I reading correctly?

Mr. GAUD. Yes, sir.

Mr. FORD. Would the gentleman yield?

Mr. PASSMAN. Yes.

PROJECTED VALUE OF HELMAND VALLEY PROJECT

Mr. FORD. Over the years, there has been a tendency to say this project has not paid out. What is the current thinking? Are we still trying to get some return on our investment?

Mr. GAUD. Yes, sir.

Mr. FORD. What is the current thinking?

Mr. GAUD. The current thinking is that this project can be made into a thoroughly worthwhile proposition. The work that has been done to date mainly, Mr. Ford, has been heavy construction work. We have not had enough done to date on the detailed work, on the farming side, you might say.

This has also been true on the part of the Afghanistan Government in getting people to resettle in the valley. One of the basic problems we face on Helmand is getting the Government of Afghanistan to face up to its problem of running this thing and making it work. This is a situation you are under so many times. We can put in the physical facilities but we cannot instill in them the desire to do something with them. The conception of the project was good and it still has a good chance of paying out. As the chairman pointed out, this is regarded by many Afghans as an American project, and what we are trying to do now is to get the Afghanistan Government to take more of a hand in it itself and to improve the administration of the Helmand Valley Authority which is an arm of the Afghanistan Government, and to go forward with it.

Just recently there has been a development which has perhaps justified some further optimism in this respect and this is the visit of the Shah to Afghanistan. One of the problems that has held up this settlement in the use of this valley is the dispute between Afghanistan and Iran as to the use of the Helmand waters. We hope that this particular dispute is going to be settled and if it is this is going to make it easier to go forward with the whole project.

OBLIGATIONS FOR HELMAND VALLEY PROJECT

Mr. PASSMAN. Will you give us the figures you had obligated? You say $4,845,000 and you are requesting $2.5 million for this year? In subsequent years, you say you will need $7.2 million?

Mr. GAUD. Yes, sir; that is our present estimate.

Mr. PASSMAN. The Afghans themselves will arrange for $61 million of financing?

Mr. GAUD. They have already spent that in the past.

Mr. PASSMAN. That left $51 million to complete the project in its entirety; is that correct?

Mr. GAUD. Of that $51 million, $39 million has already been spent by the Export-Import Bank.

Mr. PASSMAN. You want $2.5 million this year?

Mr. GAUD. Yes, sir.

Mr. PASSMAN. In subsequent years, you will want $7.2 million?

Mr. GAUD. Yes, sir.

Mr. PASSMAN. It would appear to me that that adds up to $14,545,000; is that correct?

Mr. GAUD. I will take your word for it.

Mr. TENNANT. That is correct.

Mr. PASSMAN. The Export-Import Bank put up $39.5 million?

Mr. GAUD. Yes, sir.

Mr. PASSMAN. That makes a total of $54,045,000?

Mr. TENNANT. That is correct.

Mr. PASSMAN. Subtract $51 million from that.

Mr. GAUD. I beg your pardon.

Mr. PASSMAN. I am using your own figures. Subtract $51 million that you gave us as the U.S. part.

Mr. GAUD. My arithmetic was wrong.

Mr. PASSMAN. That gives a shortage there of $3,045,000?

Mr. GAUD. It proves my arithmetic was wrong. There is no shortage of money.

Mr. PASSMAN. We would have assumed the total cost was $51 million but in reality it is $54,045,000.

Mr. GAUD. I stand corrected.

FUNDING FOR AFGHAN REGIONAL TRANSIT PROJECT

Mr. PASSMAN. Am I reading the figures correctly that you have unliquidated obligations up to $21,300,000 for the Afghan regional transit project?

Mr. GAUD. Yes, sir.

Mr. PASSMAN. Then you are not requesting any funds for fiscal year 1963, are you?

Mr. GAUD. We are requesting $2 million.

Mr. PASSMAN. With an unobligated fund of $21.3 million?

Mr. GAUD. That is true.

Mr. PASSMAN. Is there any need for building up an additional $2 million on top of that amount?

You obligated a total through fiscal year 1961 of $27,799,000, and your unliquidated balance at that time was $23,208,000.

Last year you asked for $1 million, which was subsequently obligated?

Mr. GAUD. No, sir.

Mr. PASSMAN. Am I correct in saying your books show that you were going to obligate $1 million?

Mr. GAUD. That is correct.

Mr. PASSMAN. Am I correct in stating the unliquidated balance to the credit of this project is $21,330,000?

Mr. GAUD. That was correct when this book was printed.

Mr. PASSMAN. What is the unliquidated credit as of now?

USE OF CONTINGENCY FUND FOR AFGHAN TRANSIT PROJECT

Mr. GAUD. May I say that since this book was printed, I mentioned earlier this afternoon we had gone into the contingency fund to the extent of $23.7 million for Afghanistan.

That was in respect of this project and my guess would be, and I can only guess because I have not got the figures, but to get the accurate, unliquidated figure as of this moment, we would have to add $23.7 million to the $23,208,000.

Mr. PASSMAN. I cannot believe you mean that, but if you do, all right.

Mr. FORD. Earlier you testified there was approximately $40 million unliquidated in the whole country program?

Mr. TENNANT. That is correct.

Mr. PASSMAN. This is a program.

Mr. FORD. Is the total amount of unliquidated funds related to this project?

Mr. GAUD. May I go off the record?

Mr. PASSMAN. Put it on the record, and then take it off if it is a security matter.

TOTAL UNLIQUIDATED BALANCE FOR TRANSIT PROJECT

Mr. GAUD. I suspect the figure of unliquidated funds we got a while ago was without reference to this $23.7 million contingency commitment which was made late in June. The accurate figure would not be the $40 million we gave before.

Mr. PASSMAN. This is a very slow moving project, because you came out of 1961 with $23,208,000 unliquidated to the credit of the project.

You said you needed $1 million for fiscal year 1963, and out of the contingency fund you take an additional $23.7 million for the project?

Mr. GAUD. That is true.

Mr. PASSMAN. Which then gives you an unliquidated figure of $46,908,000 for this one project?

Mr. GAUD. That is correct.

Mr. PASSMAN. And you are asking for $2 million for fiscal 1963?

Mr. GAUD. No, sir. This book was written before this $23.7 million appropriation was made, and that page is therefore out of date.

Mr. PASSMAN. This shows again how much the contingency fund is actually abused.

TRUCKS AND BUSES FURNISHED AFGHANISTAN

How many trucks and buses did you furnish to this country as grant aid?

Mr. GAUD. The road project we were just talking about——

Mr. PASSMAN. Do you get mixed up on this.

Mr. GAUD. May I get a few facts in?

Mr. PASSMAN. Answer my question, please. How many trucks and buses were furnished to this country as grant aid?

Mr. GAUD. I do not have the figure with me, Mr. Chairman.

ESTIMATED TRANSIT PROJECT COMPLETION COST

Mr. PASSMAN. Now, to go back to the highway item.

Mr. GAUD. The contractor started to build that highway and he had just gotten started in August or July.

Mr. FORD. Of what year?

Mr. GAUD. 1961, when the border closed. His operations were delayed very considerably as a result and the additional funding which I spoke of, $23.7 million, will fund the entire contract.

Mr. PASSMAN. What is the total estimated completion cost of the contract?

Mr. FORD. Completion cost of the project, not the contract.

Mr. PASSMAN. I am talking about the project.

Mr. GAUD. The best estimate I can give you now, I cannot give you a final accurate figure—I would say was in the neighborhood of $57 million.

Mr. PASSMAN. When do you anticipate that the project will be completed?

Mr. GAUD. The funding is now complete.

Mr. PASSMAN. You missed my question altogether.

When do you anticipate the project will be brought to completion?

Mr. GAUD. The present estimated date is 1966.

Mr. PASSMAN. You are dipping over into the contingency fund and picking up funds 4 or 5 years in advance.

Mr. GAUD. The equipment and materials are necessary in the field now to finish the part of the road they are already working on, Mr. Chairman.

Mr. PASSMAN. Is the border closed now?

Mr. GAUD. Yes, sir.

Mr. PASSMAN. I hope you can work out some arrangement to get the equipment in.

PROJECT OBLIGATIONS THROUGH JUNE 1961

Mr. FORD. Mr. Chairman, may I ask a couple of questions on this particular point?

Mr. PASSMAN. Yes.

Mr. FORD. How much of this project will be obligated through June 30, 1961?

Mr. GAUD. $27-odd-million.

Mr. FORD. According to the books, the figure is $27,799,000?

Mr. GAUD. That is right.

Mr. FORD. In addition, you programed for this project through June 30, 1961, $23,208,000?

Mr. GAUD. No; that is the unliquidated part.

Mr. FORD. Programed but unliquidated?

Mr. GAUD. That had been programed prior to June 30, 1961; yes.

Mr. FORD. In fiscal 1962 you planned on obligating another million; is that right?

Mr. GAUD. When these books were prepared; yes.

Mr. PASSMAN. If the gentleman would keep this in context, these books were prepared in March of this year; is that correct?

Mr. GAUD. February or March of this year.

JUSTIFICATION FOR USE OF CONTINGENCY FUND

Mr. FORD. What prompted the decision to go to the contingency fund, bearing in mind that in fiscal 1962, you still anticipated an unliquidated balance of $21,330,000?

Mr. GAUD. This question was tied up with the whole business of our ability to get on with the kind of program we wanted in Afghanistan.

As a result of the border closing, when the border closed in the fall, we had no idea when it would be reopened or when we would be able to go forward with some of these projects, and this particular project was one which had been on the books, as the chairman pointed out, for some time. We think it is of prime importance in terms of internal communications in Afghanistan and we wanted to complete it as soon as we could.

We just could not make up our minds in the middle of the winter just what to do about this. This book was prepared the assumption we would not commit the total amount of money necessary to complete the road, and then as time went on, in the course of the spring, we concluded it would be a good gamble to try to finish this road as soon as we could. If we did not procure the materials which were necessary, and the machinery and equipment necessary, to finish the road by the time the border was opened, it would be a matter of several months before you could get to work. Your contractor would have disbanded all the rest of it and what we are doing now is to keep the contractor going on a reduced scale so he will not disband his force.

We want to be in a position to go forward with the road work as soon as we possibly can so we decided to take up the rest of the contract and procure the materials and have them shipped to Karachi, Pakistan, on the assumption that the border, in due course will open. If the border does not open, if the material is there, and we cannot get it in through Pakistan, there remains the possibility, which we are not a bit enthusiastic about, of getting it in through Iran. There is also the possibility of using the material in Pakistan where there are a great many construction projects of the same sort basically.

We did this, taking a calculated risk that we would be able to get the stuff through Pakistan.

Mr. PASSMAN. We accept Pakistan as a friendly nation; as long as these hundreds of millions of dollars are going in, I believe they will remain friendly.

Afghanistan borders Pakistan and you have a semi-long-range project that covers railroads, bridges, under this project, and your optimistic estimate is that you will complete it in 1966. You are trying to find a little period when the border opens and when the curtain lifts you are going to rush this equipment across the border and have it in a country that will take you into 1966.

Mr. GAUD. Mr. Chairman——

USE OF AID EQUIPMENT AND SUPPLIES IF BORDER REMAINS CLOSED

Mr. PASSMAN. If the border does not open, then you might use the same equipment in Pakistan.

Mr. FORD. Mr. Chairman, may I——

Mr. GAUD. May I say a word on that?

Mr. PASSMAN. Have I stated the fact, that to get the equipment over into Pakistan, if the border opens, you can move it into Afghanistan and have it there to complete the project, or the program, in 1966?

Mr. GAUD. That is what we are shooting for.

Mr. PASSMAN. If you had not had two aid-recipient nations squabbling, you would have continued this matter on an annual basis, this program, would you not?

Mr. GAUD. Look, if the border had not closed, we would have appropriated this money in 1962, just the same way.

Mr. PASSMAN. Do you mean that you would have gone into the contingency fund and funded this thing several years in advance, when you had been funding it a slice per year?

Mr. GAUD. We have not been funding it a slice per year.

Mr. PASSMAN. I do not agree with you because here you have——

Mr. GAUD. I apologize.

Mr. PASSMAN. You have done it at a slice per year.

You are dealing with two recipient nations, Pakistan and Afghanistan. They are squabbling, and the border is closed, but you are rushing the equipment and supplies, whatever is necessary to complete the project, to Pakistan, and getting it near the border so if the border opens, you can take it into Afghanistan to do the work. If the border does not open, you may utilize the items in Pakistan?

Mr. GAUD. Or we may get it in some other way.

Mr. PASSMAN. You may use it in Pakistan?

Mr. GAUD. I say that is a possibility.

Mr. PASSMAN. Let Pakistan find out about that and you never will get the border open.

POLICY TOWARD AFGHANISTAN

Mr. GAUD. If I may say one word to get this in at the right time here, we come here to the basis of the question of Afghanistan and what is our policy toward Afghanistan? It is a landlocked country. It has egress through Pakistan which has been closed for some time. It has a rather tenuous egress through Iran. It also has very easy access to Russia.

The United States has decided it is in its national interest to keep Afghanistan from being wholly dependent on the Soviet bloc. The Soviet bloc has a very large aid program in Afghanistan, very much larger than ours.

It is a very soft shoe, low key program. They have a great many technicians in the country and they have made no effort to interfere with the affairs of the country.

Many feel the Afghanistan influence, or rather the Russian influence, in Afghanistan has been expanding as a result of this program.

The United States has taken the decision—and the decision was taken in 1955 and 1956—to try ————, to give Afghanistan an alternative to being too heavily dependent on the Soviet bloc.

You run into a situation that we ran into last summer when the border was closed. It is one of these things. You cannot say to Pakistan and you cannot say to Afghanistan, which are independent nations, "You have got to open that border."

That is a fact of life you have to deal with.

(Discussion off the record.)

What we are doing in the main today is to carry on programs in Afghanistan which do not entail any large amount of supplies, which we can carry on through technicians and the like, and education and so forth. There is this one project which does entail a large amount of material, equipment, and supplies. It is a project on which the Afghanistan Government sets particular store.

We have got the road partially built already and we feel it is to our interest in Afghanistan to go forward with the project when we can.

These are the facts which led us to make the decision we made.

Mr. PASSMAN. If you want to go back to 1961, you had a program in Pakistan of $130 million. That went up to $240 million in 1962. You have a proposed plan for $235 million in fiscal year 1963. Now, Afghanistan: In fiscal year 1961 you had a program of $12,823,000; in 1962, $38,537,000; and you are proposing for 1963, $19 million; is that correct?

Mr. GAUD. Yes, sir.

CONTRIBUTION BY AFGHANISTAN FOR REGIONAL TRANSIT PROJECT

Mr. FORD. How much have the Afghans contributed to this project? What is their contribution over the long haul?

Mr. GAUD. For the road?

Mr. FORD. Yes.

Mr. GAUD. In terms of local currency committed by the country, we show $4,339,000.

Mr. FORD. You say local currency. Is that local currency generated by programs of the United States?

Mr. BIRNBERG. It could be. The figure Mr. Gaud stated could include such generated currency. This is the total.

BREAKDOWN OF USE OF CONTINGENCY FUND

Mr. FORD. Of this $23.7 million that came from the contingency fund in fiscal 1962, how much of that is for actual hardware?

Mr. GAUD. I do not know the breakdown of the contract.

Mr. FORD. I am talking about roadbuilding equipment.

This is what I understood was the basic justification.

Mr. GAUD. Yes, equipment and materials.

We had a contract to build the whole road. It could be split into several parts. Prior to now, we had exercised the contract for a part of the road and this exercise of the contract for the balance of the road includes the contractor's fees, expenses, personnel equipment, and the rest of it.

Mr. FORD. You fully funded the contract through fiscal year 1966?

Mr. GAUD. That is right.

Mr. FORD. I thought I heard earlier that the justification for going into the contingency fund was the procurement of roadbuilding equip-

ment, hardware, as I put it, so you could procure it in the United States and ship it to the area so it could be available?

Mr. GAUD. That is right in part—equipment, material, and so forth. We had an indivisible contract.

Mr. FORD. How much of that hardware has actually been procured?

Mr. GAUD. That is being paid for with the $23.7 million. We only did this in June, sir, so I would guess none.

Mr. PASSMAN. Could you tell us what date in June?

Mr. FORD. I just do not understand this, to be frank with you. There was an urgency to buy hardware.

Mr. GAUD. Not only hardware. It is also cement, asphalt, and gasoline. The gasoline costs of this project are very large, as they are on any road construction project. It is the whole works.

BACKGROUND ON CONTINGENCY FUND USE

Mr. FORD. How much of the $23.7 million that was an urgent and contingency matter has actually been obligated?

Mr. GAUD. I cannot answer that at the moment.

Mr. FORD. When was the decision made to use the contingency fund for this project?

Mr. GAUD. The decision was made to exercise this contract in May and, as far as I am concerned, Mr. Ford, I sent forward the recommendation that this should be done. As to when the decision was made as to what funds were available from which it would be done, I just do not know.

Mr. FORD. Let us find out for the record so we will have it in the record.

Mr. PASSMAN. Also, on what date did you obligate the money from the contingency fund to the project?

Mr. TENNANT. I know it is in June, but I do not have the actual date. I would have to supply that for the record.

SCOPE OF TRANSIT PROJECT

Mr. PASSMAN. We want you to bring it to us.

There is one other project that we ran into which you funded out of section 202(a) funds. The project may not be started for a long time in the future, 6 months to a year, or longer. Even after it starts, it has a 7-year completion date, and you have funded it to completion. So, this is not the exception. Your reasons for doing it may sound better, but it is certainly not the exception. We find more and more projects of substantial amount being funded to completion.

Mr. FORD. Is that what we are talking about?

Mr. PASSMAN. Yes, this project, No. 306–F–39AA.

JUSTIFICATION FOR 1963 ESTIMATE

Mr. FORD. At the time these books were prepared, it must have been the opinion of the executive branch of the Government that only $2 million was needed to continue the contract which was started at least in fiscal 1961. Somebody must have felt that $2 million in fiscal 1962 would have adequately funded the program and paid the contractor.

Mr. GAUD. The problem was that the border was closed, and at that point we did not have enough hope that it was going to reopen. We thought we might have to delay the project altogether, so we did not put in any money to complete it. This is our thinking.

Mr. FORD. If that was the case, why did we put any money in it in fiscal 1963?

Mr. GAUD. Engineering and surveying by the Corps of Engineers for the project.

Mr. PASSMAN. The border is still closed.

Mr. FORD. Then there is no point in having anything in there, if there is no hope.

Mr. GAUD. As I said, originally we hoped to continue our presence in Afghanistan, and it was our hope, under the worst circumstances, that we would ultimately be back in Afghanistan continuing these projects.

Mr. LEE. I would like——

Mr. FORD. Let me make one comment. This kind of situation leads me to the conclusion that the contingency fund would expire June 30, so the word was spread, "Let us find some projects that could be justified for utilization." One was picked here, one was picked here, and another was picked there, and we ended up with this one and maybe some others that were obligated or committed before June 30. This is the impression I get.

Mr. GAUD. Let me say, sir, that this is not the case. As you can imagine, with the Afghan-Pakistan border problem what it was, there were a good many discussions in the State Department and in the AID as to what we ought to do about our Afghan problem. I have not the exact date with me, but will supply it tomorrow, but the decision to exercise this contract and go ahead with the road was made long before June 30.

Mr. PASSMAN. I am going to read into the record just what this covers. There is no use for us to keep confusing this.

Mr. GAUD. The $23.7 million——

PLAN AND PURPOSE OF PROJECT

Mr. PASSMAN. Here on page 521, your project number is 306–F–39AA. I quote:

1. Basic plan and project purpose. The project is designed to improve the surface transportation facilities from Kabul to the southern border, so as to provide the country with better access to free world markets, thus reducing Afghan dependence on the U.S.S.R. as a source of supply and market for exports.

The program includes reconstructing the Kabul-Kandahar Road (320 miles); paving the Kandahar-Spin-Baldak Road (70 miles); constructing a bridge over the Tarnak River, and constructing both an extension of Pakistan's north western railway from the Pakistan border to Spin-Baldak and terminal facilities at Spin-Baldak to link the road system of Afghanistan with the rail system of Pakistan.

You have said if the project goes forward, it will not be completed until 1966. What sum do you propose expending on the project from the date the border opens until completion? You had to have some reason for pulling it out of this contingency fund, and I think I know what it was: you were about to lose a lot of money. Since you said that if you got all this equipment in, the project would be

completed in 1966, could you give us a general idea what the disbursements will be per year from 1962 to completion?

Mr. GAUD. You mean how the money will be spent?

Mr. PASSMAN. How much you will disburse per year. You will not draw a check at one time. You know what we want, do you not, Mr. Tennant?

Mr. TENNANT. By year, 1963 through 1966.

Mr. GAUD. Sir, let me call to your attention, if I may, the third full paragraph on the right-hand side of the page here, where they refer to the contract for construction of the Kabul-Kandahar Road. This contract is funded with the additional $23.7 million. It does not go for any of the rest of the projects.

Mr. PASSMAN. But it all comes up under the same project number, does it not?

Mr. GAUD. Yes, sir.

Mr. PASSMAN. And one ties in to the other?

Mr. GAUD. Yes. The Kandahar-Spin-Baldak Road is virtually finished.

Mr. PASSMAN. When we are dealing with 306–F–39AA, we are dealing with a project in this country, by number?

Mr. GAUD. Yes, sir.

Mr. PASSMAN. It encompasses all the things you list on this page?

Mr. GAUD. Yes, sir.

Mr. PASSMAN. One ties in to the other?

Mr. GAUD. Yes, sir.

MAY AND JUNE CONTINGENCY FUND OBLIGATIONS

Mr. PASSMAN. Tomorrow morning, if you will, give us a list of all the contingency obligations for the month of May and the month of June.

Mr. FORD. Is this Afghan-Pakistan border now closed?

Mr. GAUD. Yes.

Mr. FORD. When was it last open?

Mr. GAUD. It was last open for our goods, not for other people's goods, in February and March of this year.

Mr. FORD. In other words, it has been closed, we will say, since March of 1962?

Mr. GAUD. One hundred percent, since March 29, 1962.

Mr. FORD. To this date?

Mr. GAUD. Yes, sir.

Mr. FORD. For any shipment of U.S. goods?

Mr. GAUD. For any shipment of any kind, it has been shut since last August for everything, except that they opened it for 2 months in February and March for U.S. aid goods.

Mr. FORD. The decision was made sometime in May or June to allocate $23.7 million out of the contingency fund to fully fund this contract and, as you indicated, primarily for the purpose of the Kabul-Kandahar Road?

Mr. GAUD. The decision was made during the first week of May entirely for that purpose, sir.

Mr. FORD. The best way and probably the only feasible way to get this equipment that was necessary on this construction contract to the area for construction is through this border?

Mr. GAUD. That is right.

STATUS OF BORDER SITUATION

Mr. FORD. Do you have any hopes that the border situation will improve?

Mr. LEE. May I speak to that, Mr. Ford?

Mr. FORD. Surely.

Mr. LEE. This border has been closed, as Mr. Gaud said, since last fall, but the opening was specifically for the purpose of passing through these materials which would ultimately be greatly to the benefit of Afghanistan, but also greatly to our benefit because of the extent of our national interest there. The opening was the result of a great deal of patient and quiet approach to both Governments and a great deal of good will on their part, despite the bitter differences that they have which extend over generations.

In the meantime, we have worked with both governments and with governments to try to bring about some settlement, either for the short range or for the long range. We were talking a while ago about the gamble, the calculated risk that was taken here. It was the assessment of the executive branch of the Government that this was a risk that was worth taking.

Without going into the detail of it, I think that still proves to be a good gamble. We do not know as yet what will be the result of this current series of moves on the part of the Shah of Iran, but in any case we are working on it, and I think they are just expressing an opinion that it is still a very good gamble and the stakes are very high.

CONTINUANCE OF PROJECT

Mr. FORD. I hope the gamble pays off, but you certainly had no anticipation that the atmosphere would change any at the time the decision was made to withdraw funds from the contingency fund.

Mr. GAUD. The decision really, Mr. Ford, was to go forward with the project. As Mr. Lee has just said, we felt it important from the standpoint of American interests to go forward with this project. We did not have our eyes on the contingency fund.

Mr. FORD. It seems to me it would have been better to have waited a while and possibly utilized funds out of fiscal 1963 contingency.

Mr. GAUD. This was a question of judgment.

Mr. FORD. It raises the suspicion, as I said before, that judgment was tied somewhat into the availability of obligational authority in the fiscal 1962 contingency fund. That is my suspicion. This is beyond your authority and control, but this is a suspicion that is raised in my mind by the sequence of events.

Mr. GAUD. I think the answer to that really lies in the fact that the decision to go forward with the project was taken after a long series of very soul searching sessions, and was reached long before the end of the fiscal year.

This was a supporting assistance project in fiscal year 1962 of which $23.7 million was funded from the contingency fund. It has been shifted to development grants in fiscal year 1963 just as have all the other supporting assistance projects.

Mr. FORD. I cannot believe that the urgency to commit made it necessary to do it in May or June rather than in July or August, out of the next year's contingency fund.

Mr. PASSMAN. Let us state positively, it was not May or June. You obligated the funds in June, did you not?

Mr. TENNANT. Yes.

Mr. GAUD. There was another factor in there which slipped my mind, and Mr. Birnberg just reminded me of it. Unless we exercised this option by June 14, it would cost us a lot of money.

Mr. PASSMAN. What option?

Mr. GAUD. To go forward with the remaining segments of the road.

Mr. FORD. I think it might be very well for the committee to see a copy of the contract.

Mr. PASSMAN. Did Afghanistan agree to open the border to permit American aid shipments to get in?

Mr. GAUD. Yes.

Mr. PASSMAN. They agreed to open the border long enough to get aid shipments.

Mr. FORD. Mr. Chairman, I have asked for a copy of the contract. May we have that?

Mr. PASSMAN. Let us have a copy of the contract, if we may.

Mr. GAUD. Yes.

PROGRAMING FROM CONTINGENCY FUND

Mr. PASSMAN. This is not the exception we are dealing with. This is becoming more and more the rule. I think that in several instances you obligated out of the contingency fund, which indicated to me you anticipated that you would have unliquidated funds, and at a subsequent date you deobligated from the contingency fund the same amount for the project for which you obligated. Is that a statement of fact?

Mr. TENNANT. No, sir. I think you are referring to the program decisions that were made and changes.

Mr. PASSMAN. You originally programed out of the contingency account certain funds for certain projects after you got your money last year, did you not?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. At a subsequent date you deprogramed these contingency fund items?

Mr. TENNANT. Yes, sir.

Mr. FORD. As far as Mr. Gaud is concerned, it did not make any difference to you whether the availability came out of fiscal 1962 or fiscal 1963.

Mr. GAUD. No.

Mr. FORD. You believed in the program, whether we agree with you or not.

Mr. GAUD. And we had to exercise the option before June 14 or it would cost us a lot of money.

Mr. PASSMAN. What option and what lot of money?

Mr. GAUD. The whole contract would have to have been renegotiated.

Mr. PASSMAN. You could have discontinued the project, could you not?

Mr. GAUD. We could have discontinued the project.

Mr. PASSMAN. Or you could have picked up one part of the project and liquidated the unliquidated funds.

Mr. GAUD. And half build a road?

Mr. PASSMAN. One that is connected with something else.

Mr. GAUD. This is a contract for a road.

Mr. PASSMAN. You said you carried it through to 1966. You would never make me understand there was any justification for taking a project like this and funding it to completion away off yonder.

PROJECT SHEET INDICATED NO NEED FOR EXERCISE OF CONTRACT OPTION

Mr. FORD. Whoever prepared the document sheet on page 521 which shows the estimated obligations for fiscal year 1963 requiring only $2 million apparently did not know about the need to exercise this option for the contract on June 14.

Mr. GAUD. It would seem so.

Mr. FORD. It is very obvious.

Mr. GAUD. It would seem so.

Mr. FORD. Let us find out why that fact was not known to whoever prepared this sheet, because there is an obvious conflict between your testimony and the statement of the books.

Mr. PASSMAN. You did say earlier the main purpose the $23.7 million dip into the contingency fund was on account of a dispute between Pakistan and Afghanistan and you wanted to buy the material so, if the border opened, you could move it over and have it there to finish the project. There is no way to get that out of the record.

AID EXPLANATION OF CALL TO LIBRARY OF CONGRESS

Mr. MILLER. Concerning one matter that was raised earlier in connection with the Library of Congress, I called down to the AID and talked to the gentleman who talked with someone at the Legislative Reference Service of the Library of Congress, Mr. Hermann Ficker. There were two matters, I understand, which were under discussion.

The individual at AID, in doing the research on the question which you had asked, noted that a list of this had been prepared apparently some time ago, and it had been prepared by Mr. Ficker. This individual had talked to Mr. Ficker on other questions at other times, so he called up Mr. Ficker and discussed two matters. One, he discussed whether or not Mr. Ficker's former list had been updated and, two, he discussed the Soviet countries which were shown on Mr. Ficker's list as not receiving aid. He did not at any time make a request of Mr. Ficker for any list of countries.

Mr. PASSMAN. Thank you. I, myself, have never mentioned Mr. Ficker in connection with this matter.

We requested that you people who are charged with the responsibility of administering this program inform us as to the countries that were not getting aid. You did not have that information; if so, you would not have called the Library of Congress about it. But, your people did call the Library simply because you did not have the information.

Mr. MILLER. Mr. Chairman, we attempt to do as much research as is possible.

Mr. PASSMAN. You did not have the information and you were trying to get the Legislative Reference Service of the Library of Congress to get it for you.

(The committee stands adjourned until 10 a.m. tomorrow.)

WEDNESDAY, AUGUST 1, 1962.

Mr. PASSMAN. The subcommittee will come to order.

TREASURY DEPOSITS AND WITHDRAWALS

I should like to refer to information from the daily statement of the U.S. Treasury for July 26, 1962.

The expenditures by our Government last year reached an all-time high for this country. We thought a record had been established which would stand for a long time with respect to withdrawals from the U.S. Treasury, but during the first 26 days of this fiscal year we have withdrawn $8,663,769,954.45 as against $7,244,663,624.63 for the same period the previous year, which means that we have spent about $1,419 million more during the first 26 days of this fiscal year than we did during the corresponding 26 days of the preceding fiscal year.

We are either greatly increasing the expense of running our Government, according to this statement, or else some invoices came in late in fiscal 1962 and were held over for payment in fiscal 1963.

If that is true it means that the actual deficit for fiscal 1962 amounted to more than $6,300 million.

It was either one or the other. The statement speaks for itself.

I submit the July 26, 1962, Treasury statement for the record.

(The Treasury statement referred to follows:)

Daily Statement of the United States Treasury

JULY 26, 1962

The deposits and withdrawals shown in this statement are those that affect the account of the Treasurer of the United States. Operations on a budgetary basis, showing the budget surplus or deficit, are published in the Monthly Statement of Receipts and Expenditures of the United States Government.

ACCOUNT OF TREASURER OF THE UNITED STATES

ASSETS	
Gold (oz. 463,088,083.9)	$16,208,082,936.59
(Amount on July 26, 1961 was $17,526,994,938.82)	
Total	16,208,082,936.59
Silver (oz.1,686,494,335.5)	2,180,517,927.10
Silver dollars (oz. 87,957,005.6)	113,722,189.00
Total	2,294,240,116.10
Gold balance (as above)	120,814,420.28
Silver balance (as above)	37,732,415.10
Subsidiary coin (oz. 3,373,471.6)	4,663,516.92
Other silver bullion (oz. 37,506,678.2)	31,773,204.18
Other coin and currency	96,178,670.16
Unclassified-collections, etc.	70,750,074.39
Deposits in:	
Federal Reserve banks:	
Available funds	496,987,170.84
In process of collection, etc.	196,043,251.80
Special depositaries, Treasury Tax and Loan Accounts	5,313,493,053.82
Other depositaries	378,663,848.36
Total	6,747,119,625.85

LIABILITIES	
Gold certificates (Series of 1934), etc	$16,087,268,516.31
Balance of gold	120,814,420.28
Total	16,208,082,936.59
Silver certificates (issued after June 30, 1929)	2,256,507,701.00
Balance of silver	37,732,415.10
Total	2,294,240,116.10
Board of trustees, Postal Savings System:	
5-percent reserve, lawful money	29,500,000.00
Other deposits	10,789,250.48
Uncollected items, exchanges, etc.	26,363,648.78
Balance	6,680,466,726.59
(Balance corresponding day last year was $6,651,194,985.59)	
Total	6,747,119,625.85

CASH DEPOSITS AND WITHDRAWALS

Classification	This month to date	Corresponding period last year[1]	Fiscal year 1963 to date (Beginning July 1, 1962)	Corresponding period fiscal year 1962[1] (Beginning July 1, 1961)
DEPOSITS				
Internal revenue:				
Individual income taxes and Federal Insurance Contributions Act taxes withheld[2]	$1,185,559,580.75	[a] $915,453,065.72	$1,185,559,580.75	[a] $915,453,065.72
Individual income taxes other and Self-Employment Contributions Act taxes[2]	304,033,591.70	224,024,041.94	304,033,591.70	224,024,041.94
Corporation income taxes	568,960,990.69	494,285,963.73	568,960,990.69	494,285,963.73
Excise taxes	1,044,924,203.08	1,015,697,201.64	1,044,924,203.08	1,015,697,201.64
Railroad Retirement Tax Act taxes[3]	16,294,592.17	5,161,577.91	16,294,592.17	5,161,577.91
Federal Unemployment Tax Act taxes[4]	1,256,788.93	742,100.18	1,256,788.93	742,100.18
Estate and gift taxes	145,564,164.36	125,798,986.03	145,564,164.36	125,798,986.03
Customs	81,243,040.60	64,866,847.18	81,243,040.60	64,866,847.18
Deposits by States and Railroad Retirement Board in unemployment trust fund	35,508,066.53	39,279,444.43	35,508,066.53	39,279,444.43
Veterans' life insurance funds	34,296,569.46	44,502,353.25	34,296,569.46	44,502,353.25
All other	1,017,582,356.91	475,252,725.88	1,017,582,356.91	475,252,725.88
Total	4,435,223,945.18	3,405,064,307.89	4,435,223,945.18	3,405,064,307.89
Deduct: Refunds of receipts	152,049,223.48	171,052,362.03	152,049,223.48	171,052,362.03
Net deposits	4,283,174,721.70	3,234,011,945.86	4,283,174,721.70	3,234,011,945.86
WITHDRAWALS				
Defense Department:				
Military (including military assistance)	3,553,942,744.10	2,991,523,765.06	3,553,942,744.10	2,991,523,765.06
Civil	62,321,625.71	114,835,466.75	62,321,625.71	114,835,466.75
Foreign assistance - economic	137,614,948.00	109,687,198.97	137,614,948.00	109,687,198.97
Atomic Energy Commission	185,791,773.10	184,317,995.07	185,791,773.10	184,317,995.07
National Aeronautics and Space Administration	123,127,066.80	[a] 112,352,717.21	123,127,066.80	[a] 112,352,717.21
Veterans' Administration	382,331,659.35	428,984,059.71	382,331,659.35	428,984,059.71
Commodity Credit Corporation[5]	293,657,644.95	233,414,964.37	293,657,644.95	233,414,964.37
Health, Education, and Welfare Department	386,437,657.87	[a] 297,890,741.25	386,437,657.87	[a] 297,890,741.25
Interest on the public debt	227,221,318.96	194,518,767.51	227,221,318.96	194,518,767.51
Federal employees' retirement funds	91,749,975.02	83,319,732.86	91,749,975.02	83,319,732.86
Federal old-age and disability insurance trust funds	1,233,383,857.89	[a] 1,060,148,658.54	1,233,383,857.89	[a] 1,060,148,658.54
Highway trust fund	232,686,603.06	[a] 211,851,354.68	232,686,603.06	[a] 211,851,354.68
Railroad retirement account	87,748,297.13	84,480,020.29	87,748,297.13	84,480,020.29
Unemployment trust fund	173,344,656.10	220,361,534.05	173,344,656.10	220,361,534.05
Veterans' life insurance funds	52,541,547.20	190,445,603.30	52,541,547.20	190,445,603.30
All other	966,756,308.14	[a] 813,799,206.66	966,756,308.14	[a] 813,799,206.66
Clearing account	473,112,271.07	-87,268,161.65	473,112,271.07	-87,268,161.65
Total withdrawals	8,663,769,954.45	7,244,663,624.63	8,663,769,954.45	7,244,663,624.63

[1] Covers period through July 26, 1961.

[2] Distribution in accordance with provisions of sec. 201 of the Social Security Act, as amended, will be shown in the Monthly Statement of Receipts and Expenditures of the United States Government.

[3] Amounts equal to taxes on carriers and their employees (minus refunds) are appropriated to the Railroad retirement account.

[4] Amounts equal to the tax received under the Federal Unemployment Tax Act are transferred to the Unemployment Trust Fund.

[5] Includes expenditures for the soil bank and special export programs.

[a] Revised on account of reclassification.

CHANGES IN THE PUBLIC DEBT[1]--JULY 26, 1962

Classification	This month to date	Corresponding period last year[2]	Fiscal year 1963 to date (Beginning July 1, 1962)	Corresponding period fiscal year 1962[2] (Beginning July 1, 1961)
Increase (+) or decrease (-) in the gross public debt:				
Public issues:				
Marketable obligations:				
Treasury bills	+$770,342,000.00	+$4,085,075,000.00	+$770,342,000.00	+$4,085,075,000.00
Certificates of indebtedness	-212,000.00	-1,155,000.00	-212,000.00	-1,155,000.00
Treasury notes	+1,843,000.00	+26,473,000.00	+1,843,000.00	+26,473,000.00
Treasury bonds	-56,959,375.00	-13,258,750.00	-56,959,375.00	-13,258,750.00
Other	-62,397.00	-2,182,003.00	-62,397.00	-2,182,003.00
Total marketable obligations	+714,951,228.00	+4,094,952,247.00	+714,951,228.00	+4,094,952,247.00
Non-marketable obligations:				
United States savings bonds	-92,504,372.55	-89,122,335.65	-92,504,372.55	-89,122,335.65
Treasury bonds, investment series	-5,190,000.00	-28,482,000.00	-5,190,000.00	-28,482,000.00
Other	+36,788,208.15	+85,792,963.22	+36,788,208.15	+85,792,963.22
Total non-marketable obligations	-60,906,164.40	-31,811,372.43	-60,906,164.40	-31,811,372.43
Total public issues	+654,045,063.60	+4,063,140,874.57	+654,045,063.60	+4,063,140,874.57
Special issues	-143,997,000.00	+139,192,000.00	-143,997,000.00	+139,192,000.00
Other obligations	-610,216.00	-476,500.00	-610,216.00	-476,500.00
Change in gross public debt	+509,437,847.60	+4,201,856,374.57	+509,437,847.60	+4,201,856,374.57
Gross public debt at beginning of month or year	298,200,822,720.87	288,970,938,610.05	298,200,822,720.87	288,970,938,610.05
Gross public debt this date	298,710,260,568.47	293,172,794,984.62	298,710,260,568.47	293,172,794,984.62
Guaranteed obligations not owned by Treasury	442,324,200.00	238,163,475.00	442,324,200.00	238,163,475.00
Total gross public debt and guaranteed obligations	299,152,584,768.47	293,410,958,459.62	299,152,584,768.47	293,410,958,459.62
Deduct debt not subject to statutory limitation	432,606,619.65	346,635,126.83	432,606,619.65	346,635,126.83
Total debt subject to limitation[3]	298,719,978,148.82	293,064,323,332.79	298,719,978,148.82	293,064,323,332.79

EFFECT OF OPERATIONS ON PUBLIC DEBT

Deposits (-)	-$4,283,174,721.70	-$3,234,011,945.86	-$4,283,174,721.70	-$3,234,011,945.86
Withdrawals (+)	+8,663,769,954.45	+7,244,663,624.63	+8,663,769,954.45	+7,244,663,624.63
Investment of Government agencies in public debt securities (net), excess of investments (+) or redemptions (-)	+89,387,500.00	+140,142,547.43	+89,387,500.00	+140,142,547.43
Sales and redemptions of obligations of Government agencies in market (net), excess of sales (-) or redemptions (+)	-188,532,565.14	+14,561,437.50	-188,532,565.14	+14,561,437.50
Accrual of disc. on sav. bonds and Treasury bills (+)	+148,584,244.72	+154,808,283.41	+148,584,244.72	+154,808,283.41
Public debt red. incl. as cash withdrawals (-)	-170,669,742.54	-75,382,604.37	-170,669,742.54	-75,382,604.37
Total	+4,259,364,669.79	+4,244,781,342.74	+4,259,364,669.79	+4,244,781,342.74
Increase (+) or decrease (-) in balance of the Treasurer of the United States	-3,749,926,822.19	-42,924,968.17	-3,749,926,822.19	-42,924,968.17
Increase (+) or decrease (-) in public debt	+509,437,847.60	+4,201,856,374.57	+509,437,847.60	+4,201,856,374.57

MEMORANDUM ON INTER-FUND TRANSACTIONS

Non-cash Items Omitted from Both Deposits and Withdrawals on Page 1:				
Interest on investments in Federal securities held by trust funds, etc.	$247,554.66	$294,104.58	$247,554.66	$294,104.58
Transfers between trust funds	20,756.63	9,600,000.00	20,756.63	9,600,000.00
Transfers from general fund to trust funds[4]	33,053,800.00	66,193,784.06	33,053,800.00	66,193,784.06
Transfers between general funds	.....	2,823,420.01	.....	2,823,420.01
Reimbursements to general fund from trust funds	4,970.38	207,365.12	4,970.38	207,365.12
Transfers to employees' retirement funds	133,216,716.51	105,744,187.26	133,216,716.51	105,744,187.26
Interest paid to Treasury by Government agencies	61,764,684.22	62,205,318.72	61,764,684.22	62,205,318.72
Payment of capital funds by Government agencies to Treasury	.....	.....	.....	.....
Total	228,308,482.40	247,068,179.75	228,308,482.40	247,068,179.75
Non-cash Items Omitted from Withdrawals on Page 1 and Added to Public Debt:	.....	.....	.....	.....
Discount accrued on savings bonds	148,584,244.72	154,808,283.41	148,584,244.72	154,808,283.41
Discount accrued on Treasury bills				
Total	148,584,244.72	154,808,283.41	148,584,244.72	154,808,283.41
Public Debt Redemptions Included in Withdrawals on Page 1:[5]				
Discount included in savings bond redemptions	42,319,429.42	51,953,907.44	42,319,429.42	51,953,907.44
Discount included in Treasury bill redemptions	128,266,842.02	87,318,266.85	128,266,842.02	87,318,266.85
Armed Forces leave bonds	63,475.00	94,025.00	63,475.00	94,025.00
Inter-American Development Bank notes (net)	.....	.....	.....	.....
International Monetary Fund notes (net)	.....	-64,000,000.00	.....	-64,000,000.00
International Development Association notes (net)	.....	.....	.....	.....
Excess profits tax refund bonds[6]	3,446.10	5.08	3,446.10	5.08
Adjusted service bonds	16,550.00	16,400.00	16,550.00	16,400.00
Total	170,669,742.54	75,382,604.37	170,669,742.54	75,382,604.37

U. S. SAVINGS BONDS -- SERIES E AND H

Sales--cash issue price	$311,294,011.00	$293,009,051.00	$311,294,011.00	$293,009,051.00
Accrued discount on Series E	.....	.....	.....	.....
Total	311,294,011.00	293,009,051.00	311,294,011.00	293,009,051.00
Redemptions--for cash, at current redemption value[7]	352,980,895.15	322,104,128.43	352,980,895.15	322,104,128.43
Exchanges - Series H for Series E, F and J	15,504,000.00	15,342,500.00	15,504,000.00	15,342,500.00

[1] Includes exchanges.
[2] Covers period through July 26, 1961.
[3] Statutory debt limit, established at $285 billion by the Act approved June 30, 1959, has been temporarily increased from July 1, 1962, to March 31, 1963, to $308 billion; from April 1, 1963, to June 24, 1963, to $305 billion and from June 25, 1963, to June 30, 1963, to $300 billion.
[4] Does not include appropriations of receipts to Federal old-age and survivors insurance trust fund, Federal disability insurance trust fund, Highway trust fund, Railroad retirement account, and Unemployment trust fund.
[5] Minus figures represent net issues of public debt obligations. Redemptions of Armed Forces leave bonds, etc., and discount earned on savings bonds and Treasury bills are included in cash withdrawals when the securities are redeemed.
[6] Reported as refunds of receipts.
[7] Includes minor amounts of Series A through D, the last bonds of which matured in April 1951.

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AFGHAN REGIONAL TRANSIT PROJECT

Yesterday afternoon I was questioning the validity of the estimate of $2 million for fiscal 1963 for the Afghan regional transit project, in view of the substantial unliquidated obligation of $21,330,000 to the credit of the project. It was then ascertained that an additional $23,700,000 had been allocated to the project in June from the contingency fund despite the fact that the Afghan-Pakistan border is closed to all traffic. As I understand the situation, the additional allocation of $23,700,000 was made in June in order to start procuring materials and equipment for the road project just in case the border should be opened to let the goods in. Otherwise, I believe it was testified, the goods could be used in Pakistan or in some other area.

Mr. NATCHER. Would you yield to me at this point?

Mr. PASSMAN. Yes.

THE MALAYA FEDERATION

Mr. NATCHER. According to a news release last night, another group of countries and territories is now in the process of receiving their independence, or some move recently has been made in the last 24 hours.

Do any of you gentlemen know anything about that?

Mr. GAUD. I am afraid I did not see the news article.

Mr. ANDREWS. It was on TV this morning.

Mr. TALBOT. Malaya.

Mr. GAUD. The Malayan Federation.

Mr. ANDREWS. Off the record.

(Discussion held off the record.)

Mr. TALBOT. I believe Governor Harriman, within whose region this area is, will appear before your committee in a few days and no doubt can give more detail. This is not part of my region.

However, as I understand the situation, there has for some months been negotiation going on between the independent nation of Malaya and representatives of British possessions in that general southeast Asian area, including Singapore, Brunei, and British Borneo, and also representatives of the British Government looking toward an independent country which would include all of these territories.

In a sense this could be described as the expansion of Malaya to include territories not only presently in Malaya but also in the British possessions.

It is a further step in the withdrawal of British governmental authority from that area, and the new country will include what has been a group of British possessions up to now.

Mr. NATCHER. Malaya is in the bill for assistance this year. Can you tell me whether these other British territories you have just mentioned are in the mutual security program for fiscal year 1963?

Mr. TALBOT. Sir, may I respectfully request you take up this question with Governor Harriman when he arrives since it is his region and I do not happen to know the answer.

Mr. NATCHER. Thank you, Mr. Chairman.

SCOPE OF AFGHAN REGIONAL TRANSIT PROJECT

Mr. PASSMAN. Is the Afghan regional transit project composed of several different projects or is it one project?

Mr. GAUD. The Afghan regional transit project we call one project. There are several different parts to it. Its purpose is to provide a network of communications for Afghanistan by way of a road from Pakistan up into Afghanistan to Kandahar, and then across from Kandahar to Kabul, so that as a result of this project there will be two ways of getting into Afghanistan from Pakistan, and there will be a connection between the two largest cities in the country, Kabul and Kandahar.

Mr. PASSMAN. I shall again read into the record from page 521, and see if you are talking about the same thing I am reading about.

Mr. GAUD. Yes, sir.

Mr. PASSMAN. I quote:

1. Basic plan and project purpose—This project is designed to improve the surface transportation facilities from Kabul to the southern border, so as to provide the country with better access to free world markets——

(Off the record.)

The program includes reconstructing the Kabul Kandahar road (320 miles); paving the Kandahar Spin-Baldak road (70 miles); constructing a bridge over the Tarnak River, and constructing both an extension of Pakistan's Northwestern Railway from the Pakistan border to Spin-Baldak and terminal facilities at Spin-Baldak to link the road system of Afghanistan with the rail system of Pakistan.

The U.S. contribution consists of full financing of engineering, design, supervision, construction contract services, and imported materials and equipment.

STATUS OF PROJECT

2. Status of project—The contract for design engineering for all parts of the project (except the railroad extension) was executed in March 1959. The U.S. Corps of Engineers accepted supervisory engineering responsibility for the project. Approximately $3.2 million has been provided for procuring and shipping to Afghanistan a large quantity of roadbuilding equipment from U.S. Government excess stock.

The contract for the construction of the first two of six segments of the Kabul Kandahar Road was signed in June 1961 and construction started in August 1961. The closing of the Afghanistan-Pakistan border in September 1961, however, substantially delayed progress due to the inability to ship goods through Pakistan to Afghanistan, plus delaying additional procurement and shipment.

Engineering work was completed for the Kandahar Spin-Baldak segment in March 1960, and a construction contract was executed for this segment in August 1960, to pave the Kandahar Spin-Baldak Road and construct the Tarnak River Bridge. Work commenced in February 1961, and, excepting the bridge, as of December 1961, construction was approximately 40 percent complete.

Is this the same project we are discussing?

Mr. GAUD. Yes, sir. If you have a map I can make it clearer. This is it.

Mr. PASSMAN. Is it the same project?

Mr. GAUD. It is.

CONTRACTS FOR TRANSIT PROJECT

Mr. PASSMAN. How many different contracts did you award under the one project?

Mr. GAUD. We have one contract for the Kabul Kandahar Road.

Mr. PASSMAN. With what company?

Mr. GAUD. May I have my copy of the contract? I think I gave it to you.

This is a contract dated June 14, 1961. The contract number is DA–92–144–Eng–73, entered into between the Corps of Engineers on the one hand and a group of contractors operating as a joint venture on the other. These contractors are the Oman Construction Co., Inc., of Tennessee; R. P. Farnsworth & Co. of Delaware; Wright Construction Co. of Georgia; J. A. Jones Construction Co. of Delaware; Morrison-Knudsen Overseas, Inc. of Idaho; Peter Kiewit Sons Co. of Nebraska.

This contract covers the Kabul Kandahar Road.

In addition, there is a contract for the Kandahar Spin-Baldak Road which goes from Kandahar down to the Pakistan border which was entered into by the Dougherty Overseas Co., Inc. The date of that I do not have with me.

Mr. RHODES. You are not giving the amounts of the contract?

Mr. GAUD. I have not, but I shall if you like.

Mr. RHODES. As we go through, I would like to have that.

Mr. PASSMAN. I have that information in the detail.

Mr. RHODES. Can we have the amount of the contract?

Mr. PASSMAN. Yes.

Mr. GAUD. Let me stick first to the Kandahar Kabul Road contract. This contract was handled and let by the Corps of Engineers in accordance with its procedures as a result of competitive bidding.

The road is divided into six segments. The contract provides, first, for segments 1 and 2. The price of the contract covering the first two segments is a fixed price, $17,704,835.42.

OPTIONS IN CONTRACT

The contract further provides and gives the Corps of Engineers the option, or several options, to take up the contract with respect to segments 3, 4, 5, and 6, and assigns dates under which these options can be exercised.

I think I said the contract was entered into in June 1961. It gave option 1 which could be exercised on or before December 14, 1961; option No. 2 which could be exercised on or before March 14, 1962; and option No. 3, which could be exercised on or before June 14, 1962.

The contract provides a price for exercising each option with respect to each segment.

As far as segment 3 is concerned, if you exercise option No. 1 the cost was to be $5,871,377.09.

If you exercised option No. 2 it would be $100,000 higher.

If you exercised option 3 it would be another $100,000 higher.

As far as segment No. 4 is concerned, if you exercised option No. 1 the cost would be $4,330,218.14.

If you exercised option 2 it would be $100,000 higher.

If you exercised option 3 it would be still another $100,000 higher.

So far as segment 5 is concerned, if you exercised option 1 the cost was $5,484,177.82.

If you exercised option 2 it was $100,000 higher.
If you exercised option 3 it was still another $100,000 higher.
Segment 6, if you exercised option 1, $7,157,502.66.
If you exercised option 2 it was $100,000 more.
If you exercised option 3 it was still another $100,000 more. The prices were all fixed, but so far as segments 3, 4, 5, and 6 were concerned, depending on when you exercised the option, it might cost you $400,000 more or $800,000 more than if you exercised it, you might say, at the outset.

Mr. PASSMAN. Now let us get down to our understanding of the project as of yesterday.

OBLIGATIONS FROM CONTINGENCY FUND

In looking at the justifications, I was somewhat surprised at the fact that you had out of the original $27,799,000 an unliquidated balance of $23,208,000 in fiscal 1961.

Mr. GAUD. That is for the whole project.

Mr. PASSMAN. I am talking about the whole project. So far as the books are concerned, this is one project?

Mr. GAUD. Absolutely. I just wanted to be sure.

Mr. PASSMAN. Then, in 1962 you programed an additional $1 million for the project?

Mr. GAUD. That is correct.

Mr. PASSMAN. That was the understanding at the time?

Mr. GAUD. That is correct.

Mr. PASSMAN. Which, according to the books before us, would have brought an unliquidated amount of $21,330,000 to the credit of the project at the time of the printing of the books?

Mr. GAUD. Yes, sir.

Mr. PASSMAN. I was questioning as to why you would need an additional $2 million for fiscal year 1963 in view of the fact that you had the large unliquidated balance.

Mr. GAUD. Yes, sir.

Mr. PASSMAN. That led into the disclosure that in June you had obligated out of the contingency fund for the project an additional $23,700,000. Am I stating it correctly?

Mr. GAUD. With one qualification, that I made the disclosure voluntarily a couple of hours before.

I made it orally as soon as I came back from lunch. Your facts are correct. I just object to the insinuation.

Mr. PASSMAN. I am making no insinuation.

You did in June obligate $23,700,000 out of the contingency fund?

Mr. GAUD. That is correct.

EFFECT OF AFGHAN-PAKISTAN BORDER DISPUTE

Mr. PASSMAN. We were told that certain shipments for Afghanistan had been held up in Pakistan, and the Afghans closed the border and then opened the border in order to receive that material. Is that correct?

Mr. GAUD. Yes, sir.

Mr. PASSMAN. You also stated that this project was scheduled for completion in 1966.

Mr. GAUD. Correct.

Mr. PASSMAN. And that you had funded it to completion out of the $23,700,000?

Mr. GAUD. Not quite. I think I also testified, sir, that the total cost of the project involved somewhat more than the $23.7 million added in June 1962; but you are quite right we did add $23.7 million in June.

Mr. PASSMAN. Did you further state that we wanted to procure the equipment, get it into Pakistan, in position, so that if the border opened we could take it on into Afghanistan to finish the project?

Mr. GAUD. I did.

Mr. PASSMAN. And it would be up to the Afghans, whether or not they opened the border and permitted the aid to go in. Would that be a statement of fact?

Mr. GAUD. They or the Pakistanis.

Mr. PASSMAN. But the trouble has been with the Afghans opening the border. I think you said that yesterday, did you?

Mr. GAUD. Well, yes and no. This is a dispute between the two. The Secretary knows a little more about that than I.

Mr. TALBOT. If I might speak to these——

Mr. PASSMAN. When I finish this interrogation, sir.

Then, did you state that if we accumulated equipment there, and if the Afghans did not open the border, that the equipment could be used perhaps in Pakistan or in some other part of that area?

Mr. GAUD. I said that this use of the equipment and materials was a possibility.

Mr. PASSMAN. Which means, as it stands as of this time, the entire project is dormant?

Mr. GAUD. No, sir.

Mr. PASSMAN. My reference is to the additional money for the equipment with the border closed. You cannot get it in until the border is opened.

Mr. GAUD. We cannot get it in. The project is not dormant.

Mr. PASSMAN. I am talking about the $23.7 million.

Mr. GAUD. The $23.7 million was committed in June and certainly none of that has gotten into Afghanistan or even to Pakistan.

Mr. PASSMAN. With this large unliquidated balance you added to it out of the contingency fund $23,700,000, with the border closed, and you do not know whether what you procure with this money will get into Afghanistan or not?

Mr. GAUD. That is true.

Mr. PASSMAN. It will depend on whether or not the Afghans, the recipients, will open the border to receive our aid, as they did on the previous occasion.

I will yield to the gentleman from Arizona.

TOTAL COST OF PROJECT

Mr. RHODES. You made this contract on June 14 of 1961?

Mr. GAUD. Yes, sir.

Mr. RHODES. Within this consortium of contractors, there are some of the largest contractors in the United States?

Mr. GAUD. That is correct.

Mr. RHODES. For somewhere near $40 million. Is that right?

Mr. GAUD. The total contract?

Mr. RHODES. Yes.

Mr. GAUD. Yes. The total cost of the project, if you include the expenses we have to pay to the Corps of Engineers and the like, will be $50.1 million.

Mr. RHODES. You had obligated only $27 million?

Mr. GAUD. Excuse me, the contract itself is $41.4 million.

Mr. RHODES. You obligated only $27.8 million up through June of 1961?

Mr. GAUD. For the whole project, yes, sir.

Mr. RHODES. How could you make a firm contract before you had the funds and obligated them?

Mr. GAUD. We didn't.

EXERCISE OF CONTRACT OPTIONS

Mr. RHODES. Something is wrong here, Mr. Gaud. You say on June 14, 1961, you entered into a contract. Your books show that on June 30, 1961, you had obligated only $28 million. The contract was for $41 million.

Mr. GAUD. I am afraid my description of the facts was not clear. The contract we entered into, and the only obligation we undertook, was for segments 1 and 2, $17 million-plus. That contract gave us certain options pursuant to which at a later date we could bind these contractors to do the remaining four segments.

In June of this year we did obligate an additional $23.7 million which was enough to cover the taking up of those four options.

Mr. RHODES. When did you exercise the options?

Mr. GAUD. We directed the Corps of Engineers to exercise the options on June 6 of this year.

Mr. RHODES. As I understood the contracts the options are to be exercised——

Mr. GAUD. One as of December 14, 1961, one as of March 14, 1962, and the other as of June 14 of this year. Eight days before that last option expired, on the 6th of June, we asked the Corps of Engineers to exercise the options so that these fellows would be bound to build the whole road.

Mr. RHODES. Do these contracts provide for the United States to furnish equipment for the construction of the roads?

Mr. GAUD. They do not.

Mr. RHODES. What are we taking over into Afghanistan?

Mr. GAUD. The contractors are taking over their equipment. They are taking over—a rough breakdown will show that this contract covers about $16.3 million worth of equipment, culvert pipes, reinforcing rods, and the like, $2.7 million worth of asphalt, $1.2 million worth of cement, $7.5 million worth of petroleum, oil, and lubricants. Those are the materials which are covered by the contract. Those figures are the best estimate I can make.

Mr. PASSMAN. You had these options at the time this book was printed?

Mr. GAUD. Yes; we did.

Mr. PASSMAN. And you estimated at that time you would need $2 million?

Mr. GAUD. That is correct.

Mr. PASSMAN. The entire discussion yesterday afternoon was built around the fact that the border was closed and we had to take advantage of the fact that it might be opened, and we wanted to have the material in position, in case the Afghans opened the border, to move it on in.

Then, just about the time we were getting ready to conclude, I think the Assistant Secretary, who is present, said, "Well, there is another reason, too." That came as an afterthought of the main reason.

USE OF CONTINGENCY FUND

That is when we got into the second phase of the discussion about the fact we could save money, or we would have to renegotiate.

TOTAL COST OF PROJECT

We are dealing here with a total of some $50 million for the project?

Mr. GAUD. Roughly that, yes, sir. The estimated cost of the whole project to completion is $56.8 million.

Mr. PASSMAN. And the several options involved show that the most it could cost if you got the most unfavorable option would be an additional $800,000?

Mr. GAUD. That is right.

Mr. PASSMAN. It could stop at $100,000 or $200,000 or $300,000, but the worst would be $800,000, which would, in all probability, not be the best excuse for pulling out of the contingency fund $23,700,000 to add to an unliquidated sum of $21,300,000 when it is a project that will not be completed until 1966.

I just do not think it was the intent of the Congress ever to give the executive a contingency fund, supposedly for emergencies, to be used for such purposes.

You are dealing with a country which leans heavily toward the Russians, and we are no longer in with any type of military aid program.

The will decide whether or not to open the border to receive our aid, and on the basis that they may open the border to receive the equipment, we want it on hand so we can take it on in; and, if Afghanistan does not open the border we will use the material in Pakistan or elsewhere.

If we are obligating a contingency fund on that basis, I cannot see the justification for it, especially when these options which could be exercised later may cost us $100,000 on approximately a $57 million project, and the most it could be would be $800,000, with the possibility that you will never utilize the additional money but will have to dispose of this equipment in Pakistan or elsewhere.

Mr. GAUD. Sir, I have not yet made myself clear on the interpretation of this contract.

The contract provides that if we exercise prior to December 14 the figures would be as I said. I went through them all.

If we exercised prior to March 14, that is between December 14, 1961 and March 14, 1962, there was a penalty of $400,000.

Then if we exercised between March 14 and June 14, 1962, there was an additional penalty of $400,000.

COST OF CONTRACT RENEGOTIATION

However, as of June 14, 1962, all bets were off. We were advised by the Corps of Engineers that if we decided after that date to go forward with the project, it would cost many millions of dollars more than this contract price to do the job.

I just want to have that clear.

Mr. PASSMAN. By the same token, when you advertise for new bids there is a degree of uncertainty about this as to whether any of the equipment will ever be moved into Afghanistan?

Mr. GAUD. Yes, sir.

SIZE OF CONTINGENCY FUND OBLIGATION COMPARED WITH BUDGET ESTIMATE

Mr. PASSMAN. The very fact that you did dip into the contingency fund with an unliquidated balance of $21 million on hand, and when you show that the project will not be completed until 1966, if then, and there is a possibility that none of this equipment ever will get across the border—well, it is obvious that this could undoubtedly have waited for a time when there were more certainties. Then, when we take into account the fact that all of these contracts were negotiated prior to the printing of this book—and even though you had those contracts available and knew about them—you wanted only $2 million, that makes your action all the more disturbing. You attempted to justify it on the basis that they might close the border and while the border was open you wanted it in so you could finish the project.

It was only as an afterthought that this contract came into question.

COST OF CONTRACT RENEGOTIATION

How do you know in awarding a new contract at some subsequent date that you would not get a better contract?

Mr. GAUD. We relied in this, as you can see, all the way through, on the Corps of Engineers. They let this contract. It is a fixed-price contract. They let it on competitive bidding. They entered into the contract for us.

They told us that if we let this June 14 option lapse it would cost a great deal more and they assigned three specific reasons for that.

One was increasing costs since the contract originally had been entered into.

Second, the fact that the border had been closed in the meantime and any bidder who bid subsequent to the closing of the border, not before as these fellows had, would add a large safety factor in the bid.

Third, this particular group of contractors, working for the Corps of Engineers, had their equipment there in the country. They would obviously be in a much better position to bid than anybody else and you would not really have any competitive bidding.

Mr. PASSMAN. Is it a fact that the additional cost, if it should have materialized, would be on account of the uncertainty as to whether the border would open?

Mr. GAUD. That would be part of it. There were also increasing costs.

Mr. PASSMAN. We shall accept the increasing costs as part of it. The main factor would be——

Mr. GAUD. That would be part of it.

Mr. PASSMAN. You want to get the equipment there, and if the border is not opened we are out an awful lot of money.

Mr. GAUD. I would appreciate it very much if you would let the Secretary tell why——

Mr. PASSMAN. Have I made a statement of fact? The reason the contract would be higher is that there would be an element of gamble?

Mr. GAUD. The Corps of Engineers assigned that as one of the three reasons why it would cost us more to renegotiate this contract after June 14.

BACKGROUND ON AFGHAN-PAKISTAN BORDER DISPUTE

Mr. TALBOT. The decision to take an action which would pick up this third option before the option expired was taken as a result of a policy judgment, and this policy judgment related to our relations with Afghanistan.

As you know, sir, the relations between Afghanistan and Pakistan have been complicated, owing to historical factors. There are tribes which are under limited central government jurisdiction on both the Pakistan side of the border and on the Afghan side of the border.

The border between Afghanistan and Pakistan was drawn in 1893, after the British had been there and had fought the Afghans.

(Off the record.)

Mr. TALBOT. In 1947, therefore, when Pakistan was established, the Afghans made certain claims that members of these tribes living on what we regarded as the Pakistan side of the border should have the opportunity to seek independence. This was called the Pushtoonistan issue because the people who lived there are the Pushtoons, and it has affected relations between these two countries since 1947.

Mr. FORD. How much territory is involved?

Mr. TALBOT. The amount of territory has not been precisely defined. Roughly speaking, it is the territory west of the Indus River.

Mr. PASSMAN. Regardless of the area, the dispute is serious?

Mr. TALBOT. Yes, sir.

Mr. PASSMAN. The squabble has been going on for a long time?

Mr. TALBOT. Yes, sir; since 1947.

In 1955–56 this dispute welled up and the border was closed, owing to an immediate dispute between Pakistan and Afghanistan.

(Off the record.)

Mr. TALBOT. As a result of international efforts the border was reopened, and again Afghanistan had access to the markets of the free world, and then from 1956, when the border was reopened, until 1961 the bulk of Afghanistan's trade was in the direction of free-world countries through Pakistan.

Mr. PASSMAN. Is it not true that it was a decision to be made by Afghanistan as to whether the border would be opened in order to receive our aid?

Mr. TALBOT. In 1955–56 or in the later one?

Mr. PASSMAN. The aid which was held up at the border this year. Was it Afghanistan's decision as to whether to open the border to let the aid go on in?

Mr. TALBOT. On August 23, 1961, Pakistan asked Afghanistan to withdraw its consular and trade agents, and Pakistan withdrew its consular and trade agents from Afghanistan.

I had been in Afghanistan just 1 week before that. I talked with our Ambassador there and members of the Embassy staff, and I talked with members of the Government of Afghanistan.

The estimate of our Embassy was that (off the record) the Afghan Government had gotten more interested in development, and that our efforts were (off the record) bringing good results and reducing the tension in that frontier area.

(Off the record.)

Mr. TALBOT. Early in September 1961 diplomatic relations were broken off.

To us this was a matter of grave concern (off the record).

We sought ways to bring these two countries together.

(Off the record.)

Mr. TALBOT. Finally, in January, after further diplomatic efforts, the Afghan Government made the decision, with the agreement and concurrence completely of the Pakistan Government, that for a period of 8 weeks those aid goods which had piled up in Pakistan should be permitted to come to Afghanistan.

Mr. PASSMAN. Afghanistan was the recipient of the aid?

Mr. TALBOT. Afghanistan was the recipient.

Mr. PASSMAN. After Afghanistan opened the border for the aid supplies we had stacked up, that took 8 weeks for it to get across the border?

Mr. TALBOT. They agreed to this, and Pakistan agreed.

Mr. PASSMAN. Pakistan had previously agreed to it. It was Afghanistan which made the decision to open the border for 8 weeks to let the aid that had stacked up get in?

Mr. TALBOT. (Off the record.) There were special arrangements that had to be made during these 8 weeks.

Mr. PASSMAN. Is it not true that the final decision was made by Afghanistan to open the border so that the accumulated aid shipments could move into Afghanistan—they were the recipients—and after the transfers had been completed, then the border was closed again?

Mr. TALBOT. The facts of the case are we had negotiated with both the Government of Pakistan and the Government of Afghanistan, they had both agreed to special arrangements whereby expediters could come in for this 8-week period; yes, sir.

Mr. PASSMAN. But it was Afghanistan that made the last decision to open it up?

Mr. TALBOT. There was a whole series of decisions.

Mr. PASSMAN. I will not press the point. It has been testified to that it was Afghanistan which finally opened the border to let the supplies come in, and then the border was again closed.

I yield to Mr. Andrews.

AFGHAN TRADE AGENTS

Mr. ANDREWS. You mentioned trade agents. What do they have to do with this program?

Mr. TALBOT. I mean government officials.

Mr. ANDREWS. I assume Pakistan is willing for this program to go forward in Afghanistan because of the fact that they let you transport the materials through their country right up to the border; is that right?

Mr. TALBOT. As you know, Afghanistan is a landlocked country, its trade has come largely through Pakistan. Traditionally this trade has been handled from the port of Karachi through the transit spots of Peshawar and Chaman with the documentation being provided by certain Afghan Government officials, resident in Pakistan, called trade agents. It was these Afghan Government officials that Pakistan asked to leave the country on August 23, 1961. The dispute was over the question of whether Pakistan would permit Afghan trade officials to return to Pakistan to handle as they had traditionally handled the traffic. Pakistan said, no, it would not permit these trade agents to return to Pakistan. This was the nature of the dispute.

Then, sir, if I might continue, after the period in which the border was open for 8 weeks from January to March 1962, there had been no resolution yet on this question of whether Afghan trade agents could return to Pakistan to perform their traditional function.

(Off the record.)

Mr. TALBOT. Therefore, we continued with the two governments to try to find a basis on which they could agree to the reopening of the border and the handling of the transit trade through Pakistan by Afghan officials. These efforts have continued, sir. They have continued not only directly through U.S. agents but also other interested countries with whom we were in contact. In June it appeared to us that the prospects for a reopening of the border in the near future were reasonably good and that, therefore, it was even more important than it had been that we give Afghanistan the——

Mr. GAUD. Did you mean to say June?

Mr. TALBOT. May.

(Off the record.)

Mr. TALBOT. Early in May.

(Off the record.)

Mr. TALBOT. We advised the Government of Afghanistan that we would seek to continue our support to provide additional outlets to the free world for Afghanistan.

(Off the record.)

Mr. TALBOT. The Afghans responded in a way which we regarded as favorable, and the decision was made to take up this third option, the last option we had. Almost all through the fiscal year there had been these great difficulties. A decision was made to take it up so that we might continue the program.

(Off the record.)

USE OF AID MATERIALS STORED FOR AFGHANISTAN

Mr. PASSMAN. Do you understand that there is some question about whether or not, if you accumulate this machinery on the border, it will actually ever go into Afghanistan? Is there a question about it?

Mr. TALBOT. Yes, sir; there has been a question.

Mr. PASSMAN. Is it your understanding that if it does not go in, it may be utilized in that area, maybe in Pakistan or elsewhere?

Mr. TALBOT. There would be that possibility.

ADEQUACY OF FUNDS AVAILABLE WITHOUT USING CONTINGENCY FUNDS

Mr. PASSMAN. Do you agree that with $21,330,000 on hand, unliquidated, you could have continued certain segments of this project in at least a reasonably satisfactory manner until this situation might have jelled?

Mr. TALBOT. This is a technical matter that Mr. Gaud could testify on.

Mr. PASSMAN. Mr. Gaud has already said it would take to 1966 to complete the project. But you certainly have on hand $21,330,000 in unliquidated funds. You only asked for a million dollars to be added to it last year. You are asking for only $2 million to be added to it this year. It has been agreed that this contract was entered into before the printing of these books, and they printed these books for the committee to have some understanding of what you proposed to do. But, as you had disbursed only some $6 million, total, on the project, if those figures hold firm, since its inception, and that you had on hand, unliquidated, $21 million to continue all or some segments of the project, a reasonable showing could have been made with these funds. Would that be a fair statement?

Mr. GAUD. I think it would.

Mr. PASSMAN. Mr. Rhodes?

BREAKDOWN OF MATERIAL SENT TO AFGHANISTAN

Mr. RHODES. What aid was this that the border was opened to receive?

Mr. GAUD. U.S. aid.

Mr. RHODES. I know, but what did it consist of?

Mr. GAUD. We had in Pakistan, Mr. Rhodes, roughly 25,000 or 26,000 tons of material. This included a great deal of machinery and equipment, POL, cement, asphalt for this road project, and other projects. It included material for the construction of airports. It included material for construction of Kabul University. It included a host of other material for other projects which were ongoing projects in Pakistan. There was also a great deal of Public Law 480.

Mr. RHODES. It did not have only to do with this project?

Mr. GAUD. No.

Mr. RHODES. Were there machines and equipment which would be used on this project?

Mr. GAUD. Yes.

Mr. RHODES. The machines and equipment were the property of the contractor in the United States?

Mr. GAUD. That is right.

Mr. RHODES. They could not technically be called aid, then; could they?

Mr. GAUD. That was a question that came up in the discussion between our Ambassador and the Afghanistan Government in trying to work out—and also the Pakistan Government—in trying to work out this 8-week truce. We were very careful to have the thing worded so it would include not only U.S.-owned goods but goods owned by contractors that were to be used on U.S. aid projects.

USE OF MATERIAL STORED AT BORDER

Mr. RHODES. When you testified that this property, if not delivered could be used in Pakistan, I presume that you were talking about property to be used on this project?

Mr. GAUD. Of course, the chairman has spoken of this as a possibility, that it could be used in Pakistan. That is the way I described it because this property is the property of the contractors, not the property of the U.S. Government.

Mr. RHODES. Then you do not know whether it would be used here or not. The contractors would decide that.

Mr. GAUD. Pakistan?

Mr. RHODES. Yes.

Mr. GAUD. Of course; I do not.

Mr. PASSMAN. It was only after you suggested that it may be used in Pakistan——

Mr. GAUD. As a possibility.

Mr. PASSMAN. As a possibility, that we examined on it?

Mr. GAUD. Quite right, sir.

Mr. PASSMAN. It was not my idea to suggest it. It was a followup to your suggestion.

Mr. GAUD. I quite agree.

PURPOSE OF TRANSIT PROJECT

Mr. RHODES. This is probably a question for the Secretary. Mr. Secretary, since these people have a long history of truculence one toward the other, hostility if you will, why do we build a road to help them fight each other a little bit better? As a matter of military logistics, if these people do not have a road, then they probably will fight in small bands and maybe company-size echelons. You build this road in there and you will have them fighting in divisions.

Just what sense is there to this kind of a thing? I presume we are trying to keep the peace and yet we are bringing people close together who hate each other.

Mr. TALBOT. The purpose of this road and other roads in Afghanistan is to give them the opportunity to build up their economy, to build up the kind of administrative and governmental machinery which will enable them to become a more nearly modern nation. This is a country with no railroads, this is a country with very few roads until now.

I would submit, sir, that building roads in France did not have a lot to do with tensions in Europe. The roads are fundamentally and basically used and are essential to the growth of the economy. If Afghan-

istan is to get to a more modern stage, this is one of the most important aspects of it all.

Mr. RHODES. Let me submit to you, sir, if it were not for the network of roads in France that instead of having people fighting in armies, you might be having them fighting in company-size strength or cavalry engagements. I do not think your point is well taken.

My point is if you want to start a great big war over there, the best thing to do is build this road. If you want to keep it to border incidents, a little blood being let instead of a lot of blood being let, I think the best thing to do is forget the whole thing.

STATUS OF TRANSIT PROJECT

Mr. GAUD. This road is entirely in Afghanistan, this Kabul-Kandahar road.

Mr. RHODES. It is going somewhere.

Mr. GAUD. Between the two biggest cities in Afghanistan.

Mr. RHODES. I am reading from the project here. As I understand from reading the project, the ultimate intention is to connect Kabul, Afghanistan, to Pakistan's North Western Railway.

Mr. GAUD. There are already roads between Kabul and Pakistan and between Kandahar and Pakistan. This project does include improving the road from Kandahar to Pakistan and connecting a very short railway link, but this contract we are talking about, $23.7 million, is entirely for the Kabul-Kandahar road, which is an internal road which has to do primarily with the development of Afghanistan itself internally.

Mr. RHODES. On page 521 you have this. I agree that what you have said is true for the first segment of the project.

Mr. GAUD. All six.

Mr. RHODES. Wait a minute. You have paved the Kandahar Spin-Baldak Road.

Mr. GAUD. Yes.

Mr. RHODES. You are constructing the bridge over the Tarnak River, constructing the extension of the Pakistan North Western Railway from the Pakistan border to Spin-Baldak and terminal facilities at Spin-Baldak. Is all this in Afghanistan?

Mr. GAUD. No, sir. As far as this contract we have been talking about is concerned, it does not refer to the Spin-Baldak part.

Mr. RHODES. Do you mean you are not going to build any more of this project than the amount you have contracted for?

Mr. GAUD. We have already committed all funds for the Kandahar Spin-Baldak Road. It is practically finished.

Mr. RHODES. You are not going to do anything in this project other than the amount you have already contracted for?

Mr. GAUD. The Kabul-Kandahar Road and the expenses we have to pay for the Corps of Engineers, those are the only remaining funding; that is correct, sir.

Mr. RHODES. For the contract, but what about the rest of this?

Mr. GAUD. The contract for the road between Kandahar and Spin-Baldak, the funds for that have been appropriated in prior years.

Mr. RHODES. Has this road been built?

Mr. GAUD. Yes, sir. Actually, there was a road there. It was improvement of an existing road. That bridge over the Tarnak River is on that road.

Mr. RHODES. I see. So this really is the last segment of the project?

Mr. GAUD. Yes, sir.

TOTAL COST OF PROJECT

Mr. PASSMAN. What was the total cost of all the segments of this project, as listed on page 521?

Mr. GAUD. The total cost is $56.8 million.

Mr. PASSMAN. $56.8 million?

Mr. GAUD. Mind you, this is past, present, and future; this is the works.

Mr. PASSMAN. I am talking about the total cost of all the segments of this overall project, as listed on page 521 of the justifications.

Mr. GAUD. Yes, sir.

Mr. PASSMAN. $56.8 million?

Mr. GAUD. Yes, sir.

Mr. PASSMAN. What is the total of unliquidated funds to the credit of all segments, including the $23,700,000?

Mr. GAUD. That figure we had yesterday. I do not recall it. It is $23,208,000-plus.

Mr. PASSMAN. Is it $45,000,030?

Mr. GAUD. Roughly that. I cannot give an exact figure.

Mr. PASSMAN. For what purpose is the other $12 million?

Mr. GAUD. I do not get your $12 million, Mr. Chairman, I am sorry.

Mr. PASSMAN. I am subtracting one from the other.

Mr. GAUD. There were some funds for which we have not yet asked appropriation. Those funds are for the Corps of Engineers.

Mr. PASSMAN. How much have you disbursed in total?

Mr. GAUD. I believe that we have disbursed through June 30, 1962, $10 million.

Mr. PASSMAN. This project is only 19 percent completed, if you take the overall, all segments of it?

Mr. GAUD. In terms of expenditures; that is right.

Mr. TALBOT. Mr. Rhodes, if I might respond further to your question, you understand, sir, that these roads have existed for quite a long time, through history.

Mr. RHODES. I understand that, Mr. Secretary, but I also understand if you are going to make a highway better, it is easier to get military equipment over it.

IMPORTANCE OF PROJECT

Mr. TALBOT. Yes, sir; it is. At the same time, these are the roads by which Afghanistan's links with the West are maintained.

(Off the record.)

Mr. TALBOT. Therefore, the effort is here to make these links as strong as possible.

(Off the record.)

Mr. RHODES. May I ask you this?

(Off the record.)

Mr. TALBOT. It is our judgment that the Afghans, who historically have sought to balance their position between the power to the north and the power to the south, are still extremely eager to maintain their independence.

(Off the record.)

Mr. TALBOT. We believe continued access to Western nations is the best assurance by which their independence will be maintained.

Mr. RHODES. That is a matter of opinion. I will not argue with you about it. You are certainly in a position to have a much more educated guess than I, and I hope you are right.

ALLOCATIONS FROM CONTINGENCY FUND IN JUNE 1962

Mr. PASSMAN. Looking over this list, we find only eight allocations out of the contingency fund on June 30, just before you closed the books; the Treasury closed their books on the 29th to pinpoint the accuracy of the anticipated deficit.

Only eight items on June 30, the day after the Treasury closed its books. For your records, let it be June 30. The United Nations Expanded Technical Assistance and Special Fund, $5 million. This is a contingency, additional money to the United Nations to offset any reductions made last year.

Mr. GAUD. You were not suggesting that the allocation for the Afghan project was made on June 30?

Mr. PASSMAN. No, sir, I did not say that. It was made in June. If I listed all of June, it would take too much time. I mention only that you had eight allocations on June 30, and there is no relationship, we hope, between this project and this United Nations Expanded Technical Assistance.

Mr. GAUD. There is not.

Mr. PASSMAN. I wanted to show you how the contingency account——

Mr. GAUD. This money was taken from the contingency.

Mr. PASSMAN. We never got the date. When did you enter this allocation?

Mr. GAUD. June 13, in pursuance of a commitment made on May 4. June 13 is right, is it not?

Mr. TENNANT. Yes.

Mr. PASSMAN. All of that was subsequent to the contract and subsequent to the printing of the book?

Mr. GAUD. No question about it.

Mr. PASSMAN. I wanted to indicate that on the last day of June they had to start cleaning out the contingency account. It runs up close to $30 million ,and they had to throw in an additional $5 million to the United Nations Expanded Technical Assistance and Special Fund to make the thing balance out. I think the account is being grossly abused.

Mr. Ford?

Mr. FORD. Do I understand the contract I now have in my hand is a firm agreement between the contractors and the Government?

Mr. GAUD. Yes, sir.

Mr. FORD. The options that make it a total contract have now been exercised?

Mr. GAUD. That is correct, sir.

TOTAL COST OF PROJECT

Mr. FORD. The total contract figure is $56,800,000?

Mr. GAUD. No, sir. We are confused again between this particular contract and the entire project. The entire project, as described in this book, includes also the Kandahar-Spin-Baldak road and also the rail spur. The contract price is $41.4 million. There will be additional expenses to complete that contract consisting of what we have to pay the Corps of Engineers, also some surplus Army equipment which was provided to the contractor.

Mr. FORD. Will you put in the record the definitive amount of this contract, with the contractors, and any additional costs such as those you enumerated a minute ago, so we have, some place, as of this date, the precise cost of this portion of the project.

Mr. GAUD. Yes, sir.

(The information follows:)

DETAILS ON KABUL-KANDAHAR ROAD CONTRACT

A contract was executed on June 14, 1961, between the U.S. Army Corps of Engineers and Afghanistan Highway Construction (AHC)[1] for construction of two out of six segments of the Kabul-Kandahar Road at a cost of $17,704,835.42. The contract included three options for the Corps of Engineers to exercise for the construction of the remaining four segments of the road. On June 6, 1962, AID authorized the Corps of Engineers to pick up the third and final option, which was scheduled to expire on June 14, 1962, at an estimated cost of $23.7 million. On June 7, 1962, the Corps of Engineers awarded segments 3, 4, 5, and 6 to AHC at a cost of $23,643,276.

In summary, there follows the total estimated cost for constructing the Kabul-Kandahar Road, including attributing the cost of certain common services elements to the road over the life of the project:

	Million
AHC contract	$41.4
Ken R. White, design engineer	1.7
Excess equipment	2.6
Corps of Engineers costs	4.4
Total	50.1

[1] AHC is a joint venture of U.S. construction firms consisting of: Oman Construction Co., Inc., Wright Construction Co., R. P. Farnsworth & Co., J. A. Jones Construction Co., Morrison-Knudsen Overseas, Inc., and Peter Kiewit Sons Co.

OPTIONS IN CONTRACT

Mr. FORD. Are there any escalation clauses in this contract?

Mr. GAUD. There are not, other than——

Mr. FORD. None whatsoever?

Mr. GAUD. Let us make sure I am not misleading you. I think I described the contract before you came in the room. The only thing that might be called an escalation clause is this:

This contract, with its original price of $17 million-odd, covered segments 1 and 2 of the road. The contract further provided that the Corps of Engineers, which was acting for us here, had certain options pursuant to which it could bind the contractors to build segments 3, 4, 5, and 6.

The price of taking up those options varied, depending on when you took them up. For example, if you took up the options prior to December 14, 1961, there was a fixed price for each option stated

in the contract. If you took it up between December 14, 1961, and March 14, 1962, it cost you $100,000 more on each of the four segments. Then if you took it up between March 14, 1962, and June 14, 1962, it cost you another $100,000 on each of the four segments.

Mr. FORD. If you took it up after June 14, what?

Mr. GAUD. We had had it. We had no right under the contract to take it up after June 14. If we decided, if we did not exercise the options prior to June 14, if we then decided to go forward and build segments 3, 4, 5, and 6, we had to renegotiate a new contract with this contractor or with Tom, Dick, or Harry. We were advised by the Corps of Engineers that this would cost many millions of dollars more than the June 14 option prices for three reasons: First, increased costs since the date of the execution of the contract. Second, the fact that the border had been closed would mean that any subsequent bidder would add a little something, let us say, to the contract because of the risks that his work would be interfered with. Third, they pointed out that this particular group of contractors had a lot of machinery and equipment on the ground already and would, therefore, be in a much better position to build than anybody else would. So, in fact, you would not get competitive bidding and would be at the mercy of these people in any new negotiation.

Mr. FORD. Do we have a bond arrangement with the contractors here so we get full performance within the terms of the contract?

Mr. GAUD. I do not know the answer to that. This is a standard Corps of Engineers contract.

Mr. ANDREWS. Will the gentleman yield?

Mr. FORD. Surely.

RESPONSIBILITY FOR LOSS BY CONTRACTOR

Mr. ANDREWS. If the border is closed and equipment and supplies cannot be moved in, there is bound to be some loss suffered by the contractor. Will you be responsible for that?

Mr. GAUD. By way of force majeure, so to speak?

Mr. ANDREWS. Yes.

Mr. GAUD. According to our lawyers, this is a debatable question. It is hard to say.

Mr. ANDREWS. I presume the contractors have men in Afghanistan ready to go to work.

Mr. GAUD. They do.

Mr. ANDREWS. The only reason they cannot go to work is because they do not have the material and equipment necessary to work with?

Mr. GAUD. They are working now, Mr. Andrews.

Mr. ANDREWS. I understand, but when they deplete the material they have, if that border is still closed, what will the score be then?

Mr. GAUD. Then we may well be in a bind. They may have to demobilize some of their people, may not be able to go ahead working, and this may result in additional cost.

Mr. PASSMAN. Will you yield, Mr. Ford?

Mr. FORD. Yes.

PROGRAM EFFECT IF BORDER REMAINS CLOSED

Mr. PASSMAN. It may be to our advantage to let this thing expire if you are in that position. You said the very maximum we could lose under these options would be $800,000. If you are being placed in position where suit could be filed, maybe it would be to the advantage of the U.S. taxpayer, as you have $21 million unliquidated on a going project, to let this matter expire, and renegotiate, because the border could be closed for years?

Mr. GAUD. This depends on the major premise——

Mr. PASSMAN. The border could be closed for years?

Mr. GAUD. It could. This depends on the major premise from which you proceed. If you proceed from the premise the Secretary described, that it was in our national interest to do everything we could to go forward with this project, then you go foward with it. If you start from another major premise, then obviously you get out of the contract. We come back to a policy decision.

BOND PROVISIONS FOR CONTRACT PERFORMANCE

Mr. FORD. Will you find out for the record if there are any bond provisions for performance included in the contract and, if so, cite them and state them in the record in terms of the contract.

Mr. GAUD. Yes, sir; we will.

(The information supplied follows:)

PERFORMANCE BOND PROVISIONS—KABUL-KANDAHAR ROAD CONTRACT

There are no performance bond provisions in the Kabul to Kandahar Road contract.

Mr. FORD. Assuming we wanted to develop a transportation system or road system that would permit Afghanistan to trade with other than the Soviet Union or the Soviet bloc, what was so sacrosanct about this road? As you pointed out, Mr. Secretary, Iran is on the other side of the wedge, Iran appears to be friendly and cooperative. Why did we not explore the possibilities of a road to or through Iran rather than through Pakistan?

MOVEMENT OF MATERIAL THROUGH IRAN

Mr. TALBOT. We have explored the possibilities of a road through Iran. Indeed, certain goods are now passing over that road. Because the two major population centers of Afghanistan are in the eastern part of the country, the actual transportation expense of getting goods into this landlocked country appears to be somewhat less, in fact, substantially less, through the traditional route by way of Pakistan than through the route by way of Iran.

When goods come through Iran, they must be shipped up the Persian Gulf to Khorramshahr, then go by rail from Khorramshahr all the way north of Iran to Teheran and then east to Meshed in Iran, and from Meshed they must be transferred to trucks and carried the rest of the distance across Iran and into Afghanistan to Herat, and from Herat the very long distance to either Kabul or Kandahar. These routes through Iran are longer, more difficult, the roads have not reached the same level of maintenance. So the costs of getting goods into this landlocked country are higher when they go by this road.

We are proceeding with the shipment of some goods by that road to explore these costs and find out exactly what they are because quite recently an agreement was negotiated between Afghanistan and Iran by which Iran gave certain cost concessions to Afghanistan for shipments through Iran, and we are now exploring the true meaning of those cost concessions so we will have knowledge of what the real costs are.

On any economic grounds, however, the traditional access routes for Afghanistan through Pakistan remain the most economical. These roads are being built partly on that basis. But, as Mr. Gaud said, the question of the Kabul-Kandahar road is a different one because this is the road that links the two major population centers in the country. These are the two cities which would need to be linked so that modern trade can expand regardless of whether access from the outside world were through Pakistan or through Iran.

Mr. FORD. I am assuming you want a transportation system between these two major metropolitan centers in Afghanistan. I am not debating that. But if you look at the situation from this point of view, you have a most uncertain situation, to say the least, in getting through the Pakistan-Afghan border. You have at least an optimistic situation, a going situation between Iran and Afghanistan.

Mr. TALBOT. Yes, sir.

Mr. FORD. It may cost you more money to go it this way, but you do not face a roadblock that is certainly perplexing.

Mr. TALBOT. That is correct, sir.

(Off the record.)

It is for this reason that for the last 5 or 6 months now we have been actively exploring the route in Iran.

Mr. FORD. I think it should be more actively explored.

Mr. GAUD. By actively, we mean engineering studies.

Mr. FORD. I would start digging some dirt. That might encourage them to be more realistic about this situation.

Mr. TALBOT. I agree, sir.

Mr. FORD. That is all.

Mr. PASSMAN. A substantial military aid program is going into Afghanistan from Russia?

Mr. TALBOT. Yes, sir.

SIGNIFICANCE OF SOVIET AND UNITED STATES AID TO AFGHANISTAN

Mr. PASSMAN. Our aid would be termed economic aid?

Mr. TALBOT. Yes, sir.

Mr. PASSMAN. What kind of situation will that be, if Russia keeps building Afghanistan up from a military standpoint and we keep building them up economically, and the situation does not get better?

Mr. TALBOT. If I may make several comments in response——

Mr. PASSMAN. First, please answer my question.

Mr. TALBOT. (Off the record.)

Mr. PASSMAN. Would it be an encouragement to enlarge upon that dispute if Russia provides them military equipment and we give them the roads and bridges to move on?

Mr. TALBOT. (Off the record.)

Mr. PASSMAN. To enlarge upon any dispute with its neighbors, with better roads and a stronger economy, with a modern army equipped by the Russians?

(Off the record.)

Mr. TALBOT. May I say that if we get out of every ball game just because the Russians get into that ball game, we would soon be out of the ball park. This is a struggle on which survival of the United States depends. I would not assume that it would be argued that just because the Russians move into one of these competitive areas we should immediately withdraw. On the contrary, our struggle is to save our way of life without war, if possible. To do it without war, we use these other instruments. One of the instruments by which we are seeking to save ou way of life without war is the instrument of assistance which would enable the country that wants to remain independent so to do.

(Off the record.)

Mr. PASSMAN. They prefer Russian military assistance, and Russia is training and equipping them?

Mr. TALBOT. Yes.

Mr. PASSMAN. Does it indicate they know what independence means, if they are entering into that kind of an agreement, with Russia arming them? At least, you could follow this program with some degree of moderation. You do not have to rush in to see how much money you can spend.

It frightens me that we have adopted, from the top echelon down, the idea that we have one thing people want, which is dollars, and since we are wealthy, we ought to keep giving them dollars. That appears to be our foreign policy.

Mr. TALBOT. Our policy, sir, is not to be defeatist in the face of Russian challenge.

Mr. PASSMAN. Certainly we do not want to be defeatist, but we should proceed with some degree of moderation in this spending program.

Mr. TALBOT. The contract we are discussing, sir, was signed quite some years ago.

Mr. PASSMAN. I know it was signed, but you are looking for a way to try to continue it. We are begging to get in, but they will not open the door.

Mr. Natcher?

MOVEMENT OF STORED MATERIALS TO AFGHANISTAN

Mr. NATCHER. What system are you using to store the equipment, the material and Public Law 480 commodities that are now located in Pakistan which ultimately are to go to Afghanistan?

Mr. GAUD. There are not any now, sir. Everything was put over the border. The border was opened from January 29 to March 29. Everything we had in Pakistan was gotten over there at that time. If there is anything in Pakistan now, it is insignificant in amount because we have had a suspend order on shipping.

We took up these four new options only last month. So nothing has been shipped under them as yet.

PUBLIC LAW 480 COMMODITIES TO AFGHANISTAN

Mr. NATCHER. You are certain, then, you have no Public Law 480 commodities in Pakistan at the present time which ultimately are to go to Afghanistan?

Mr. GAUD. That is true. As a matter of fact, sir, during the time the border was opened we diverted some shipments from other countries and put them over the border into Afghanistan. We used up what was available and could be added for Afghanistan.

Mr. NATCHER. Have you fulfilled all of your commitments to Afghanistan from the standpoint of commodities, Public Law 480 commodities?

Mr. GAUD. Public Law 480 commodities?

Mr. NATCHER. Yes.

Mr. GAUD. We have told the Afghans that we will not ship any more Public Law 480 commodities until the border is reopened. We have told them it is too expensive to ship it through Iran, that we will not do it. They want it and need it but we have told them it is too expensive to ship it through Iran.

Mr. NATCHER. That is all, Mr. Chairman.

ASSISTANCE FOR ECONOMIC DEVELOPMENT PLANS

Mr. PASSMAN. How much money do you have budgeted for assistance to the countries in your area to draw up their economic development plans?

Mr. GAUD. I do not have that as a separate item, Mr. Chairman. We will get that for you, sir.

Mr. PASSMAN. Do you have it on any one item?

Mr. GAUD. You mean on any one country?

Mr. PASSMAN. Just give us a general idea. One of you may have it if you will just do a little research.

Mr. MILLER. Will you repeat the question, Mr. Chairman?

Mr. PASSMAN. How much money do you have budgeted for assistance to the countries in your area to draw up their economic development plans?

Mr. GAUD. I have a figure under the heading of "Economic policy and planning" which would go beyond the specific thing you have asked for, and in this region we have programed $1,827,000 in fiscal year 1963 for what we call economic policy and planning. That would be partially spent in the way you suggest and partially not.

Mr. PASSMAN. This leads to a subsequent request for the development credit fund, does it not?

Mr. GAUD. Not necessarily.

JUSTICICATION FOR SECTION 202(b) PLANS

Mr. PASSMAN. Why do you want to draw up plans under section 202(b) if it does not lead to requests for the development credit fund?

Mr. GAUD. There are several reasons for wanting to draw up a plan in one of these countries. One of the principal reasons is so that the

country will have a better look at its own resources and so that we can see to what extent its own resources are being used for its own development. There is also the matter of interesting other donor countries.

Mr. PASSMAN. What other donor countries?

Mr. GAUD. Most of the aid Canada gives is by way of grants and not loans.

Mr. PASSMAN. What do you consider a country plan? Is that not one of the things to which we commit ourselves?

Mr. GAUD. The term "country plan" is somewhat different. Here is the third 5-year plan of India.

Mr. PASSMAN. You are not answering the question. You have under section 202 the authority to formulate or to encourage a country to formulate a plan to which we donate funds, do you not?

Mr. GAUD. Let me look at section 202(b).

Mr. PASSMAN. We make a commitment to a plan, do we not?

Mr. GAUD. Section 202 does not mention a plan as far as I can see. Section 202(b) mentions long-term plans.

Mr. PASSMAN. Under any section do you have authority for a plan to which you make a commitment?

Mr. GAUD. We do have authority to make commitments to support plans.

Mr. PASSMAN. How much money do you have in this budget to assist those nations for which you may have a plan in the making? You have a plan for Pakistan?

Mr. GAUD. And India.

Mr. PASSMAN. How much do you have budgeted for those plans, specifically?

Mr. GAUD. You mean to help prepare those plans?

Mr. PASSMAN. Yes.

Mr. GAUD. Nothing.

Mr. PASSMAN. In those two countries?

Mr. GAUD. That is correct.

Mr. PASSMAN. Do you have any money in this budget to assist any other countries to develop a plan?

Mr. GAUD. For purposes of preparing a country plan we have got some assistance in Afghanistan. I think that is all in terms of a country plan.

Mr. PASSMAN. That was the question I asked you.

Mr. GAUD. I thought you wanted to know what a country plan was, and I thought you would be interested in looking at India's third 5-year plan.

VEHICLES FOR AFGHANISTAN

Mr. PASSMAN. We asked you yesterday about the number of vehicles.

Mr. GAUD. For Afghanistan we obligated in fiscal year 1957 funds to finance 443 trucks, and during fiscal year 1960 we obligated funds for 150 buses.

Mr. PASSMAN. This involves a total of how much money?

Mr. GAUD. That would be a total of 593 vehicles.

Mr. PASSMAN. I am speaking of dollars.

Mr. GAUD. Just a moment, sir, Mr. Chairman. I have not got the breakdown here. I can certainly get it.

Mr. PASSMAN. Maybe the Controller could help us out. Do you have any idea of the cost?

Mr. TENNANT. I do not have that figure, sir.

Mr. PASSMAN. Where did you procure the buses and trucks? Did you procure them in the United States?

Mr. GAUD. Frankly, this happened so many years before my time I do not know.

Mr. PASSMAN. Mr. Controller, do you have any information as to where you procured them?

Mr. TENNANT. No, sir. We will have to secure that for you.

(The information follows:)

INFORMATION ON VEHICLES FOR AFGHANISTAN

Four hundred and forty-three trucks costing $1.7 million including spare parts were delivered to Afghanistan in calendar years 1958 and 1959.

One hundred and fifty buses, costing $1.7 million including spare parts were delivered to Afghanistan in calendar years 1961 and 1962.

Both the trucks and buses were procured in the United States.

Mr. PASSMAN. Do you have any unliquidated funds to the credit of this contract?

Mr. GAUD. For the vehicles?

Mr. PASSMAN. Yes.

Mr. GAUD. I think not.

Mr. PASSMAN. Mr. Secretary, I hope our optimism will not completely break us. You do agree that we can go only so far if we are to avoid breaking America financially?

Mr. TALBOT. Yes, sir.

Mr. PASSMAN. Thank you, sir.

Mr. TALBOT. Thank you.

Mr. PASSMAN. Mr. Lee, are you the assistant to the gentleman who just left?

Mr. LEE. Yes. Mr. Talbot is Assistant Secretary.

Mr. PASSMAN. You do not know whether you have any unliquidated funds on the vehicles? I do not believe that question has been answered.

Mr. GAUD. Yes. We have not.

Mr. PASSMAN. You have not?

Mr. GAUD. That is correct.

Mr. ANDREWS. I assume the buses and trucks and spare parts mentioned on page 526 have been delivered.

Mr. GAUD. They have been delivered.

Mr. PASSMAN. But you say you only delivered 150 buses.

Mr. GAUD. That is correct. There were 150 buses and 443 trucks. The delivery of both has been completed.

SHOP AND TRAINING FACILITIES

This project includes not only buses and trucks, the actual vehicles, but also the establishment of repair shop facilities, training people in the repair and maintenance of vehicles, and so on, and there is still some work to be done on that part of it, what you might call the point 4 part.

This project is being terminated at the end of fiscal year 1963 because it is expected that the shops and other installations will be brought to a level of responsible self-sufficiency.

Mr. GAUD. Yes. Those shops are located on the outskirts of Kabul. I have been there and seen them.

Mr. PASSMAN. I think the record should show that we have already held about 43 days of hearings, and we have covered less than 25 percent of the nations at this time. It is positively impossible for us to go into the details of every project and program in each of these countries. The time will just not permit it. I just want you gentlemen to understand that when I say that we plan to start hearings in January next year, because that is what we intend to do.

So, unless there is objection from members of the committee, we shall have to skip over all kinds of projects.

Mr. ANDREWS. Mr. Chairman, could I ask one more question about this road project?

Mr. PASSMAN. Yes.

STATUS OF AFGHAN REGIONAL TRANSIT PROJECT

Mr. ANDREWS. As I understand, you have some $20 million worth of equipment and supplies that must be bought in the future?

Mr. GAUD. That is right, sir.

Mr. ANDREWS. So if you have no assurance that that border will be reopened, do you plan to buy these supplies and equipment prior to the time the border is opened?

Mr. GAUD. We are waiting to see what will happen.

Mr. ANDREWS. In the meantime what becomes of the contract and the contractor?

Mr. GAUD. The Corps of Engineers has not yet given a proceed order to the contractor and the contractor, as we understand from the Corps of Engineers, is perfectly content with this situation.

Mr. ANDREWS. Then I will ask this question, because I am disturbed about this situation. Here you have a contract and I am sure there is some kind of termination date on it or penalty?

Mr. GAUD. It is a fixed sum contract, sir.

Mr. ANDREWS. The contractor has to be ready to perform?

Mr. GAUD. Yes.

Mr. ANDREWS. And if he cannot get the equipment and materials to work, it is for sure he cannot perform the terms of that contract. Suppose that border is closed for a year and you have not bought any equipment and sent it over there, what is the score on that point?

Mr. GAUD. It is hard to predict. I would guess it would depend on the political decision made by the policy side of the State Department. I would say one thing we might do is cancel the contract.

When the border was opened for 8 weeks in February and March we got enough material in there so that with the material available the contractor will be able to work several months more. And in this business, as Mr. Lee said yesterday, there is an element of calculated risk.

Mr. ANDREWS. Can you assure the committee that none of this money will be spent for materials or supplies until that border question has been settled?

Mr. GAUD. No, sir; I am not in a position to give that assurance.

Mr. ANDREWS. Do you plan to buy materials or supplies before that border question has been settled?

Mr. GAUD. No decision has been reached on that.

Mr. ANDREWS. If you buy them, where will you ship them?

Mr. GAUD. They will be shipped through Karachi.

Though the Government of Afghanistan considers this one of the prime contracts in the whole country, we have emphasized the point we will not ship this material in by way of Iran because it is too expensive and impractical, and that we will go forward with the contract but the materials should go through Karachi.

Mr. ANDREWS. Do you or do you not plan to spend any of that money for equipment and materials for that contract before the border question is settled?

Mr. GAUD. I am sorry, sir, I am not trying to duck. We cannot give you a definite answer. It has only been 5 or 6 weeks since we exercised this option. We have high hopes the border will be opened very soon, which will obviate the necessity of making that decision.

KABUL UNIVERSITY DEVELOPMENT

Mr. PASSMAN. You have various and sundry other contracts in Afghanistan. You have, for example, an educational contract for the development of Kabul University?

Mr. GAUD. Yes, sir.

Mr. PASSMAN. When did you start this project?

Mr. GAUD. I believe we started this project in fiscal 1960.

Mr. PASSMAN. You had obligations of $1,062,000 in 1961; and you finished the year with an unliquidated sum of $1,008,000.

Mr. GAUD. That is right.

Mr. PASSMAN. You spent $54,000 that year?

Mr. GAUD. I was in Kabul in February and by that time the construction of the university was well along. As you know, there is a lag between the time the work is done and we get the invoices. The construction of the university is carried out under a separate project called educational facilities.

Mr. PASSMAN. In fiscal 1962 you estimated you would obligate $1,751,000, but you would have an unliquidated balance of $1,899,000. Is that figure holding firm?

Mr. GAUD. I have no figures from Afghanistan to tell you. We do not know. It is too early to tell.

Mr. PASSMAN. You say in your book that you estimate you will have unliquidated $1,899,000?

Mr. GAUD. Yes.

Mr. PASSMAN. However, you have no figures from Afghanistan so you do not know what the disbursements have been?

Mr. GAUD. Yes.

Mr. PASSMAN. How did you arrive at the figure of $1,490,000 for fiscal 1963 without that information?

Mr. GAUD. This whole book was prepared in February or March.

Mr. PASSMAN. What amount did you have to the credit of this account as of the last date, Mr. Tennant?

Mr. TENNANT. The last figures would have been as of March.

Mr. PASSMAN. What was the unliquidated amount?

Mr. TENNANT. I do not have that.

Mr. PASSMAN. But you do have programed an additional $1,490,000 for fiscal year 1963?

Mr. GAUD. Yes.
Mr. PASSMAN. You cannot say at this moment whether it is needed?
Mr. GAUD. Yes; I can say we need it.
Mr. PASSMAN. You do not know how much is unliquidated?
You do not know how much they have spent?
Mr. GAUD. No, sir; not as of June 30.
Mr. PASSMAN. You have for contract services $1,129,000?
Mr. GAUD. Yes, sir.
Mr. PASSMAN. What kind of contract services?
Mr. GAUD. This is primarily for teachers, an assistant dean and for administrative people in the university.
Mr. PASSMAN. It has nothing to do with building the university?
Mr. GAUD. That is right.
Mr. PASSMAN. Practically all of this goes for participants, teachers, and technicians, except $229,000 for commodities?
Mr. GAUD. That is right.
Mr. PASSMAN. You do not know how much you need for the training?
Mr. GAUD. I do not know.
Mr. PASSMAN. How much is the projected estimate of the training cost?
Mr. GAUD. $3,300,000 to the end of the project in 1967.
Mr. PASSMAN. This could all be changed before you are through?
Mr. GAUD. It could.

PUBLIC SCHOOL EDUCATION

Mr. PASSMAN. For public school education you have obligated, or plan to obligate, $546,000 in 1962, and your estimated unliquidated balance is $382,000?
Mr. GAUD. As of June 30.
Mr. PASSMAN. This project is just getting underway?
Mr. GAUD. That is right.
Mr. PASSMAN. Are these figures holding firm?
Mr. GAUD. We have no figures yet as of June 30.
Mr. TENNANT. They are due about this time.
Mr. PASSMAN. But you request an additional $1,771,000 for fiscal 1963?
Mr. GAUD. Yes, sir.
Mr. PASSMAN. This is about 300 or 400 percent greater than the amount obligated for this project in 1962?
Mr. GAUD. Yes, sir.

VOCATIONAL EDUCATION

Mr. PASSMAN. You have another education project for which you estimated obligations of $88,000 in 1961 and finished the year with $88,000 unliquidated, expenditures zero. You estimate obligations in fiscal year 1962 of $363,000, and you estimate as unliquidated, $310,000; but you are stepping this one up and asking for an additional $481,000?
Mr. GAUD. That is correct.
Mr. PASSMAN. Project that item to the completion date.

Mr. GAUD. The estimated cost to the end of the project is $2,039,000.

Mr. PASSMAN. Do you have the same degree of uncertainty as to this one?

Mr. GAUD. If by "uncertainty" you mean it may or may not be carried to completion, the answer is "Yes." We are always free to cancel the contracts.

Mr. PASSMAN. I am speaking of the conditions in this country.

Mr. GAUD. I misunderstood your question.

Mr. PASSMAN. Do you have the same degree of uncertainty as to whether the Afghans will open the border so we can get in with this aid?

Mr. GAUD. No; the opening of the border is not important as far as this project is concerned.

Mr. PASSMAN. You fly them in, the teachers, and so forth?

Mr. GAUD. That is right.

Mr. PASSMAN. And what about the equipment?

Mr. GAUD. We have two possible alternatives. We might carry some through Iran if not in large volume and some items we might fly.

Mr. PASSMAN. And it might be that it would not go in at all?

Mr. GAUD. That is right.

COST OF PUBLIC SCHOOL EDUCATION PROJECT

Mr. PASSMAN. At the bottom of page 512, you have an item:

To provide 12 direct-hire and 5 contract technicians; participant training for 38 Afghans; and building materials, supplies, and equipment for constructing and equipping public schools.

That is $1,771,000.

Mr. GAUD. Yes. That one would probably be delayed.

Mr. PASSMAN. Then you have an additional project.

Mr. GAUD. Which one are you speaking of, sir? We have covered vocational education.

Mr. PASSMAN. We did not get the projected cost of the project on page 512.

Mr. GAUD. The projected cost to the end is $2,760,000.

Mr. PASSMAN. That is the one that could be delayed?

Mr. GAUD. Yes.

EDUCATIONAL FACILITIES

Mr. PASSMAN. And you have an additional project on page 514, educational facilities.

You came into 1961 with unliquidated funds of $2,739,000, you obligated $155,000 in fiscal 1962, but you had estimated an unliquidated total of $1,966,000 on June 30, 1962. Is that figure holding firm?

Mr. GAUD. We have no final June 30, 1962, figure, sir.

Mr. PASSMAN. Is the estimate holding firm as far as you know?

Mr. GAUD. This is our estimate. We do not know what the facts are as of the moment.

Mr. PASSMAN. And you are requesting an additional $1,930,000 for fiscal 1963?

Mr. GAUD. Yes.

Mr. PASSMAN. That is all for commodities?

Mr. GAUD. Yes.

Mr. PASSMAN. That, too, could be held up?

Mr. GAUD. There is no question about it.

Mr. FORD. Mr. Chairman, could I take about 3 minutes off the record to tell a story about something that may be of interest in this connection?

Mr. PASSMAN. Surely.

(Discussion off the record.)

FEASIBILITY OF PROGRAM

Mr. PASSMAN. The experience indicates that our AID people get into a country, friend or foe, and they are not satisfied to put in two or three good projects. They have got to start just about every type of project the mind of man can conceive. We run through this book on Afghanistan and, with all the uncertainties, you find project after project after project. It is not fair to you and it is not fair to Congress and not fair to the taxpayers that we do not have the time to go over all of these projects. We could not even skim through them and get through in 2 months. I just do not know how we can bring this under control.

Mr. GAUD. It might be worth noting that the literacy rate in Afghanistan is 5 percent.

Mr. PASSMAN. Then you are putting money into a bottomless pit. I am beginning to understand what Secretary Dillon meant when he said we were engaged on a 30- or 40-year program. However, I do not believe that our resources can last that long. You know the situation we are in, but still you go in and try to cover the waterfront.

Mr. LEE. Mr. Chairman, could I say a word on the subject of education before you leave it?

Mr. PASSMAN. What was the literacy rate when you started this program in Afghanistan?

Mr. GAUD. I do not know.

Mr. PASSMAN. It has not gone down any, has it?

Mr. GAUD. The literacy rate?

Mr. PASSMAN. Yes.

Mr. GAUD. I hope not.

Mr. PASSMAN. We find in some countries where we put the most aid there has not been as much as one-quarter of 1 percent change in the GNP, and I do not know that there has been any change in the literacy rate. You are pouring money into a bottomless pit.

Mr. Secretary, I yield to you.

Mr. LEE. I want to talk about education. I am not familiar with the project Mr. Ford spoke of. I think it is very regrettable. I will be glad to look into it.

AID FROM OTHER SOURCES IN EDUCATION FIELD

However, I do know from my personal experience and contacts with people in Afghanistan, and my knowledge of the situation, that the line of reasoning the Secretary was giving with respect to the border situation applies also in the field of education. They are receiving aid from the north.

Mr. PASSMAN. By "north" you mean from the Russians?

Mr. LEE. Yes.

Mr. PASSMAN. When you say from the north, people reading this record might not know what you are talking about. You are talking about the Russians.

Mr. LEE. The Russians are eager to provide educational assistance to them.

Mr. PASSMAN. Why do you not let them do it?

Mr. LEE. The Afghans in general do not want it.

Mr. PASSMAN. They want Russian guns and tanks and airplanes and experts to train them how to carry on war, do they not?

Mr. LEE. But it is important that these people have the educational background that stems from the free world.

LITERACY RATE IN AFGHANISTAN

Mr. PASSMAN. We go back to 1959 and we are considering 1963. That is 5 fiscal years. What is the literacy rate today?

Mr. GAUD. Five percent, I think.

Mr. PASSMAN. On that basis it will be a 100-year program.

Gentlemen, we shall recess until 1:30 p.m.

AFTERNOON SESSION

Mr. PASSMAN. The committee will come to order, and then we shall take a brief recess in order to answer a roll call.

(Brief recess taken.)

Mr. PASSMAN. Let us resume, gentlemen.

CEYLON

The next country we shall discuss will be Ceylon. In fiscal 1962 you had a planned program there of $1,500,000?

Mr. GAUD. Yes, sir.

Mr. PASSMAN. Did that hold firm?

Mr. GAUD. No, sir, it was reduced to $1.3 million.

Mr. PASSMAN. What amount are you requesting for fiscal 1963?

Mr. GAUD. For fiscal 1963 we are requesting ———.

Mr. PASSMAN. Are we dealing entirely with the development grant portion of the program now?

Mr. GAUD. Yes, we are.

Mr. PASSMAN. Not the other facets of foreign aid?

Mr. GAUD. That is right.

Mr. PASSMAN. What have you in the pipeline to the credit of Ceylon from previous years, unliquidated?

Mr. TENNANT. Estimate was $4 million as of June 30, 1962.

Mr. PASSMAN. So you have almost ——— in the pipeline as for the 2 years, fiscal 1962 and fiscal 1963?

Mr. GAUD. That is right.

Mr. PASSMAN. Nearly ——— years. It is 1.3, ——— making it ———.

Could it be that those working up this program, when they looked at those large unliquidated sums, thought they could build up to the budget request and you just had to put in figures in excess of what they actually felt they could possibly prudently expend?

Mr. GAUD. No, sir.

Mr. PASSMAN. Here you have a country with $4 million in unliquidated funds. You are asking for ——— in fiscal 1963.

Mr. GAUD. Mr. Chairman, this is not a mistake. The greater part of that unexpected fund is on development loan, approved in 1961, and on which all expenditures have not been made.

Our request for next year is entirely for development grant.

Mr. PASSMAN. You have not disbursed any of the point II development credit, have you?

Mr. GAUD. That is correct.

Mr. PASSMAN. Will you put in the record for this country, as well as all others in your area, and as we discussed it yesterday, aid from all the different spigots? You understood that request to be general?

Mr. TENNANT. Yes, sir, on the unliquidated.

Mr. PASSMAN. You will go across all of them and see if anything has drained into the cup. I think there are 19.

Mr. TENNANT. I am not sure there are 19.

Mr. PASSMAN. I shall be glad to recite them for you, so there will be no misunderstanding.

Mr. TENNANT. I understand that. The figure I gave includes——

Mr. PASSMAN. You said you did not know about the 19 spigots. We were discussing under this one item the development grant part.

Mr. TENNANT. I understand you now.

These figures I gave you for the $4 million include all of the economic aid, except military.

Mr. PASSMAN. But you do not have the International Funds.

Mr. TENNANT. I do not have that.

Mr. PASSMAN. Neither do you have IDA.

Mr. TENNANT. That is right.

Mr. PASSMAN. Neither do you have the Export-Import Bank long-term developments.

Mr. TENNANT. That is right.

I understand what you want.

Mr. PASSMAN. We are now mixing the vanilla and strawberry and getting it out of one spigot.

That is not too unfairly said, is it? Are you not pulling in——

Mr. TENNANT. We are consolidating some appropriations.

Mr. PASSMAN. Getting two brands out of one pump. That is the way it works, is it not?

EXPROPRIATION OF PROPERTY

Has this country expropriated any U.S. citizen's or citizen organization's property?

Mr. GAUD. Yes, sir.

Mr. PASSMAN. They have?

Mr. GAUD. Yes, sir.

Mr. PASSMAN. Have they apologized for it?

Mr. GAUD. I wouldn't say they had apologized for it; no.

Mr. PASSMAN. Have they expressed any degree of regret for their actions?

Mr. GAUD. So far as I know they have not.

Mr. PASSMAN. This is not to compensate them for their actions, is it?

Mr. GAUD. No, sir.

Mr. PASSMAN. Thank you.

Why are we programing any aid to this country when Ceylon is unwilling or unable to undertake essential self-help measures? Is that not one of the criteria for assistance of the United States?

Mr. GAUD. That is one of the criteria; you are quite right, sir. We feel there is a good deal more that this country can do than it already has done.

As a result we have an extremely modest program in Ceylon.

We hope we can persuade her to do better than she is doing now.

Mr. PASSMAN. I hope your persuasion is effective. You have $4 million unliquidated and you have this additional amount coming on for this year.

Mr. GAUD. I think we have a statute to think about at the moment——

Mr. PASSMAN. A statute?

Mr. GAUD. I beg your pardon, I don't know whether the President has signed it. Under the new bill as adopted by the two Houses this year certain guidelines are imposed with respect to countries which expropriate property of American nationals.

Unless Ceylon lives up to her obligations under that statute we will cut off our aid.

Mr. PASSMAN. I am familiar with that compromise. There is a lot of distance between those two points. Let us hope it works out.

CYPRUS

Have you any program for Cyprus this year?

Mr. GAUD. Yes, sir; we do. The program for Cyprus which we propose——

Mr. PASSMAN. For fiscal 1962?

Mr. GAUD. For 1962 the actual figure, which will not appear in your book, prepared some months ago, is $679,000. Our proposed figure——

Mr. PASSMAN. For fiscal 1962 you had a program of $350,000?

Mr. GAUD. That is correct.

Mr. PASSMAN. Did that hold firm?

Mr. GAUD. It did not. It went up.

Mr. PASSMAN. To what amount?

Mr. GAUD. To $679.000.

Mr. PASSMAN. That is no exception in this program; is it?

Mr. GAUD. Some are up and some are down, sir.

Mr. PASSMAN. Let us run through and see if we can find one that is down. We have found a lot that are up in your area.

Do you have a program for Cyprus in fiscal 1963?

Mr. GAUD. Yes, sir.

Mr. PASSMAN. In what amount?

Mr. GAUD. $850,000.

UNLIQUIDATED BALANCES

Mr. PASSMAN. What is the pipeline of unliquidated funds to the credit of this nation?

Mr. TENNANT. It was estimated to be $300,000.

Mr. PASSMAN. Of the $350,000 program which you planned last year you raised it to $679,000, but they still have $300,000 unliquidated?

Mr. TENNANT. I did not take into account the change in program as given by Mr. Gaud, since these figures were prepared as of the present date.

Mr. PASSMAN. How much is unliquidated according to the revised figures?

Mr. BIRNBERG. It would have to be an estimate. I would estimate it probably close to $679,000, perhaps $635,000 to $640,000.

Mr. PASSMAN. Let us go back to this program of $679,000.

We find a program for fiscal 1962 so soundly planned that you told the committee in your justifications here, had we held the hearings the date you anticipated we would, that you would have a program for Cyprus for $350,000. Yet, at a subsequent date you revised it upward to $679,000. Is that correct?

Mr. GAUD. We did revise it upward.

Mr. PASSMAN. According to the present estimates you have unliquidated to the credit of Cyprus?

Mr. BIRNBERG. Estimated at about $635,000 to $640,000.

Mr. PASSMAN. In this little new country, which gained its independence a year or two ago, you moved the program up to $679,000, with an unliquidated amount of $635,000.

Then you plan a $850,000 program for fiscal 1963. Is that a statement of fact?

Mr. GAUD It is.

AID FROM OTHER PROGRAMS

Mr. PASSMAN. Can you tell us how much they have under these other spigots, Mr. Comptroller, to the credit of Cyprus?

Mr. TENNANT. We shall have to provide that.

Mr. PASSMAN. They have other aid categories; do they not?

Mr. TENNANT. They have title II.

Mr. GAUD. Public Law 480 program.

Mr. PASSMAN. What is the land area of Cyprus?

Mr. GAUD. The land area of this country is 3,600 square miles.

Mr. PASSMAN. What is the population?

Mr. GAUD. Population in 1961 was 569,000.

Mr. PASSMAN. What size army do they have?

Mr. GAUD. They have no army at the present time.

Mr. PASSMAN. Will you tell us what the increased amount covers?

Mr. GAUD. Mr. Chairman, the large shift in the program——

Mr. PASSMAN. What kind of shift?

JUSTIFICATION FOR INCREASE IN CYPRUS PROGRAM

Mr. GAUD. Large. The large shift here, both in the components of the program and the size relatively, from $350,000 to $679,000 is due to the fact that when these books were prepared, we did not have a mission in Cyprus. We have since sent a mission to Cyprus. We have studied the requirements of this island much more than we had had an opportunity before and we have now a quite different program.

Mr. PASSMAN. Have you determined what projects will be initiated with the additional $329,000?

Mr. GAUD. Yes; we have a complete breakdown for the $679,000 for the fiscal year 1962 program.

Mr. PASSMAN. Had you not had the additional funds, you could have lived by the original 1962 estimates, could you not, of $350,000?

Mr. GAUD. We would have been able to if we had had to, of course.

Mr. PASSMAN. You would have had a workable program; would you not?

Mr. GAUD. We would not have had what we considered to be a desirable program.

Mr. PASSMAN. You thought it was desirable at the time you worked up these books. Is that a statement of fact?

Mr. GAUD. It was the best we could do at that time.

Mr. PASSMAN. If you had been limited to what you had in these books, you would have had a going program out there?

Mr. GAUD. That's right.

WEST GERMAN AID TO CYPRUS

Mr. PASSMAN. Has West Germany provided the $8 million for Cyprus as yet?

Mr. GAUD. I do not know about dollars. I am informed West Germany is providing assistance to Cyprus.

Mr. PASSMAN. I am dealing with specifics. Could you tell us about the $8 million?

Mr. GAUD. I am telling you I cannot say about the $8 million.

Mr. PASSMAN. Do you know the rate of interest and the terms on which they will provide it?

Mr. GAUD. I do not know it at all.

Mr. PASSMAN. Gentlemen, are there any other questions on Cyprus?

NON-U.S. FOREIGN AID

Mr. FORD. Turning to page 199, it shows budget receipts from non-U.S. foreign aid. What would that be, $11 million? That is the third line from the bottom.

Mr. BIRNBERG. These are grants-in-aid from the United Kingdom, Great Britain. This was by agreement with the new government, phasing over a period of years.

BREAKDOWN OF BUDGET RECEIPTS FROM UNITED STATES—PUBLIC LAW 480

Mr. FORD. Budget receipts from U.S. aid grants and loans, $2 million.

Mr. BIRNBERG. Yes.

Mr. FORD. What is the breakdown of that?

Mr. BIRNBERG. That, sir, represented the local currency equivalent in that year, Public Law 480 type, work relief projects which moved into the budget.

Mr. FORD. In fiscal 1961 we had title II, Public Law 480, to the extent of $9.5 million.

Mr. BIRNBERG. Yes, sir.

Mr. FORD. Why does only $2 million of that show up here?

Mr. BIRNBERG. The budgetary estimates—this budget shown is a 1960–61 estimate, this budget. The estimate worked up at that time, the equivalent amount shown in the budget was only $2 million. Part of the title II projects were out of the budget, part were in. They reflect the part that is in. It is more of a reflection of the way of keeping budget accounts.

Some activities under title II were local activities which do not show up as Government budget.

BUDGETARY SUPPORT FROM PUBLIC LAW 480

Mr. FORD. This was actual budgetary support generated by Public Law 480 to the extent of $2 million?

Mr. BIRNBERG. That is correct, sir.

Mr. FORD. The other $7.5 million would show up in other kinds of projects but not budgetary support?

Mr. BIRNBERG. Yes; they are similar projects in essence.

Mr. FORD. How much in fiscal 1962 through this process do you believe we contributed to budgetary support?

Mr. BIRNBERG. I think the only way to put it, sir, is as you see, the program in 1962, a new sales agreement, somewhat smaller than 1961. My guess would be—it has to be a guess—the amount would be about the same, but there might be a shifting of projects.

Mr. FORD. Why do we do this in the case of Cyprus when, according to the information on page 199, in fiscal year 1961 they had a surplus of $7 million?

Mr. BIRNBERG. Let me explain it this way, if I may. First of all, part of this work relief program carried out under title II reflects—well, may I go back one step.

There was a drought in Cyprus in 1960 and a continued drought in 1961. Some of the food shipped in was a food relief kind of program. On the other side of it, it was a food relief program to which was attached, you might say, work, not a handout, but a work program.

It is true that from the purely budgetary point of view, it would look as though, why should we do this, when they have a surplus? My answer has to be threefold. First, on the food side there was a good reason to get in. Second, the kind of projects undertaken under this program, very small projects—frankly, the Government of Cyprus had not yet really seriously considered adopting such a variety of small projects within its own budget. It was a way of getting it encouraged in this direction. Third, a somewhat more complicated factor is this. These surpluses were, you might say, unintentional surpluses. The Government of Cyprus in both 1960 and 1961—we were aware of this—was receiving, as you see, this large amount of grant aid from the United Kingdom. It, frankly, sir, was not even using it. It was not using the aid it got, it was piling some of it up in Treasury bills in London.

On the budgetary side it was not carrying out the expanded development works it had planned. At the same time it was prepared, and I think rightfully we encouraged it to carry out, as far as it could, these small development projects. They are of a different order, sir. In a sense, by withdrawing, let us say, if we had not used title II, it would not have encouraged them to use this British grant-in-aid money because this money they thought of in terms of larger projects.

We are hoping two things will flow from the title II program. One is when their situation is better, not financial but crops, they would have gotten used to such small projects.

Mr. FORD. It looks a little paradoxical to see the figures.

Mr. BIRNBERG. I agree, sir.

PURCHASES OF U.S. GOLD

Mr. PASSMAN. This little new country accumulated sufficient dollars to buy $2 million worth of our gold also at the end of 1961, did they not?

Mr. BIRNBERG. That is right, and exchanged British holdings for gold.

Mr. PASSMAN. Convertible currency?

Mr. BIRNBERG. Yes.

Mr. PASSMAN. Have they bought any more gold since the end of last year?

Mr. BIRNBERG. I do not believe so, but I am not certain.

U.S. COMMUNICATIONS FACILITIES ON CYPRUS

Mr. NATCHER. What important communication facilities do we have in Cyprus?

Mr. GAUD. I would rather have Mr. Lee answer that.

Mr. LEE. We have a Voice of America station there, have had for some time, holding on from an agreement with the United Kingdom before independence.

Mr. NATCHER. Any other communication facilities?

Mr. LEE. We have some other communication facilities there that are used by the Department of States and U.S. agencies.

(Additional information follows:)

COMMUNICATIONS FACILITIES ON CYPRUS

The above statements are in error since there is no Voice of America facility in Cyprus. The existing communication facilities include a Department of State radio relay station, the Near East Regional Center for State Department telegraphic traffic, and a regional FBIS (Foreign Broadcast Information Service) station which monitors foreign radio broadcasts.

Mr. NATCHER. That is all, Mr. Chairman.

UNITED KINGDOM ASSISTANCE TO CYPRUS

Mr. MONTOYA. Primarily the obligation to support the economy of Cyprus is the United Kingdom's; is that right?

Mr. GAUD. Primary responsibility?

Mr. MONTOYA. Yes.

Mr. GAUD. The United Kingdom has certainly taken a great interest. I do not know that you can say it is anybody's primary responsibility.

Mr. MONTOYA. It is a former British possession?

Mr. GAUD. Yes.

Mr. MONTOYA. The British have some bases located on the island, do they not?

Mr. GAUD. Yes, they do.

Mr. MONTOYA. How much of a base do they have? Will you describe the complement, et cetera.

Mr. GAUD. This is a question which I am not sure how far I ought to go into.

Mr. ROONEY. Would you say they have a huge base there?

Mr. GAUD. Yes, but there are some very radical changes taking place in this situation at the present time.

Mr. MONTOYA. Is it not customary for us to give supporting assistance to local governments where we do have bases? Why is not the United Kingdom supporting most of this?

Mr. GAUD. As I understand it, sir, the United Kingdom contribution to Cyprus is considerably larger than ours.

Mr. PASSMAN. Did you not just state that they built up substantial credits and left them to their account, accrued in the United Kingdom?

Mr. BIRNBERG. Yes, so far this is correct.

Mr. PASSMAN. They did not draw them down?

Mr. BIRNBERG. They have drawn them down to some extent.

Mr. PASSMAN. The major portion was left to their credit in the United Kingdom?

Mr. BIRNBERG. Yes.

Mr. MONTOYA. What are the total gold holdings of Cyprus at the present time?

Mr. GAUD. I do not have a recent figure on that, sir.

Mr. MONTOYA. What is the most recent that you have?

Mr. GAUD. We have nothing on this other than what is in the congressional presentation book, which is at the end of the year 1960. The figure then was $44 million.

Mr. MONTOYA. $44 million?

Mr. GAUD. I beg your pardon. That is sterling.

Mr. MONTOYA. The country came into being on August 16, 1960; is that right?

Mr. GAUD. Yes, sir.

Mr. MONTOYA. They are doing pretty well, don't you think?

Mr. GAUD. They are doing better than some.

Mr. MONTOYA. Doing better than we are. That is all, Mr. Chairman.

INDIA

Mr. PASSMAN. The next item for consideration will be India.

We are dealing with only part of the aid program when we cite these figures. I refer to revised page 180, which is a summary of programs for the Near East and south Asia, by country and function, for fiscal year 1961–62 and the proposed program for fiscal year 1963.

You had a program of $201 million?

Mr. GAUD. In 1961; yes, sir.

Mr. PASSMAN. And in fiscal year 1962 what was your original planned program under these categories, the same page?

Mr. GAUD. The program we showed in the congressional presentation book was $403.3 million.

Mr. PASSMAN. Did that figure hold firm?

Mr. GAUD. No, sir.

Mr. PASSMAN. Did it go down?

Mr. GAUD. No, sir.

Mr. PASSMAN. It must have gone up.

Mr. GAUD. It did.

Mr. PASSMAN. To what amount?

Mr. GAUD. $465 million.

UNLIQUIDATED OBLIGATIONS FOR ALL CATEGORIES OF AID

Mr. PASSMAN. Under these categories of aid, Mr. Tennant, could you tell us the unliquidated amount to the credit of India?

Mr. TENNANT. Unliquidated, estimated on the basis of original program, is $671,160,000. Based on the increased program——

Mr. PASSMAN. That is based upon this increase?

Mr. TENNANT. I would say it would be in the magnitude of $700 million.

Mr. PASSMAN. Would you also check the cups under the other spigots of the several categories of foreign aid and get the total for us?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. We might as well get one or two here.

What do you have for their credit under Public Law 480?

Mr. TENNANT. Unliquidated?

Mr. PASSMAN. Yes.

Mr. TENNANT. I do not have that, sir.

Mr. PASSMAN. You gave it to us on some other countries yesterday.

Mr. TENNANT. I do not believe so.

Mr. PASSMAN. How about in fiscal 1963?

Mr. GAUD. For Public Law 480?

Mr. PASSMAN. The program.

Mr. GAUD. The program for 1963 under my three spigots is $———.

Mr. PASSMAN. You have been telling us about the Public Law 480. Does Mr. Birnberg have it?

Mr. TENNANT. Country uses, $311.5 million.

Mr. PASSMAN. Is that accurate?

Mr. TENNANT. Yes, for India.

Mr. GAUD. This is not unexpended.

Mr. PASSMAN. Let us get the unliquidated amount to their credit. The telephones are working. Gentlemen, we have to find out what is available for these programs.

Mr. TENNANT. The unliquidated, sir, I will have to contact the Department of Agriculture and see if I can obtain it during the recess.

Mr. PASSMAN. When we come back, we will put the planned program for fiscal 1963 in. What is it?

Mr. GAUD. $———.

Mr. PASSMAN. $———, you had for fiscal 1961?

Mr. GAUD. Off the record.

Mr. PASSMAN. The 1962 figure was up, if I read these figures correctly, about $61,700,000 over the original estimate.

Mr. GAUD. That is right.

Mr. PASSMAN. That is a sizable amount of money, is it not?

Mr. GAUD. It is, indeed.

(Short recess.)

Mr. PASSMAN. The subcommittee will come to order.

If we get a total of the proposed program for India for fiscal 1963, your present estimate under the category of "Grant aid" is $———; is that correct?

Mr. GAUD. Grant aid, plus development loans.

Mr. PASSMAN. Development credits, as I think of them. $———; is that correct?

Mr. GAUD. Yes, Mr. Chairman.

PUBLIC LAW 480 AND MILITARY ASSISTANCE PROGRAM FOR INDIA

Mr. PASSMAN. That is spigot No. 1.

We were discussing the Public Law 480 estimate earlier. Do you have that information, Mr. Comptroller?

Mr. TENNANT. $311,500,000.

Mr. PASSMAN. That is No. 2.

Do you have a military program for India?

Mr. GAUD. We do not.

Mr. PASSMAN. How about your credit assistance, this other category we have been discussing, credit assistance under military? You have such a program, do you not?

Mr. TENNANT. I have to look at military books on that.

Mr. PASSMAN. Can you tell us the amount from the international organizations?

Mr. BIRNBERG. We do not have that, sir.

Mr. PASSMAN. What other types of aid are available? Do you have an estimate for fiscal 1963 for India?

CONSORTIUM AID

Mr. GAUD. Mr. Chairman, we know the total amount which has been pledged to date by the consortium to India.

Mr. PASSMAN. I am interested in the United States. This consortium means the other nations get good, hardboiled loans, some not over 2½ years, at 6 percent interest, while we are in for 40 years, with no interest, and maybe they will never pay it back. What other programs do you have in India, gentlemen, the United States?

Mr. GAUD. We have no figures on any other programs.

Mr. PASSMAN. You have under your category, plus Public Law 480, $776,500,000?

Mr. GAUD. That is correct, sir.

DEVELOPMENT LOANS UNLIQUIDATED

Mr. PASSMAN. Previously you told us under the one category, the one discussed in your book, there is $700 million in unliquidated funds.

Mr. GAUD. Yes, sir.

Mr. PASSMAN. That is a fantastic figure, $700 million. Is that correct, Mr. Comptroller?

Mr. TENNANT. Yes, sir, $700 million. Most of it is outstanding loans, development loans.

Mr. PASSMAN. It is to the credit of India for disbursement?

Mr. TENNANT. It would be disbursed in the future.

Mr. PASSMAN. How much of it is undisguised grant aid?

Mr. TENNANT. Approximately $20 million of it is grant aid, and $650 million is loans.

Mr. PASSMAN. Is that the credits where they have 40 years with no interest and a 10-year grace period?

Mr. TENNANT. I think most of the loans are on the long-term basis.

Mr. PASSMAN. By long term, it meets the criteria I just stated, of 40 years, and——

Mr. GAUD. Yes, except for the three-quarters of 1 percent service charge.

(The following was submitted for the record later:)

Development loans, Mutual Security and Foreign Assistance Acts—Status of loans to India as of June 30, 1962

Loan No.	Loan source and borrower	Amount approved	Obligated	Disbursed	Undisbursed balance	Principal repayments	Interest collected	Currency of repayment	Interest rate
	DEVELOPMENT LOAN FUND								
2	Government of India	$30,000,000	$30,000,000	$30,000,000.00		$5,714,285.71	$1,307,902.52	Rupees	3½ percent.
3	do	35,000,000	35,000,000	35,000,000.00		7,000,000.02	1,987,579.96	do	5¾ percent.
12	do	35,000,000	35,000,000	35,000,000.00		600,000.00	3,251,046.52	do	3½ percent.
13A	do	18,000,000	18,000,000	17,916,359.47	$83,640.53	1,629,056.35	838,506.48	do	3½ percent.
13B	do	22,000,000	22,000,000	21,930,143.57	69,856.43	1,732,536.74	1,874,901.81	do	5½ percent.
21	do	10,000,000	10,000,000	10,000,000.00		600,000.00	597,483.76	do	3½ percent.
40	do	15,000,000	15,000,000	15,000,000.00		1,312,500.00	1,502,171.58	do	5¾ percent.
78	do	20,000,000	20,000,000	19,770,644.29	229,355.71	200,000.00	878,693.88	do	5¾ percent.
118	Industrial Finance Corp	10,000,000	10,000,000	546,156.14	9,453,843.86			do	5 percent.
120	Government of India	8,400,000	8,400,000	635,203.81	7,764,796.19		252.26	do	3½ percent.
121	Ahmedabad Electricity Co	3,900,000	3,900,000	3,431,059.28	468,940.72		45,280.83	do	3½ percent.
122	Government of India	3,800,000	3,800,000		3,800,000.00			do	3½ percent.
125	do	30,000,000	30,000,000	4,847,601.90	25,152,398.10			do	3½ percent.
130	do	20,000,000	20,000,000	9,281,408.06	10,718,591.94			do	3½ percent.
131	do	13,100,000	13,100,000	12,730,703.83	369,296.17	1,296,065.58	377,360.16	do	5¾ percent.
140	do	1,600,000	1,600,000	692,815.15	907,184.85			do	3½ percent.
141	do	2,500,000	2,500,000	36,949.75	2,463,050.25			do	3½ percent.
144	National Small Industry Corp	10,000,000	10,000,000	89,447.61	9,910,552.39			do	5 percent.
151	Government of India	50,000,000	50,000,000	21,181,510.97	28,818,489.03		113,459.96	do	3½ percent.
155	Industrial Credit & Investment Corp. of India.	5,000,000	5,000,000		5,000,000.00			do	5 percent.
157	Government of India	25,000,000	25,000,000	7,060,542.07	17,939,457.93		17,657.38	do	5¾ percent.
159	do	25,000,000	25,000,000	13,869,086.37	11,130,913.63	100,000.00	411,413.96	do	5¾ percent.
162	Hindustan Chemicals & Fertilizers	30,000,000	30,000,000	8,024,765.06	21,975,234.94	100,000.00	272,228.01	do	5¾ percent.
176	Premier Automobiles, Ltd	7,200,000	7,200,000		7,200,000.00			do	5¾ percent.
190	Government of India	33,000,000	33,000,000		33,000,000.00			do	3½ percent.
191	do	8,400,000	8,400,000		8,400,000.00			do	3½ percent.
197	do	21,500,000	21,500,000		21,500,000.00			do	3½ percent.
206	do	20,000,000	20,000,000		20,000,000.00			do	3½ percent.
215	do	33,600,000	33,600,000	4,419,641.61	29,180,358.39			U.S. dollars	¾ of 1 percent.
217	do	200,000,000	200,000,000		200,000,000.00			do	¾ of 1 percent.

	AGENCY FOR INTERNATIONAL DEVELOPMENT								
14	Government of India	38,000,000	38,000,000		38,000,000.00			do	¾ of 1 percent.
15	do	4,200,000	4,200,000		4,200,000.00			do	¾ of 1 percent.
30	The Premier Automobiles, Ltd	3,000,000	3,000,000		3,000,000.00			do	¾ of 1 percent.
33	Delhi Cloth & General Mills Co., Ltd	9,800,000	9,800,000		9,800,000.00			do	¾ of 1 percent.
34	Government of India	20,200,000	20,200,000		20,200,000.00			do	¾ of 1 percent.
35	do	43,000,000	43,000,000		43,000,000.00			do	¾ of 1 percent.
36	Industrial Finance Corp. of India	20,000,000	20,000,000		20,000,000.00			do	¾ of 1 percent.
37	Tata Power Co., Ltd., the Tata Hydro-electric Power Supply Co., Ltd., and the Andhra Valley Power Supply Co., Ltd	17,900,000	17,900,000		17,900,000.00			do	¾ of 1 percent.
	NEPCO Bevel Gear	2,300,000	2,300,000					do	¾ of 1 percent.
	Hindustan Motors	15,800,000						do	¾ of 1 percent.
	TELCO Truck Plant	13,700,000						do	
	Delhi "C" Thermal	16,000,000						do	
	Ramagundam Thermal	8,400,000						do	
	Total	959,300,000	905,400,000	271,464,038.94	631,635,961.06	20,284,444.40	13,475,939.07		

Mr. PASSMAN. What we were endeavoring to do, as we had started out yesterday, was to get a total of these fiscal 1963 programs and the unliquidated sums, by category; but some it is an estimate, some not available. Earlier, we did ask for a list which showed all projects for India. I think we made that request several weeks ago.

Mr. TENNANT. Yes, sir.

(The information supplied follows:)

Agency for International Development, mutual security and foreign assistance appropriations, status of active devefopment grant projects as of June 30, 1962

INDIA

[In thousands of dollars]

Project number	Project title	Obligations		Expenditures cumulative through June 30, 1962	Unliquidated obligations, June 30, 1962
		Fiscal year 1962 appropriation	Cumulative through June 30, 1962		
386-A-12AA	Soil and water conservation	110	449	397	52
386-A-13AB	Crop production development	612	1,138	600	538
386-A-13AC	Livestock improvement	69	711	656	55
386-A-11AD	Home science and training	194	2,196	2,064	132
386-A-11AF	U.D. agriculture university	180	1,110	448	662
386-A-11AE	Agriculture education research	515	10,983	2,089	8,894
386-J-27AA	Productivity council	559	2,722	1,071	1,651
386-J-28AB	Steel training	580	1,630	380	1,250
386-J-28AC	Production development center	290	290		290
386-J-21AD	Bokard steel plant	750	750		750
386-N-65AA	Secondary education	210	2,154	1,616	538
386-N-66AB	Ind. Inst. Tech. Kanpur	2,088	4,278	247	4,031
386-N-66AC	National program of professional education.	180	657	112	545
386-P-54AA	Medical education	226	1,203	1,041	162
386-P-54AB	General nursing	195	741	653	88
386-P-54AC	Health education	28	226	207	19
386-P-51AD	"Reg." malaria eradication	16	16	16	
386-P-51AD	Malaria eradication	11,001	62,251	58,112	4,139
386-Q-72AA	Organization and management	26	92	73	19
386-U-41AA	Trade union service	3	9		9
386-U-49AB	Technical service, Ministry of Labor.	46	88	55	33
386-W-11AA	Soil fertility use		1,029	1,028	1
386-W-14AD	Agriculture economy research		291	290	1
386-W-13AE	Dairy development	56	996	985	11
386-W-13AF	Calcutta milk scheme	36	522	509	13
386-W-14AG	Farmers organization		275	274	1
386-W-18AH	Co-op membership education		93	93	
386-W-18AJ	Fisheries		2,902	2,902	
386-W-19AL	Technical support		1,618	1,618	
386-W-15AI	Storage food grains	149	1,688	1,481	207
386-W-21AN	Oil gas commission		104	101	3S
386-W-21AO	Assistance to coal industry	120	270	125	145
386-W-21AP	Reg. Orissa iron ore		18,940	5,272	13,668
386-W-22AQ	Electric distribution system	2	405	391	14
386-W-22AR	Delhi thermal plant		4,000	1,155	2,845
386-W-25AU	River valley development		16	16	
386-W-25AV	Equipment operators	61	491	424	67
386-W-25AX	Technical survey and power development.	329	1,301	958	343

Agency for International Development, mutual security and foreign assistance appropriations, status of active development grant projects as of June 30, 1962—Con.

INDIA

[In thousands of dollars]

Project number	Project title	Obligations		Expenditures cumulative through June 30, 1962	Unliquidated obligations, June 30, 1962
		Fiscal year 1962 appropriation	Cumulative through June 30, 1962		
386-W-27AY	Assistance to technical survey organization.		3,011	3,011	
386-W-27AZ	Assistance to CSIR		20	20	
386-W-17BA	Desert afforestation	9	189	189	
386-W-29BC	Technical support		1,604	1,604	
386-W-31BD	Highways and bridges		54	53	1
386-W-37BE	Aviation ground factory		2,911	2,910	1
386-W-61BF	Central training institute	168	868	191	677
386-W-49BG	Technical support		243	243	
386-W-52BH	Water supply program		6,448	6,446	2
386-W-53BI	Insect borne control		132	132	
386-W-59BJ	Assistance to health agency	52	185	140	45
386-W-59BK	Technical support		1,155	1,155	
386-W-63BL	Assistance to home science education.		1,045	1,040	5
386-W-66BN	Assistance to technical education	555	4,162	2,576	1,586
386-W-66BO	National professional education center.		391	391	
386-W-66BP	Technical training engineering education.		2,271	2,094	177
386-W-69BQ	Rural institutions		227	224	3
386-W-69BR	Technical support		815	815	
386-W-82BT	Social welfare		585	584	1
386-W-91BU	Investment center	8	721	80	641
386-W-98BV	Nuclear engineering	129	610	480	130
386-W-94BW	Small industries development		807	793	14
386-W-98BX	Nuclear research		662	662	
386-Z-99AA	Technical support	1,368	5,035	4,796	239
	Grand total	20,920	162,786	118,088	44,698

TOTAL AID TO INDIA—ALL CATEGORIES

Mr. PASSMAN. Mr. Tennant, Mr. Gaud, Mr. Birnberg, and Mr. Secretary, what is the total aid, by year, since the inception of the aid program to India, for all categories, through fiscal 1962? It would appear it is between $3½ and $4 billion, but it would be much better to itemize it for the record. You may find an example of the way we want it on page 3072 of the fiscal year 1961 hearings.

Then note, if you will, the Export-Import Bank, because you have the long-term development credits under Export-Import Bank, and also include IDA.

In this instance, we would like to have it for all categories. Can you get that information?

Mr. GAUD. I think that information is on page 212 of the brown book.

Mr. PASSMAN. I do not see anything listed for IDA. Is IDA in?

Mr. GAUD. Yes, sir. Under Assistance From International Agencies.

Mr. PASSMAN. Put it down. This will be as good a place as any. What total do you get through 1962?

Mr. GAUD. All the way up and down the page? I have not added it up, but you have first the first group, Agency for International Development.

Mr. PASSMAN. What we want is the total.

You and I know that on page 212, in the righthand corner, that is not the correct figure, because you have already advanced that by about $62 million.

Mr. GAUD. I thought your question was through 1961. I take it back.

Mr. PASSMAN. Through 1962.

Mr. GAUD. Yes, sir.

Mr. PASSMAN. This one item in the whole multitude of figures, that is $403 million, is up by some $62 million itself, is it not?

Mr. GAUD. $61.8 million; yes.

Mr. PASSMAN. So there is no use to put those figures in. Let us get the accurate figures. Will you try to help us on it?

Mr. GAUD. We will, indeed.

Mr. PASSMAN. Thank you.

(The information supplied follows:)

Aid to India from all categories through fiscal year 1962

[Millions of dollars and dollar equivalent]

Agency for International Development, total	1,487.0
Development loan	992.3
Development bank	152.7
Development assistance	342.0
Food for peace (Public Law 480):	
Title I, country uses	1,721.3
(sales agreements)	(1,979.3)
Title II	9.3
Title III	175.7
Export-Import Bank long-term loans	271.9
Other U.S. economic aid (including wheat loan)	230.7
Assistance from international agencies:	
IBRD—World Bank	823.8
International Finance Corporation	1.6
International Development Association	112.0
U.N. technical assistance	21.5
U.N. special fund	15.7
Other free world assistance:	
United Kingdom	436.4
Canada	208.6
Germany	523.5
Japan	138.0
Italy	100.0
All other	77.9
Sino-Soviet bloc assistance	985.0
Grand total	7,339.9

Explanatory note: All figures represent obligations or commitments.

IDA LOANS TO INDIA

Mr. PASSMAN. Does India get into this International Development Association, IDA?

Mr. GAUD. India has some loans from IDA.

Mr. PASSMAN. It would appear that they have many credits from IDA.

Mr. GAUD. I think that is true.

Mr. PASSMAN. It does not appear that they are paying any interest on any of these credits.

Mr. GAUD. The IDA loans are for, I think, 50 years, three-quarters of 1 percent, with a 10-year grace period.

Mr. PASSMAN. According to this information, they have received from IDA $122 million through June 30. They pay no interest whatsoever, according to the caption. There is a service charge of three-quarters of 1 percent?

Mr. GAUD. That is correct.

Mr. PASSMAN. It is for 50 years with a 10-year grace period?

Mr. GAUD. That is correct.

Mr. PASSMAN. When you get that table, you will include all of that data, will you not, up to date?

Mr. GAUD. Yes, sir. IDA is the International Development Association, and as shown on page 212——

Mr. PASSMAN. That is really going to run that total up, but get it in. When do you think the information will be available, Mr. Tennant?

Mr. TENNANT. I would say in a day or two it will be in.

Mr. PASSMAN. When you put it all together, I think my figure of between $3½ and $4 billion will be close to accurate.

PROPOSED MIG AIRCRAFT PLANT

Mr. PASSMAN. We have read in the paper the statement that Mr. Nehru was negotiating with Mr. Khrushchev for a factory in India to manufacture the Mig aircraft. The article stated that they would proceed with the contract notwithstanding the persuasion of the United Kingdom and the United States for them not to do so.

At a subsequent date we read that Nehru said he would not want to do anything which would interfere with the AID program. Would it be fair to say that there is a little hope that this Russian plant will not be built in India?

Mr. LEE. Mr. Chairman, as far as we know, that is still under consideration; but we have no official word as to what the conclusion of it will be.

Mr. PASSMAN. In the event that they should proceed on the basis that we had read in the paper for Russia to build this airplane plant in India to manufacture Mig's, would it have any effect on our program in India?

Mr. GAUD. The 1963 program?

Mr. PASSMAN. I mean these huge unliquidated credits, $700 million, I believe, in the category to which we referred.

Mr. TENNANT. That is correct, sir.

Mr. PASSMAN. And also the huge request for 1963. Do you think that possibly some adjustment would be made?

Mr. GAUD. That is a question that is impossible for me to answer because the decision obviously will not be mine.

Mr. PASSMAN. Of the total request for India for fiscal 1963, other than the continuing projects, it would be illustrative—you may or may not carry out these projects as indicated in the book. Is that a statement of fact?

Mr. GAUD. That is true, sir.

TAX SYSTEM

Mr. PASSMAN. Is it true that India is the least taxed country among the industrialized countries of the world?

Mr. GAUD. I do not know, sir.

Mr. PASSMAN. Please try to get the information for us.

(The information follows:)

THE INDIAN TAX SYSTEM

Although tax revenue in relation to total income is much lower in India than in the United States and many other countries, this is to be expected of a nation which, for the most part, is still economically underdeveloped. Much of the Indian population lives at or close to the subsistence level. It is difficult to collect taxes from persons who can scarcely provide themselves with the necessities of life. Peasant families living on small subsistence farms may receive so little cash income as to be unable to pay taxes in any significant amount. This difficulty of collecting taxes from an impoverished population is not peculiar to India but is common to all underdeveloped nations. Other difficulties exist, such as traditional hostility toward tax collectors, imperfections in the tax administrative machinery, absence of detailed records, etc.

Considering India's stage of development, its total tax effort is by no means inconsiderable. Income in particular is taxed at a high rate. It has been calculated that in 1960 a married person with two children and a salary of 120,000 rupees would have paid 55.7 percent of his income to the tax collector. The equivalent income ($25,200) in the United States would have been taxed only 25.2 percent, or less than half as much. Moreover, tax rates in the upper brackets are to be raised still higher under recent proposals of the Indian Government. The personal exemption for an unmarried individual is only 1,000 rupees (about $210) in India as compared to $600 in the United States. On corporate income, the tax rate is 63 percent for foreign companies and is to be raised from 45 to 50 percent for domestic companies, roughly comparable to U.S. rates.

The Indian Government recognizes the importance of taxation as a means of financing its economic development program and is making a determined effort to increase its tax revenue. Higher taxes were proposed this spring in the government's budget for 1962–63. These include a higher corporate income tax rate, revisions in the income tax structure and capital gains tax, a higher wealth tax, and a number of new excise and customs duties. It is expected that these will increase the tax base by about 6 percent. Combined with the increase in tax receipts resulting from expansion of the economy, the new higher rates are expected to raise total tax revenue in 1962–63 11 percent above the level of 1961–62.

The total tax revenue of the individual States plus the Central Government has increased considerably since India became independent, rising from Rs.6 billion ($1,260 million) in fiscal year 1948–49 to an estimated Rs.13.6 billion ($2,850 million) in 1960–61. Measured as a proportion of total private income, total tax revenue rose from 6.9 percent in 1948–49 to 9.7 percent in 1959–60, dropping slightly to 9.4 percent in 1960–61. This percentage is expected to increase in the current fiscal year as the result of new and higher taxes.

Mr. PASSMAN. Would you know whether or not India has initiated any self-help measures so as to incerase its revenues from its business people?

Mr. GAUD. Yes, sir; it has.

Mr. PASSMAN. I quote from the India News, an Indian newspaper:

INDIA—THE LEAST TAXED COUNTRY IN THE WORLD

India is the least taxed country among the industrialized countries in the world, Mr. B. R. Bhagat, Union Deputy Minister for Finance, told the Lok Sabha recently.

Replying to supplementaries on a question by Mr. Shreenarayan Das, Mr. Bhagat said that in 1960–61 the total tax collections by the central and states governments in India were estimated at 9.5 percent of the national income.

In 1959–60 the percentage was 10; in 1958–59 it was 9.2; and in 1957–58, 9.7. The slight rise in 1959–60 (10 percent) was not because the tax level was higher, but due to other causes.

Giving figures, he said that in Burma 13 percent of the national income was collected in taxes.

Perhaps we should let them understand that in America individuals pay as high as 96 percent if you pick up State and Federal income taxes. I think possibly we should give them a little assist in that field, rather than pouring in billions and billions of dollars. Maybe we should spend a little bit of that money teaching them something about our techniques over here in squeezing money out of the taxpayer. It might be about one of the best things you could do.

Mr. FORD. Would the gentleman yield?

Mr. PASSMAN. Yes.

GOLD HOLDINGS IN INDIA

Mr. FORD. I read hurriedly a very disturbing story in the Baltimore Sun yesterday morning about the hoardings of gold in India. I must confess I do not understand all the ramifications of it. But it certainly was a disturbing thing to read, even though I am not an expert in this area.

What is the situation there and what is the impact, if any from that condition?

Mr. GAUD. I cannot comment on the story because I did not see it, Mr. Ford, but we do know that India's foreign exchange reserves are at a lower point now than they have ever been in history with one exception.

Mr. FORD. The impact of the article involved both recorded and hidden gold reserves.

Mr. GAUD. I cannot comment on this because I did not see the article, but certainly the Government situation is so bad now they recently introduced some very new and stringent controls on imports, they are taking a great many steps to reduce the flow of their gold and try to improve their foreign exchange position.

They have also considered very seriously whether it would be necessary for them to make a further withdrawal in the International Monetary Fund. They are in very bad shape in this respect.

Mr. FORD. Would you get a copy of this article and have it inserted in the record, and have comments made by people from the Department. This was a very disturbing article, even to someone like myself, who is not an expert.

Mr. GAUD. We will do that.

(The information follows:)

[From the Baltimore Sun, July 31, 1962]

INDIA HOPING TO FIND GOLD—READIES CAMPAIGN AGAINST WIDESPREAD HOARDING

(By Philip Potter, New Delhi bureau of the Sun)

NEW DELHI, July 30.—Morarji Desai, Finance Minister, is a better Hindu than most in the Nehru Cabinet, but he is set to "steal gold" if he can find a way.

Desai does not actually want to steal it, but he is racking his brains to find an effective way of extracting the gold hoarded by Indians in urban safe deposit boxes and village caches and adding it to the Government's resources for development.

GOLD'S VALUE HIGH

The Finance Ministry estimates the Indian hoards at $6 billion.

The Government's own gold reserves are only $248 million and, with constantly dwindling sterling balances, this is barely enough to back the currency issue.

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MANHATTAN, KANSAS

Hence the gleam in the Finance Minister's eye as he contemplates the hoards held by the people, who always have had an unusual affinity for gold, both for its significance in Hindu ritual and for the ease with which it can be hidden from greedy relatives or equally greedy taxgatherers.

Desai told a news conference last week that it would be no easy problem to bring the gold into Government coffers.

"I have not given up thinking and my desire to utilize it if I can do so," he said, "but I will say nothing of plans until I am sure I can do the trick. Nothing is under consideration immediately."

So for a while yet the women of New Delhi can make their surreptitious way to bank vaults where their golden treasures are kept to get out a trinket for some occasion or to put one back.

Such vaults have increased vastly in number since India achieved its independence in 1947.

In all of New Delhi there were only a couple of safe deposit vaults then.

Today there are legion.

The Punjab National Bank had 1 in 1947; now it is operating 21 in its various branches. The Central Bank has increased its original 1 by 5; the National Bank of Lahore had none in 1947 and now has 12. Almost all other banks in the city have installed at least one.

Women's gold trinkets, of course are not the only things stored in the vaults.

Businessmen use them to store away gold bars and currency to avoid taxation.

Government officials, who get share certificates from companies for favors granted, keep them in safe deposit boxes.

LARGE NOTES CALLED IN

The government itself gave a spurt to gold hoarding when, in 1946, it called in all 1,000-rupee notes and made people account for such embarrassing riches before replacing them with smaller denominations.

Many a man started hoarding gold or foreign currency instead, especially if it came from black market operations.

India has become one of the major centers of gold smuggling.

Imports are forbidden, and the fixed price for an ounce is $76—more than twice what gold brings on the world market.

FEW SMUGGLERS CAUGHT

Although it is estimated that less than 25 percent of smuggling cases are detected, Indian customs experts in 1961 seized huge amounts of smuggled gold brought in by airplane and ship.

The Government realized $8,500,000 from smuggling seizures and the fines imposed, gold being the major item, although the hauls included transistor radios, watches, jewels, and cosmetics, all under severe import restrictions.

The Government is well aware that vast sums of foreign exchange are slipping illegally through its fingers to pay for the smuggled items.

An Indian wanting them simply exchanges rupees at more than the legal exchange rate for the currency and travelers checks brought in by tourists.

In every city unlicensed money changers thrive.

Desai reported that India used to realize about $5 million a year in foreign exchange from Indian nationals working in Kuwait, who remitted their earnings to relatives here in British pounds.

MIDDLEMAN ACTIVE

Now, the pounds go to gold smugglers in the Persian Gulf, who, after getting it into India and selling it, remit an appropriate number of rupees to the workers' relatives and pocket their illegitimate profit.

Motor cruisers ply the gulf, anchor outside Indian territorial waters, and deliver the gold to confederates sailing out in "country boats."

If India's coast guard is unusually vigilant, the gold goes into Pakistan, and thence across the land frontiers into India.

Airport customs men have seized such things as a simulated typewriter, with most of its parts of gold and a Cypriote Greek whose vest had 16 secret pockets stuffed with 1,000 ounces of gold.

A chartered French airplane carrying tourists crashed on takeoff at Benares, India's holy city, and investigation of the ruins disclosed that gold plate attached to the fuselage skin was one reason for the wreck of the overloaded plane.

DIPLOMATIC COURTESY

Embassies, legations, and consulates—especially the Latin American and Middle Eastern ones—have loaned their diplomatic pouches to smugglers.

Under trial here now is a young woman who hoped to dispose in Bombay of 1,339 watches that, she testified, were brought in this way.

With people who like gold as much as the Indians do, all this is going to be difficult to curb.

The French Abbe J. Duboi, whose 1806 classic on "Hindu Manners, Customs, and Ceremonies" still is read by scholars, wrote that all but the lowest classes in India had some gold and silver trinkets.

Gold has always been preferred for ear and nose ornaments by the women.

GOLD CHAINS WORN

Rich orthodox Hindus of both sexes fancy gold chains around the neck, tubes of gold enclosing a mantram (supplication) attached to the upper arm and gold finger rings.

A common belief is that there should always be a speck of gold on one's person to insure personal ceremonial purity.

Beaten gold leaf is used on sweet puddings in the belief that it aids digestion.

An engaged couple expects gold from the relatives, the girl in trinket form, the man in gold British sovereigns.

COMMENTS OF AGENCY

GOLD HOARDING IN INDIA

There is no reason to doubt that large quantities of gold are hoarded in India by private parties, although any estimate of the amount involved can be only a guess. Such hoarding is not a new phenomenon but a continuation of the practices of many centuries. In large part, it reflects traditional habits of ornamentation, distrust of financial institutions, and fear of the tax collector.

The Indian Government is well aware of the problem posed by this widespread gold hoarding. Obviously, it would be to the Government's advantage to find some way of getting hold of these hoards, since the gold could then be added to the Nation's official reserves or used to finance its development program. The sometimes related activities of smuggling and illegal currency exchanges also create obvious problems. We understand that the Indian Government has expended much thought and effort on the attempt to eliminate these activities, and has had some success. Clearly, however, the task is a difficult one. Age-old customs cannot be ended abruptly. Changes in longstanding attitudes and beliefs, development of general confidence in financial institutions and the government, and improvement in basic economic conditions are required.

Gold hoarding, smuggling, and illegal foreign exchange dealings transactions are by no mean peculiar to India. They are common in countries where economic conditions are difficult and where large-scale development programs are straining the national resources. This is partly because such programs tend to generate inflationary pressures which give rise to doubts about the future value of the currency. It, therefore, becomes preferable to hold one's wealth in the form of gold, foreign currency, or valuable goods rather than in local currency, deposits, or securities. In addition, the necessity for conserving limited supplies of foreign exchange for the most urgently needed imports requires a system of tight import restrictions and exchange controls, which inevitably some persons will try to evade.

The aid which the United States is giving to India helps to combat these financial practices in at least two ways: first, by reducing, somewhat, the current strain on India's resources; and second, by helping to build a more prosperous economy in which such practices will be less likely to flourish.

INDIAN TAX REVENUES

Mr. PASSMAN. You may give them billions of dollars, but if they do not have the techniques of knowing how to run a government or a business, then it is just money poured into a rathole.

Mr. MILLER. Mr. Chairman, in connection with the obtaining of domestic revenues from taxation it is, of course, extremely difficult for a large country such as India, where the average cash income is extremely small for the state to be able to capture a very large amount of this cash income and mobilize it for national purposes of the country.

A comparable situation, such as its neighboring countries—this is about the same percentage, perhaps even a little bit better than it is in the neighboring countries—is 9 or 10 percent.

Mr. PASSMAN. You are not in position to take issue with this Indian public official about it, are you?

Mr. MILLER. The comparison with industrialized countries, of course, also is a somewhat erroneous comparison.

Mr. PASSMAN. "India—The Least Taxed Country in World." That is the captain. Of course, it makes no difference what we run into in this program, how weak it may be, how wild it may be. There is always a very fine reason why it is that way. But those reasons are breaking us.

We know that these people have no incentive to increase taxes, even on the industrial plants, as long as they have an aid program such as we have pouring into India.

Furthermore, they can insult us, and if we are not very careful, that increases the allocation the following week.

(Short recess.)

EXPORTS AND IMPORTS

Mr. PASSMAN. Could you tell us the amount of our exports to India for the past 5 years?

Mr. GAUD. I think you asked us for that yesterday, Mr. Chairman, and we said we would get it.

Mr. PASSMAN. Did you get it?

Mr. GAUD. We have not yet.

Mr. PASSMAN. Can you tell us the amount of imports?

Mr. GAUD. You asked also for that and we will get it. I am sorry we do not have it today.

Mr. BIRNBERG. We have it for 3 years.

Mr. PASSMAN. Give it to us for 3 years. That will help.

Mr. GAUD. This is shown at page 211. Total exports to the United States from India, what we would call U.S. imports, $207 million in 1959; $228 million in 1960; and $245 million in 1961.

They imported from us, $336 million in 1959; $640 million in 1960; and $490 million in 1961.

Mr. PASSMAN. That last figure, fiscal 1961, is calendar year 1961, so that would be as late as you can give it to us?

Mr. GAUD. That is right.

TOTAL AID TO INDIA, FISCAL YEAR 1961

Mr. PASSMAN. Could you tell us the amount of all types of aid given to India in just the 1 year, fiscal 1961? I am talking about the disbursements only in all categories.

Mr. TENNANT. $99.2 million in 1961. That is just AID and DLF.

Mr. PASSMAN. We will have to change it, then. What was the obligation to India in 1961?

Mr. TENNANT. $669.8 million.

Mr. PASSMAN. That is in what categories?

Mr. TENNANT. In the categories of AID, Public Law 480, and Eximbank long-term loans.

Mr. PASSMAN. We include in those exports Public Law 480 and everything else that is shipped to India, do we not?

Mr. BIRNBERG. In the export figures; yes, sir.

Mr. PASSMAN. So, in reality, they did not requisition from us an amount equal to our gifts or grants or credits, did they? You obligated a greater amount to India for fiscal 1961 by $179 million, just in these categories, greater than our entire exports; is that right?

Mr. TENNANT. It is possible these may be on a delivery basis rather than an obligation basis.

Mr. PASSMAN. At least you do not have the information I requested?

Mr. BIRNBERG. But we are working on it, sir.

Mr. PASSMAN. Gentlemen, do you agree that we have so many projects in India that if we should examine them in detail it could very easily consume 10 days or 2 weeks, or much longer?

Mr. GAUD. It could, depending on the extensiveness of the examination.

Mr. PASSMAN. To the extent that we have examined some of the projects in other countries.

Mr. GAUD. It would certainly take several days and perhaps longer.

Mr. PASSMAN. We have agreed that the illustrative programs may or may not be carried out as indicated in the books?

Mr. GAUD. That is true.

Mr. PASSMAN. And if we should proceed through this huge program for India in detail we would get the same average type of answers we have in the case of the other countries?

Mr. GAUD. We have substantially the same information on these projects regardless of the country they are in, yes.

Mr. PASSMAN. That you have given us before?

Mr. GAUD. That is correct.

Mr. PASSMAN. We had desired to go into these projects in detail, projects on which we have absolutely no working knowledge other than a smattering of information in the justifications, which in many instances are inaccurate and do not fit the case.

FIVE-YEAR DEVELOPMENT PLAN

Do you have a plan for India, the type of plan that would be embraced in, we shall say, the 202(b) plans?

Mr. GAUD. India has her own 5-year plan, Mr. Chairman.

Mr. PASSMAN. You are not providing development credits or grants under what we refer to normally as the section 202(b) plan for India?

Mr. GAUD. We are not.

Mr. PASSMAN. Which would mean that reasonable adjustments could be made here and the charge could not be as strong that there was a moral commitment which we disregarded?

Mr. GAUD. Let me put it this way: Whatever commitment has been made to India was expressly made subject to appropriation. Congress was fully informed of this commitment and it certainly was made subject to appropriation.

Mr. MILLER. It is my understanding that this commitment was discussed before this committee last year when the hearings were held on the appropriations last summer, I think, for fiscal 1962.

Mr. PASSMAN. You did not reveal the information until we picked it up in the paper, and I think we did ask some questions on the plan, but the information received was scant and confusing. The plan encompasses projects all over India, does it not?

Mr. GAUD. The 5-year plan?

Mr. PASSMAN. Yes.

Mr. GAUD. Indeed it does.

Mr. PASSMAN. Projecting all these projects in India to completion date, can you give an estimate of the cost?

Mr. GAUD. All of the projects in the 5-year plan?

Mr. PASSMAN. All of the projects in this book.

TOTAL AID FOR INDIA

Mr. GAUD. As far as the development loans are concerned, the total program, for which we are asking funds for next year is $ ——— and that is the sum total of what it will cost to finish those projects.

Mr. PASSMAN. We have $ ——— here.

Mr. GAUD. The other $ ——— is for development grant projects almost all of which are continuing, and one or two of which are new.

Mr. PASSMAN. We discussed an unliquidated sum of $700 million for India?

Mr. GAUD. Yes.

Mr. PASSMAN. Now you are discussing $ ——— for fiscal 1963. That is the maximum you are requesting for fiscal 1963?

Mr. GAUD. Yes.

Mr. PASSMAN. That would give you $1,165 million. Will that complete all plans, past, present, and future, to the credit of India, or commitments to India?

Mr. GAUD. The loan portion would complete any loan commitments that we have to India. It was trying to draw a distinction between the development grants for which we are asking ——— for 1963, some of which will go beyond 1963. We have no commitments for that and they may be continued for 2 or 3 years or be cut off next year. It depends on progress and so on.

Mr. PASSMAN. This is a continuing matter, beyond what we see at this time?

Mr. GAUD. Not our commitments.

Mr. PASSMAN. The programs you have listed, under development grants, are continuing projects?

Mr. GAUD. Subject to the appropriation of funds by Congress; yes. We have no commitment to them ahead with any of these development grant projects. Our only commitment is for development loans for the second year of the India 5-year plan.

Mr. PASSMAN. What I am trying to find out is, can you foresee a date by which our aid to India will terminate?

Mr. GAUD. No, sir.

Mr. PASSMAN. By the same token, you would be unable to give any estimate as to what the total aid will be before we finally move out of India?

Mr. GAUD. Quite.

NUMBER AND COST OF TECHNICIANS

Mr. PASSMAN. It is most frustrating when we look at the record of yesterday and find, for reasons insufficient to satisfy me, that the technicians in your area had gone up an average for fiscal 1963 of $6,000 per technician. But if we go now to page 210, it indicates that a substantial reduction in the number of development grant projects will have been accomplished by the end of fiscal year 1962, resulting in some reductions in staff.

Then, when we go to page 555 the word "reduction" has a different meaning. You have "reduced" the number of technicians from 105 to 115.

I hope that is not an indication of the way other projects will be "reduced."

Mr. BIRNBERG. The phrasing in the narrative itself was in error. There is no contemplated reduction in staff. The figures on the blue sheets are reasonably accurate.

Mr. PASSMAN. You say the personnel is going up?

Mr. BIRNBERG. That is our estimate.

Mr. PASSMAN. The number of projects are not going up?

Mr. BIRNBERG. The number of projects is about the same.

Mr. PASSMAN. Then why do you need a 9-percent increase in the technicians?

Mr. BIRNBERG. The proportion of technicians to other forms of assistance in the development grant program has somewhat shifted. In certain key projects we plan an increase in the number of technicians.

Mr. PASSMAN. You would recommend that we ignore what you say on page 210?

Mr. BIRNBERG. That is correct.

Mr. PASSMAN. But you would not want us to ignore what you say on page 555, where you want an increase in technicians? Or could we ignore both?

Mr. BIRNBERG. I am saying simply that the statement in the narrative is in error.

Mr. GAUD. It strikes me, Mr. Chairman, that Mr. Birnberg has been quite frank in admitting a mistake.

Mr. PASSMAN. If we pointed out all the mistakes we would be here until Christmas Eve. We have already pointed out very many of them and we are still waiting for answers.

Mr. MILLER. If you have not received an answer, Mr. Chairman, we will see that you do.

Mr. Gary?

Mr. GARY. Mr. Chairman, I expressed my views on India yesterday or day before yesterday.

Mr. PASSMAN. Mr. Alexander?

OBJECTIVES OF FOREIGN ASSISTANCE TO INDIA

Mr. ALEXANDER. Mr. Gaud, in regard to India I note you say you cannot project how long and how much we will spend there in the future. Is it our objective to try to bring the living conditions and standards of the people of this great country to those of our country.

Mr. GAUD. Not as I see it; no.

Mr. ALEXANDER. What specifically and briefly, would you say our objectives there are?

Mr. GAUD. I think it is very hard to be specific and concrete about them. We are in India, I would say, for two reasons: One is because of the position that she has in Asia, because she is, you might say, the bellwether nation of Asia with respect to her maintaining a democracy. And secondly, because of the cold war situation. It strikes me what we are after in the long run is to insure stability in that part of the world and if it will take 3 or 5 or 10 or more years to insure that stability, I would say it would be to our national advantage to be there.

Mr. ALEXANDER. Stability is attained more by the will of the people to make it so than by what standard of living they are on.

Mr. GAUD. I think the latter has a great deal of bearing on the former. If people feel underprivileged I think they are more apt to be unstable and the Government is more apt to be unstable than if they have a modicum standard of living.

TOTAL U.S. AID TO INDIA

Mr. ALEXANDER. How much money did we put into India last year, how much did the United States put in, military, grants, loans, and everything?

Mr. GAUD. We put in no military assistance. In this particular program we put in ——— and there was a Public Law 480 program in the amount of roughly $254 million.

Mr. ALEXANDER. Approximately $600 million?

Mr. GAUD. $600-odd million.

Mr. ALEXANDER. How much are you asking for in all this year?

Mr. GAUD. We are asking for ——— again under our program and Public Law 480, I think, is roughly the same as last year, perhaps a little higher.

Mr. ALEXANDER. And yet this is a country that certainly is barely neutral?

Mr. GAUD. Yes. One out of every seven people in the world is an Indian and this is a very important country in terms of the future as we see it. I could not agree with you more that India does not take the stance on many issues that we would like to see her take, but we do not spend our money and time to cultivate only our friends. We want to get the neutrals too on our side and if we do not get them we lose the ball game.

Mr. ALEXANDER. How much are you spending on young people in India, teaching them?

Mr. GAUD. We have a number of projects in the education field but by and large the Indians are doing that themselves.

Mr. ALEXANDER. Their religion and culture and everything is different from ours in a democratic way of thinking?

Mr. GAUD. Yes.

Mr. ALEXANDER. And in order to have much of an impact on the thinking of the Indian people it would take a thousand years?

Mr. GAUD. I do not know about a thousand years. After all, this country is a good deal less than 1,000 years old and I think we have had a great influence on the world at large. It certainly will take more than a few.

Mr. ALEXANDER. I am afraid so.
That is all, Mr. Chairman.
Mr. PASSMAN. Mr. Andrews?

AID TO INDIA FROM SOVIET BLOC

Mr. ANDREWS. I see where India expects about $900 million of disbursements from assistance pledged and expected from the Soviet bloc.

Mr. GAUD. Yes, sir.

Mr. ANDREWS. Over what period of time?

Mr. GAUD. I think that is a cumulative figure, Mr. Andrews. From 1946 through 1961 India received a total of $945 million from the Sino-Soviet bloc. Of that, $139 million was in fiscal year 1961, and in the first half of fiscal 1962, to the best of our knowledge, they received some $37 million from the Sino-Soviet bloc.

I am reading from page 212.

Mr. ANDREWS. Do they expect to continue to receive aid from the Soviet bloc?

Mr. GAUD. As far as we know they do.

Mr. ANDREWS. They also expect to continue to receive aid from us?

Mr. GAUD. That is true. It is a tug of war.

THIRD 5-YEAR DEVELOPMENT PLAN

Mr. ANDREWS. This is their third 5-year plan?

Mr. GAUD. Yes.

Mr. ANDREWS. What year are they in of the third 5-year plan?

Mr. GAUD. They are now in the second year of their third 5-year plan.

Mr. ANDREWS. I read on page 207 that:

> The third 5-year plan calls for development expenditures of $24.4 billion, of which $15.8 billion will be in the public sector and $8.6 billion in the private sector.

Mr. GAUD. Yes, sir.

Mr. ANDREWS. I assume we will go with them all the way?

Mr. GAUD. The great bulk of that will come from the Indians themselves. We will, however, if this aid program continues, presumably, continue to support the third 5-year plan throughout the 5-year period.

Mr. ANDREWS. And you have no assurance the aid program will end at the end of the third 5-year plan?

Mr. GAUD. No, sir.

Mr. ANDREWS. On page 208, second paragraph, I read:

> After allowing for a rise in export earnings to almost $8 billion, and debt repayments on earlier loans of approximately $1 billion, $6.7 billion in external assistance will be needed to meet plan requirements.

Mr. GAUD. Yes.

USE OF FUNDS FOR PAYMENT OF INDIAN DEBTS

Mr. ANDREWS. Will any of the money that is given them in fiscal 1963 or 1964 be used to repay debts that the Indian Government owes?

Mr. GAUD. No, sir.

Mr. ANDREWS. Are you sure of that?

Mr. GAUD. Yes, sir. Our aid to India against the third 5-year plan consists of development loans to finance specific projects or to finance programs of imported commodities from the United States. We do not give them any money.

Mr. ANDREWS. That is all, Mr. Chairman.

Mr. PASSMAN. Governor Montoya?

CONSORTIUM

Mr. MONTOYA. You mentioned in your earlier testimony that in addition to the aid extended that India was to be helped through the medium of a consortium entered into by us and other countries?

Mr. GAUD. Yes.

Mr. MONTOYA. Does that consortium mean that we spend separately from this justification under development loans an additional sum out of the Treasury?

Mr. GAUD. You mean under the aid program?

Mr. MONTOYA. Under the consortium.

Mr. GAUD. No. Our contribution to the Indian plan under the consortium consists of $450 million of this $—— we are asking for here.

Mr. MONTOYA. Reading from page 208 of the justifications, I quote:

> The United States offered to provide $1,045 million, contingent on commensurate contributions from other free world countries. IBRD and the Industrial Development Authority (IDA) offered $400 million, and other consortium countries $780 million.

Mr. GAUD. Yes, sir.

Mr. MONTOYA. Is the $1,045 million to be appropriated over a long period of time?

Mr. GAUD. Some of that, sir, was appropriated and committed in fiscal 1961, some of it last year in fiscal 1962, and the balance of the $1,045 million is included in this $450 million of the $—— for which we are asking now.

In other words, if the fiscal 1963 appropriation goes through that will complete that $1,045 million commitment.

FUTURE REQUESTS FOR CONSORTIUMS

Mr. MONTOYA. Is it contemplated we will enter into another consortium so you can come in and ask for more funds?

Mr. GAUD. The consortium is a continuing organization. It has no date fixed for its next meeting, but the chances are sometime this coming winter there will be a meeting under the auspices of the IBRD to consider the third year of the 5-year plan or the third and fourth years. The Indians themselves at the present time are reviewing the third, fourth, and fifth years.

Mr. MONTOYA. Is it reasonable to assume they will make additional requirements from the parties to this consortium?

Mr. GAUD. Yes, and it is reasonable to anticipate we will meet those requirements to some extent.

Mr. MONTOYA. Can you give us figures as to the range of possibilities?

Mr. GAUD. We cannot. We do not know what the total requirements will be nor what the attitude of the other countries will be.

Mr. MONTOYA. Do you anticipate they will be large?

Mr. GAUD. I think it is fair to say they will not be greater than the amounts we have pledged for the last 2 years.

Mr. MONTOYA. Will they be of the same range?

Mr. GAUD. That is hard to answer because I am dealing with too many imponderables, but in this range, yes.

Mr. MONTOYA. You are planning to come to Congress asking for figures ranging in the same amounts you have in the last 2 years?

Mr. GAUD. Yes, we do, barring some unusual change of circumstances.

LOAN REPAYMENT

Mr. MONTOYA. Have you made any loans to India that are repayable in rupees?

Mr. GAUD. Under the development loan category of the present law we have not.

Mr. MONTOYA. Under any other funds?

Mr. GAUD. Not since this act came into effect.

Mr. MONTOYA. What are you doing with the repayments under the previous loans?

Mr. GAUD. The ones which preceded the enactment of this act?

Mr. MONTOYA. All repayments.

Mr. GAUD. We have to draw a distinction between repayments made under the Development Loan Fund, which were by and large local currency loans. The funds received in payment of those loans go into the Treasury.

Mr. MONTOYA. The funds received under the new Development Loan Fund loans are repayable in dollars and go into the Treasury?

Mr. GAUD. No.

Mr. MONTOYA. They go in the revolving fund?

Mr. GAUD. Yes. They come back to us, as it were.

Mr. MONTOYA. The loans made which are repayable in rupees, they are not removable out of India; is that correct?

Mr. GAUD. No, I think they are removable out of India and they go in our Treasury.

Mr. MONTOYA. Have you been relending them?

Mr. GAUD. We are not allowed to relend them. I think they go in the general fund in the Treasury.

Mr. MONTOYA. Have they been relending them?

Mr. GAUD. This is not my business. This is in the Treasury and I have not the foggiest idea.

Mr. MONTOYA. Under previous lending procedures which required payment in local currencies, we usually had provisions in those contracts that those local currenices were not to be converted into dollars. I presume the same is true with respect to all these contracts with India and therefore we cannot utilize these rupees for anything whatsoever?

Mr. GAUD. I am not briefed on that, I am sorry to say. I do not know whether Mr. Tennant knows the answer or not.

Mr. TENNANT. It is true we cannot use those funds.

Mr. MONTOYA. If we cannot use them they do not go in the Treasury?

Mr. TENNANT. AID cannot use them.

Mr. GAUD. We cannot use them.

Mr. MONTOYA. Who can use them?

Mr. GAUD. I think they go in the general fund of the Treasury and the United States can use them.

Mr. PASSMAN. We were on this discussion yesterday. It was my understanding, from testimony in previous years, that you would make the development loans to a country repayable in their own currency. You could not import anything from the country for those funds; you could not convert those funds into dollars; you could not import anything from any other country for those funds; and at some subsequent date, when the loans came back in, there would have to be a mutual agreement between the recipient country and the aid country as to how the funds could be used in the recipient country.

Mr. MONTOYA. That is the point I was leading to as a premise for asking another question:

Assuming the chairman's observations are true—and I think they are because the testimony of previous years is replete with justification of that premise——

Mr. PASSMAN. Governor Montoya, would you give these gentlemen a chance to confirm or refute the statement I made? The development loans made prior to the new act, where the bankers such as Mr. Black and Mr. Dillon, said if you converted to dollars you defeated the program, and if you used the local currency for imports you defeated the program—but we changed the policy overnight; we finally got turned around, and we do know that under the new act any dollars paid back from the development credits go back in the program, and not into the Treasury.

Mr. GAUD. I am not briefed on this particular question.

Mr. PASSMAN. Are you, Mr. Secretary?

Mr. LEE. No.

Mr. PASSMAN. Are you, Mr. Miller?

Mr. MILLER. As I understand the situation, previously with the Development Loan Fund the local currencies which were payable as a result of the loans made under the Development Loan Fund, under the old statute—the Mutual Security Act of 1954 as amended—were paid into a revolving fund which was under the Development Loan Fund and was available for use under the Development Loan Fund as a revolving fund for that Fund.

Mr. PASSMAN. To that particular country.

Mr. MILLER. I am not sure about that.

Mr. PASSMAN. Mr. Tennant, do you know?

Mr. TENNANT. My understanding is that the local currencies which were repaid were normally usable in the country involved.

Mr. ROONEY. Usable in connection with an agreement which in many instances limits the amount that may be used, for instance, for the payment of the expenses of our diplomatic mission in that country. Is that true?

Mr. TENNANT. That is true.

Mr. PASSMAN. That amounted to 5 percent or so. But, can we reach an agreement that I have stated the facts as you understand them?

Mr. FORD. Mr. Chairman, I think your assumptions are correct, but rather than have what we believe to be true on the record, why do we not ask them to get somebody from the Bureau of the Budget

or in their agency give us a completely legal statement as to the accuracy or inaccuracy?

Mr. MILLER. We shall be happy to do so.

Mr. PASSMAN. Personally, I know what I am talking about, but as there is not a member of the AID program here today—and there are five, including the counsel—who can say whether I am right or wrong? You might submit that statement for the record.

(The following statement was submitted for the record:)

USES OF LOAN REPAYMENTS IN LOCAL CURRENCIES

Prior to enactment of the Foreign Assistance Act of 1961, about 80 percent of Development Loan Fund loans were repayable in local currencies. The repayments went to the Development Loan Fund, and were available for U.S. Government expenditures and for relending for projects in the country from which they were received. In connection with DLF loan agreements, the DLF agreed with the government of the project country to restrict other use of repayments. The DLF generally agreed that without the consent of the project country it could not use local currency repayments to finance the purchase of goods or services for export from the project country or to purchase other currencies except from other agencies of the U.S. Government. The agreements provided for renegotiation of the restrictions in the event of substantial improvement in the economic and financial position of the project country.

With enactment of the Foreign Assistance Act of 1961, the development lending program shifted to dollar repayable loans. Dollar repayments remain available for new loans.

Pursuant to section 612 of the act, foreign currency repayments under existing loans now go into the Treasury. Subject to certain reservations for educational and cultural exchanges, these funds are available for other U.S. Government uses. Funds in excess of such reservations and U.S. Government use requirements are available for economic assistance programs but only as authorized in appropriation acts.

DLF local currency loan repayments and their uses through Mar. 31, 1962

[All figures in millions of U.S. dollars]

Amount repaid:	
Principal	$37.5
Interest	26.0
Total	63.5
Uses of funds:	
Sold for U.S. dollars	7.5
Loans	.8
Adjustments	6.0
Balance	49.2
Total	63.5

REPAYMENTS IN RUPEES

Mr. MONTOYA. Assuming this to be true, I would like to get into the record the amounts of repayments in rupees by the Indian Government on all loans up to date and whether those repayments have, in turn, been utilized for further loans in rupees to the local government.

Mr. GAUD. We will get that, sir.

Mr. MONTOYA. And I want that year by year.

Mr. MILLER. This is under the Development Loan Fund?

Mr. MONTOYA. Under the old act. But repayments are still coming in?

Mr. GAUD. Yes. We will cover all repayments.

(The following was submitted for the record:)

Loan repayments by India in rupees [1]

[In millions of dollars, equivalent]

DLF loan No.	Borrower	Project	1958		1959		1960		1961		1962	
			Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2	Government of India	Railway modernization					2.0	0.1	2.0	0.4	1.7	0.8
3	do	Roads, cement, jute, and refractories.					2.3	.1	2.3	1.1	2.3	.7
12	do	Railway modernization					.2	.7	.2	1.4	.2	1.2
13A	do	Steel imports:										
		Public					.1		.6	.3	1.0	.6
13B	do	Private					.1		.6	.7	1.1	1.1
21	do	Public power development					.2		.2	.2	.2	.3
40	do	Capital equipment (private)					.1	.2	.2	.6	1.0	.7
78	do	Steel imports								.1	.2	.8
118	Industrial Finance Corp	Development bank										
120	Government of India	Sharavathi hydroelectric I										
121	Ahmedabad Electricity Co	Thermal power										
122	Government of India	Barauni thermal power										
125	do	Chandrapura thermal power										
130	do	Durgapur thermal power										
131	do	Road transport									1.3	.4
140	do	Kanpur thermal power										
141	do	Barapani hydroelectric										
144	National Small Industry Corp.	Development bank										
151	Government of India	Third railway										.1
155	Industrial Credit & Investment Corp. of India.	Development bank										
157	Government of India	Private capital equipment										
159	do	Steel imports									.1	.4
162	Hindustan Chemicals & Fertilizer.	Trombay fertilizer factory									.1	.3
176	Premier Automobiles, Ltd	Plant expansion										
190	Government of India	Talcher thermal										
191	do	Birsinghpur thermal power										
197	do	Sharavathi hydroelectric II										
206	do	Nonferrous metals										
	Total						5.0	1.1	6.1	4.8	9.2	7.4

[1] As required by congressional legislation enacting the Agency for International Development, all repayments against Development Loan Fund local currency loans were transferred to the U.S. Treasury. Subsequent repayments will likewise be transferred to the U.S. Treasury, U.S. use account.

Mr. PASSMAN. Will the gentleman yield?

Mr. MONTOYA. Yes.

Mr. PASSMAN. You people administer the development loans under the Development Loan Fund as well as the development grants under the new legislation, do you not?

Mr. GAUD. Yes.

Mr. PASSMAN. Thank you.

Mr. MONTOYA. When you do make these loans out of repayments, you do not include those in your justifications before this committee, do you?

Mr. GAUD. Congressman, I do not know of any such loan having been made while I have been with the agency. I will check that. I would like to put a statement in the record on that, if I may.

Mr. FORD. Will the gentleman yield?

Mr. MONTOYA. Yes.

USE OF LOCAL CURRENCY REPAYMENTS

Mr. FORD. Would it be possible that such loans out of available rupees in India would be made at the local level without your knowledge?

Mr. GAUD. That would be impossible. They have no authority to do that.

Mr. TENNANT. Any repayments into the old Development Loan Fund since July 1, 1962, are frozen in the sense we cannot use them. None have been made since the change in legislation.

Mr. FORD. Could we find out what the availability of those frozen assets was as of the date of availability?

Mr. PASSMAN. If you had $100 million repayable from country X in the currency of the country, under the old Development Loan Fund, with the exception of the small amount to be spent for our mission, there had to be a mutual agreement between the recipient country and the United States as to the project for which the local currency could be spent. Is that your understanding?

Mr. TENNANT. Yes, sir.

CONTROL OF RECIPIENTS OVER LOCAL CURRENCY USES

Mr. PASSMAN. So, if they could not reach an understanding then the amount of funds would be dormant. They could not be used.

Mr. GAUD. That is right.

Mr. PASSMAN. Then, if the nation should decide, if they had frozen, say, $100 million worth of funds of their own currency, that they wanted to spend it on projects A, B, C, and D, but we did not reach an agreement, they could just as easily start up the presses and run off an additional $100 million worth of currency, and spend it, because they have $100 million frozen and dormant—and they could keep it frozen for 100 years, because the contract says there must be mutual agreement. Could it not be followed out to those conclusions?

Mr. TENNANT. I wouldn't exactly come to that conclusion.

Mr. PASSMAN. I speak about what could be done. We are not running the complete internal affairs of these countries.

Mr. TENNANT. No, not their affairs. The point I want to get across is that the use of the local currency is covered by the loan agreements.

That is why we cannot give you an overall statement. You have to take them agreement by agreement or country by country.

Mr. PASSMAN. That is right, but it is a mutual agreement when you get ready to spend it back in the country. There is agreement between the recipient and donor nations?

Mr. TENNANT. There is a loan agreement.

Mr. PASSMAN. I refer to the prior agreement, but if I am making a statement of fact I want to know it. We shall read into the record from prior years' hearings, do some research, and put it in the record.

It would appear to me we have made a statement of fact that you do have the currency of this country, but it is dormant until the recipient and the donor reach an agreement as to the projects for which the money should be spent. If they cannot reach agreement then that currency is dormant, and cannot be spent.

But if the country wanted to outfox us they could go out and print the same amount of currency, go ahead and do their projects without our permission, because we do not control their currency.

Mr. GAUD. They can do that whether we hold their currency or not.

Mr. PASSMAN. I see where there is a possibility of their making dormant hundreds of millions of dollars worth of the currency if we do not reach agreement as to the projects.

Mr. MONTOYA. I will make one further statement complementing yours.

I do not believe there is a country where an agreement has been entered into that has ever permitted the use of repayments in local currencies for our use outside of its borders or for our use in buying products for export into the United States.

Mr. PASSMAN. I think the gentleman is absolutely correct. That was my understanding of the way the project was to be handled. I am talking about the old development loan now and not the new.

Mr. MONTOYA. I yield to the gentleman from North Carolina.

REFORM MEASURES

Mr. ALEXANDER. Mr. Gaud, there is one other question which occurs to me. Under the AID program we have been very much concerned, and the President has been very insistent, that on this program we have as a condition precedent certain land reforms and certain tax reforms which eventually will assist us and other countries which are aiding underdeveloped countries.

What been done in India with reference to these land reforms and tax reforms?

Mr. GAUD. There has been a good deal of development in India, particularly in the field of land reform and in the village development. There is more to be done, Congressman. We are not at all satisfied any more than you are.

With the progress made, we think there is a great deal more progress that can be made and should be made.

TAX ADMINISTRATION IMPROVEMENTS

So far as taxing is concerned there has been improvement in the tax administration. There has been a good deal of change. There have been higher rates of taxes with regard to businesses and that sort of thing.

Until you get the per capita income of the people a good deal higher than it is, the possibilities of raising very much by way of taxation from the average person is not very great.

The best you can say is that these are sectors where we feel progress is being made and we also feel there is more progress that can and should be made. We will do our best to help it along.

Mr. ALEXANDER. Do you think that we as a nation would be better off to have this fund which we give to countries like India go on condition that they do certain things? Here it is, it is available, you meet certain specifications and it is yours? If you don't meet them you don't get it?

Mr. GAUD. As far as India is concerned that is what you do in the 5-year plan and the consortium arrangement.

FIVE-YEAR PLAN

The 5-year plan is a rather bulky document. I have it here. This is nearly 750 pages long and it discusses not only India's requirements for progress but how she proposes to meet them.

In order to carry out this plan India has had to mobilize her own resources to a very considerable degree, greater than ever before.

She raises most of the money which goes into this 5-year plan. We make our contributions to the 5-year plan on condition that she lives up to the requirements that are set out here, so in effect when you contribute to a plan of this sort what you are doing is saying that we will put up so much money provided that you put up so much money, and in order for them to put up that much money they have to increase their taxes, they have to increase the efficiency of their tax administration, and they have to increase their exports. They have to take a whole series of steps in order to achieve this goal.

If they don't do that we do not go through with our part.

Really, in a country like India where you have a plan as advanced as this one, here is where your self-help is, right here, in terms of their devoting a certain portion of their resources to the plan.

Mr. ALEXANDER. Do they also have a plan with Russia?

SOURCES FOR FOREIGN EXCHANGE REQUIREMENTS

Mr. GAUD. The foreign exchange which Russia contributes, or lends, to India goes toward this 5-year plan. In other words, the 5-year plan is the total amount of foreign exchange and local currency which India needs to achieve certain ends.

Whether we lend her money, whether the British lend her money, whether the Russians lend her money, whether the Chinese lend her money, it goes to the foreign exchange requirements of this plan. To the extent the Russians lend money to India, to that extent we and the other Western nations have to lend her that much less.

Mr. ALEXANDER. Actually if India is getting ahead on borrowing money alone she is not making progress.

Mr. GAUD. She is not getting ahead on borrowed money alone. That is the whole point. Her foreign exchange requirements, as someone pointed out a while ago, are something like $6.7 billion in external assistance. This plan calls for $24 billion to be spent over a

5-year period, so the foreign exchange requirements which come from outside the country are between 20 and 25 percent of the total amount that is to be spent to accomplish this development, if it is accomplished.

The great bulk of it is spent by India herself from her internal resources. Here is why I say the self-help is here within the policies of the 5-year plan.

CONSORTIUM LOAN AGREEMENTS

Mr. PASSMAN. We did, on yesterday, read into the record all the loans and loan commitments from other members of the so-called consortium.

Do you recall that?

Mr. GAUD. I do, sir. They are past loans.

Mr. PASSMAN. Germany, 2½ years, interest, 5½ percent.

Germany, 7 years, interest 6 percent.

We ran down this list.

Japan had a substantial loan at 5¾ percent interest. They extended the loan to 15 years, but then raised their interest to 6 percent.

We have put that in the record. They are making the same types of loans that nations made to each other perhaps 100 years ago.

Europe is making loans and reaping the harvest. Uncle Sam is making the grants.

We also inserted in the record the list of credits that this country made. What did we run into? Forty years; interest, zero; 10-year grace period.

LOAN REPAYMENT TERMS

We supplemented that information today out of the International Development Organization, $122 million; they, too, made loans, but theirs went up to 50 years, no interest. 10 years of grace.

Mr. GAUD. Let me say one thing if I may. I don't want to repeat my testimony of yesterday when I pointed out the extent to which a number of these countries have lengthened their terms and decreased their interest rates.

LOANS INCLUDED IN CONSORTIUM

One thing I specifically want to correct, which did not come up yesterday. No loan by any country is eligible for being counted in the consortium if it is less than 10 years.

I am not saying that in the past, as your exhibit shows, Germany and one or two other countries have lent some money for less than 10 years. However, as of today, and this has been true for at least 2 years, no money will be counted under the consortium if it is less than 10 years. The others are——

Mr. PASSMAN. I read into the record from the list you gave me. Is that correct?

Mr. GAUD. No question about it.

Mr. PASSMAN. This is a new aspect of the program.

Mr. GAUD. It happens to be true.

Mr. PASSMAN. I want the record to show that I read your list, not some list that I made up.

Mr. GAUD. I am not challenging those facts.

LOANS FOR CAPITAL PROJECTS

Mr. MONTOYA. Mr. Gaud, I notice in the justifications that you have a listing of the loans which have been made under the previous administration and also under this administration to India for different types of projects which require the use of capital goods, such as for powerplants, railroads, hydroelectric plants.

Mr. GAUD. Right.

Mr. MONTOYA. And you also have a loan here for steel imports.

Mr. GAUD. Yes, sir.

Mr. MONTOYA. And for the starting of a truck factory in India under the sponsorship of an Italian concern, Fiat of Italy. That is on page 607.

Will you list all these projects in the record, I mean all these loans, and after each project will you designate what amount of the loan was used for the purchase of goods to service the project from the United States, or within the United States?

LOANS TIED TO PROCUREMENT IN THE UNITED STATES

Mr. GAUD. Congressman, since this new act of ours, the one under which we are operating, when the dollar loans went into effect, these loans have been 100-percent tied to the United States.

Mr. MONTOYA. On all machinery?

Mr. GAUD. Absolutely; 100 percent.

Mr. MONTOYA. I want to get this information on whether or not these loans generated any business for U.S. industry and whether those dollars were used to purchase machinery within the United States.

Mr. GAUD. The answer is yes to the extent of 100 percent, if I understand your question.

Mr. MONTOYA. The old loans?

Mr. GAUD. No, I beg your pardon. On that I would have to check.

Mr. MONTOYA. That is what I am referring to.

Mr. GAUD. I would have to check.

(The information follows:)

PERCENTAGE OF U.S. PROCUREMENT ON LOANS TO INDIA UNDER THE MUTUAL SECURITY ACT

DLF loans to India provided for global procurement until DLF adopted a U.S. procurement policy in October of 1959. Loans extended up to that date totaled $185 million, and it was estimated that approximately 20 percent of such financing was used for U.S. procurement.

Eight Indian power projects (Ahmedabad, Barauni, Sharavathi, Kanpur, Barapani, Chandrapura, Durgapur, and Birsinghpur) were under consideration at the time that the DLF procurement policy was revised. Since engineering and designing by the Indian borrower and DLF's appraisal had proceeded on the basis of the earlier policy, it was agreed that up to $50 million of the total foreign exchange cost of $78.6 million for these projects would be permitted on a free world basis.

DLF loans extended to three development banks in 1960 permitted free world purchases in cases where a given order for equipment involved less than $50,000 (the National Small Industries Corp.) and $100,000 (the Industrial Finance Corp. of India, and the Industrial Credit and Investment Corp. of India).

All other DLF loans extended to India after October 1959, and all loans by AID to India (including a second loan to the Industrial Finance Corp. of India) require 100 percent procurement from the United States.

INDUS RIVER BASIN FUNDING

Mr. MONTOYA. In addition to the request which you have made to the Congress, do you also have a request for the further funding of the Indus River project?

Mr. GAUD. Yes, sir.

Mr. MONTOYA. What does that amount to?

Mr. GAUD. The request for this coming year, 1963, is $30 million.

Mr. MONTOYA. Do you have any other request for India outside these justifications?

Mr. GAUD. India?

Mr. MONTOYA. Yes.

Mr. GAUD. The Indus money is not spent in India. You understand that.

Mr. MONTOYA. Yes, I know.

Mr. GAUD. No. The only request we have for India is the $——— which is $450 million of development loans and $——— of development grants. That is all.

U.S. CONTRIBUTIONS TO INTERNATIONAL LOANS

Mr. MONTOYA. Will you also list—I presume the committee already has asked you to list—the international funds and what India is deriving by way of loans from those funds?

Mr. GAUD. Yes, the chairman asked for that earlier.

Mr. MONTOYA. Will you in that listing include the U.S. participation by way of capitalization in those funds?

Mr. GAUD. Yes, we will show the percentage to which the United States contributes.

GOODS PAID FOR FROM U.S. FUNDS

Mr. PASSMAN. If you approve development credits for India in the amount of $100 million, we shall say, 40-year term, no interest, with a 10-year grace period, and against that credit India orders $100 million worth of goods from America, then the shipper is paid by our Government for the shipment, is he not?

Mr. GAUD. Yes, paid out of the proceeds of the loan.

Mr. PASSMAN. The loan is——

Mr. GAUD. We don't give the money to India if that is what you mean.

Mr. PASSMAN. And you don't get any of India's foreign exchange?

Mr. GAUD. No.

Mr. PASSMAN. So, instead of the invoice being sent to India for payment out of her earnings it is sent to the U.S. Treasury for payment?

Mr. GAUD. I don't know whether it is the Treasury or a bank but the money stays here, at any rate.

Mr. PASSMAN. It winds up being paid out of the U.S. Treasury, does it not?

Mr. GAUD. Yes, sir.

Mr. PASSMAN. Regardless of what clearinghouse may clear it?

Mr. GAUD. Yes, sir.

Mr. PASSMAN. It winds up being paid for by the U.S. Treasury.
Mr. GAUD. It does.
Mr. PASSMAN. Mr. Ford?
Mr. FORD. Off the record.
(Discussion held off the record.)

FISCAL YEAR 1962 PROGRAM—PROPOSED AND ACTUAL

Mr. FORD. Last year's justifications, which I have in my hand, indicate that the proposed program of assistance envisioned $17.1 million in development grants and $500 million in development loans.
Mr. GAUD. That is right.
Mr. FORD. What was actually executed?
Mr. GAUD. In 1962?
Mr. FORD. In fiscal 1962.
Mr. GAUD. $445.9 million in development loans and $19.2 million in development grants.
Mr. FORD. Now looking at the books for fiscal year 1963, the line on page 207 for your fiscal 1962 program, that shows that your fiscal 1962 program——
Mr. GAUD. I thought you wanted actual figures.
Mr. FORD. I am trying to follow this through to see the variations which might have taken place, if there are variations.
Mr. GAUD. Right.
Mr. FORD. Your fiscal 1962 program as shown in the fiscal 1963 book indicates $15.2 million for the grant program.
Mr. GAUD. Yes, sir.
Mr. FORD. And $388.1 million for the development loan program.
Mr. GAUD. That is correct.
Mr. FORD. You just testified that you actually executed $19.2 million in development grants.
Mr. GAUD. Yes, sir.
Mr. FORD. And $445.9 million for development loans?
Mr. GAUD. Yes, sir.

REASONS FOR VARIATIONS IN 1962 PROGRAM JUSTIFICATIONS

Mr. FORD. Why do we have that much variation between what you propose to do, what your justification sheet prepared in January said you were going to do, and what you actually executed?
Mr. GAUD. As far as development grants are concerned there were three things which were responsible for the increase.
First, in either January or February the World Health Organization changed its standards as to the amount of DDT, we had to use in the malaria eradication program in India. This required an expenditure of $2½ million more than we had planned.
Second, we moved ahead during fiscal year 1962 with our long-planned assistance to a technical institute in Kanpur. This program was set up through a group of American universities.
Mr. FORD. A consortium of American universities?
Mr. GAUD. That is right, headed by MIT. We appropriated somewhat more to that project than we had originally thought we would.
Third, in the course of the year we decided to accede to the request of the Indian Government that we finance a study of whether it

needed another steel plant. Those three items together are responsible for the increase in development grants.

There were some reductions in other projects so the figures are not exact, but basically these are the three important growth items.

As far as the development loans are concerned, as the year went on and as we were presented with projects included in the plan which seemed to us to be worthy of support, and feasibility studies went along, and so forth, we ran ahead, if you will, of the $388 million to the point of $445.9 million.

As I have said before, with all of these development loan figures you never know in advance exactly what projects are going to reach the point of completion, which you will find satisfactory when you have seen the feasibility study, and those which you will go through with.

Mr. FORD. Were any funds acquired for India through the contingency fund process?

Mr. GAUD. No.

Mr. FORD. None whatsoever in fiscal 1962?

Mr. GAUD. None, sir.

PROGRAM REAPPRAISALS AFTER REDUCTION IN 1962 APPROPRIATION REQUEST

Mr. FORD. It is my recollection that Congress last year reduced the appropriation fund for development grants by some amount. What was the reduction?

Mr. TENNANT. We requested $380 million and we received $296.5 million.

Mr. FORD. I suppose those reductions had to be passed along to various countries?

Mr. TENNANT. Yes, we reappraised our program in terms of priorities.

Mr. FORD. $84 million worldwide, and yet India came up with an increase of $4 million in a program which was originally proposed.

Mr. GAUD. If you go through the individual countries in the Near East-South Asia region you will find changes up or down.

Mr. FORD. I am sure there had to be.

Mr. PASSMAN. Would the gentleman like to keep the record completely straight on this?

Mr. FORD. Surely.

Mr. PASSMAN. On development grants, that is a combination of the original bilateral technical aid programs and a mixture of grants. Is that correct?

Mr. TENNANT. Yes, sir.

UNOBLIGATED AND UNRESERVED BALANCES

Mr. PASSMAN. Even though we made a reduction as of June 30, 1962, you had on hand $15,700,000 unobligated and unreserved in development grant categories; did you not?

Mr. TENNANT. That is correct.

Mr. PASSMAN. Thank you.

Mr. FORD. I assume, however, that that had been programed?

Mr. PASSMAN. No. It was unreserved and unobligated, lapsed.

Mr. TENNANT. That unobligated balance which existed on June 30 of $15.7 million is actually made up of current year funds and prior year funds.

Mr. PASSMAN. It follows, nevertheless, those are the unobligated and/or unreserved funds?

Mr. TENNANT. That is correct, sir.

Mr. PASSMAN. Comparing that to last year, when you gave us a recapitulation, the amount went up when you got the final total of the overall program?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. Thank you.

Mr. TENNANT. To answer the question, the books last year, as I recall it, had a continuing cost in only allocating amounts by country for development grants. The new projects were not detailed out by country.

Mr. FORD. There is a parenthesis underneath development grants in last year's book which says: "Continuing activity."

Mr. TENNANT. You will recall some discussion of the fact we did not present proposed new projects in specifics. There was a discussion in the hearings on this on page 1087 where we indicated we did not give the specific ones in the books, but that we had them in our possession.

Mr. PASSMAN. Will the gentleman yield?

Mr. FORD. Yes.

Mr. PASSMAN. Will the $15,700,000, if this figure holds firm, lapse if the Congress does not reappropriate it?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. Thank you.

PROGRAM PRESENTED TO COMMITTEE ONLY AN ESTIMATE

Mr. FORD. Using the justification book last year for fiscal 1962, where you had a figure of $500 million for development loans, you actually executed $445.9 million?

Mr. GAUD. Yes, sir.

Mr. FORD. Why were you not able to execute the program that was presented to us last year?

Mr. GAUD. We deal as best we can with individual projects, and we do not try to reach any dollar figure. I mean, for example, we have, in here in any of these countries we have to program, to come up to you all to make a budget request; we have to program what we think we are going to need. But we do not mean by that, that come what may, we are going to spend it. We mean we will spend it if people come up with sensible projects which we want to support.

Mr. FORD. As we understood it then, and as I understand it now for the future, it was a commitment.

Mr. GAUD. We met the commitment to India, Export-Import Bank took up part of it, the $500 million.

Mr. FORD. If these presentation books are not as firm as I had assumed they were, then why do some people in the executive branch of the Government get so gravely concerned when the Congress does not appropriate every dollar that it requested?

Mr. GAUD. We come up here to ask for funds and use our best judgment as to what we think we are going to need. We are not necessarily right every time. We may need more than we asked for, it may turn out in some cases we need less. All we can do is our best.

When you figure the budgetary procedure starts 6 or 8 months anyway, or 9 or 10 months before you can start spending the money—

Mr. FORD. It starts longer than that.

Mr. PASSMAN. Would the gentleman yield?

Mr. FORD. Just a moment, this is a very interesting point. I want to compliment Mr. Gaud for being completely frank and honest and also Mr. Birnberg, as well.

Mr. PASSMAN. This ties in very completely.

Mr. FORD. I think you are being very honest but it does, however, pull the rug out from under some people in the executive branch of the Government who really go hysterical if $1 is reduced from the authorization and/or appropriation request. Although I fully support the program and in the past have done so, these justification books are not inviolate.

Mr. GAUD. I do not mean to suggest that——

Mr. MILLER. Mr. Ford——

Mr. PASSMAN. I hope you will yield to me before you yield to Mr. Miller.

Mr. FORD. I will yield to you, Mr. Chairman.

Mr. PASSMAN. The situation we are dealing with is an annual one. Invariably they say this came along late and the program started late. But you are still operating, and this is getting to be a very old program, some 15 or 16 years old.

Mr. FORD. It is reaching maturity.

Mr. PASSMAN. The fact that this appropriation come along in September does not necessarily justify the items being in excess of the needs because it, nevertheless, is on an annual basis, September to September, September to October, August to September, or whatever it may be, the following year.

You are still working; you jump from one calendar month one year to just about the same the following year.

Mr. MILLER. Mr. Ford, one additional fact about the 1962 presentation. You may recall we stated that we were going to make a deep review of the projects, continuing cost projects, at that time. So that some of them might be expanded, some might be contracted. This is partly what also happened in this process.

Mr. FORD. I suspect, however, quote deep reviews, end quote, have been made since time immemorial for this program, and I hope they have all been beneficial. I suspect they have. I do not think last year was any different significantly from the other.

FIRMNESS OF FISCAL YEAR 1963 PROGRAM

Now, how firm is this request we have before us now, Mr. Gaud?

Mr. GAUD. For our region as a whole?

Mr. FORD. For India. You have ——— listed here for development grants.

Mr. GAUD. Yes, sir.

Mr. FORD. You have ——— listed for a proposed program of development loans.

Mr. GAUD. $450 million.

Mr. FORD. $450 million.

Mr. GAUD. As far as the ——— development grants are concerned, that is, the justification for that is all set out in the project book. You can look at that project by project.

DEVELOPMENT LOAN COMMITMENTS

As far as the $450 million for development loans is concerned, it is this firm: That we made a commitment in June, May or June 1961, that we would match contributions of foreign nations to the extent of $500 million for the second year of the plan 1962–63. To date they have come up only to $435 million. Our matching offer is still on the table. It will remain there until the expiration of this second year of the plan, which will be March 31, 1963.

The last meeting of the Indian consortium, at which they came up with the $435 million, which we agreed to match, was held Monday morning just before I started testifying here. At the conclusion of that meeting, I was told by Sir William Iliffe, who presides over that on behalf of the Bank, that he had hopes and, he said, some basis that further money would be forthcoming from some of the 10 members of the consortium.

Mr. FORD. That $435 million is what we should lay alongside of the $450 million here?

Mr. GAUD. Yes, plus the fact that our offer is still outstanding and I cannot tell you whether there will be any more put up.

Mr. FORD. As of today, so far as you know, their commitments, alongside of which we should lay $450 million, that is $15 million short?

Mr. GAUD. Yes, sir.

IMPACT IF CONSORTIUM FAILS TO PROVIDE PLANNED FUNDS

Mr. FORD. Supposing it does not reach $450 million. What will be the impact from your observations and from your knowledge on India? We did not reach it last year.

Mr. GAUD. We did reach it last year, sir.

Mr. FORD. The book said $500 million, and you executed $445.9 million.

Mr. GAUD. Actually, we have a variation of 3 months between the Indian fiscal year which begins on April 1, and our own fiscal year, and that means that loan mony put up during our fiscal year 1961 and our fiscal year 1962 moves into their fiscal year 1962.

As far as the effect on India, obviously I cannot be precise.

Mr. FORD. It is a matter of judgment?

Mr. GAUD. Yes. To the extent that India does not get the amount of money for economic development which her plan calls for which IBRD and other member nations have concluded is reasonable, it will slow up her economic development. But to say how much it will be slowed up because she does not get $50 million or a hundred million, this is too much for me.

Mr. FORD. It is a pretty big question and it is purely a matter of judgment by well-intentioned people.

Mr. GAUD. Yes. The only fact in the picture that I cling to is that we have made this commitment, we made this matching offer, subject to the appropriation of funds, and that is the basis on which we have made our request for an appropriation.

Mr. FORD. It is my recollection that the original commitment, including the $45 million in fiscal 1961, that in fiscal 1962 and 1963 we would make available a billion dollars.

Mr. GAUD. It is really over their 2 fiscal years, which are different from ours; yes.

Mr. FORD. I am talking about our fiscal periods. This predicated on the availability of funds and the——

Mr. GAUD. Submission of projects.

Mr. FORD. And the submission of projects and the contributions from the consortium.

Mr. GAUD. That is right.

Mr. FORD. We really have not reached what people thought was necessary back in 1961.

Mr. GAUD. Or in 1962.

Mr. FORD. That is right. I wonder what would be your professional observation as to the impact of this slowdown or contraction.

Mr. GAUD. I am not an economist. I have no professional reaction to that. I feel that it is important to support India's economic development. I feel this is important from the standpoint of the United States.

Mr. FORD. I do not disagree. It is a matter of degree.

Mr. GAUD. Yes; I would like to see us in a position to fulfill our commitment. However, I am quite blunt about it to the Indians and to everyone else that we are not going to vary our matching principle. We have said we would not go further than matching contributions made by others, and we are not.

In other words, if you are driving at, whether we are going to come up with any difference here, the answer is "No." We are not going to go a cent beyond what is put up by these other countries. If that has an impact on India's economic development, this is unfortunate, but this is one of the facts of life.

Mr. FORD. Are you going to continue your efforts to get better and better terms from our partners in this consortium?

Mr. GAUD. Yes; we feel strongly about that. Frank Coffin, whom you probably know, was in Paris last week attending a meeting of OECD where he made quite a play on this. Through our embassies and through members of the agency we have visited a number of European capitals and on this we are working through the DAC and working in the consortium itself. We feel strongly these other lending countries ought to come nearer our terms because, as we see it, most of these borrowing countries are in position where they cannot afford, you might say, to borrow money on hard terms. If you are going to foster and further their economic development, they have to get money on easy terms. We feel it is most important that these other countries move nearer where we are.

CONTROL OVER DEVELOPMENT LOAN APPROVALS

Mr. FORD. What control do you have over the development loans which are included in this program?

Mr. GAUD. To India?

Mr. FORD. Yes.

Mr. GAUD. Personally?

Mr. FORD. Yes.

Mr. GAUD. On these development loans, would you like me to rehearse the procedure?

Mr. FORD. I want to know what responsibility you have personally for each of the development loans that fall within the dollars involved. I do not want a long dissertation. Do you say yes or no, or what happens?

Mr. GAUD. I have the responsibility of recommending to the Administrator whether or not he should make a particular loan.

Mr. FORD. You have a very substantial factor?

Mr. GAUD. Yes, sir; I certainly do. I can turn one down altogether. On the other hand, if I recommend it, it does not mean it will be approved.

Mr. FORD. It is well on its way, though?

Mr. GAUD. From me it goes through the Development Loan Committee, a Committee on which the AID Administrator sits, the President of the Export-Import Bank sits, the representative of the Secretary of the Treasury sits, and a representative of the Economic Bureau of the State Department sits. If I recommend the loan, it goes to that Committee. If that Committee recommends the loan, it then goes to the Administrator. He decides whether he wants to approve it or not.

Mr. FORD. Have you had any loan applications for India which you rejected that have subsequently been approved by higher ups, so to speak?

Mr. GAUD. They do not get beyond me if I reject them.

Mr. FORD. As long as you have been here, you have had none that you rejected that finally were approved?

Mr. GAUD. That is right.

Mr. FORD. Have you had any that you recommended that were not approved?

Mr. GAUD. No, sir.

Mr. FORD. What is your background?

BIOGRAPHICAL SKETCH OF AREA ADMINISTRATOR

Mr. GAUD. I went to the Yale College and Yale Law School. I worked my way through both of them. When I got through, I taught at the Yale Law School for 2 years. At the conclusion of those 2 years, I went down to New York and practiced law in a small firm for 2 more years. This brings us to 1935. In 1935 I went with what they call the City Corporation Counsel's Office in New York City at a time when Mayor LaGuardia was mayor. I started off as a trial lawyer and before too long I got more and more into the financial side of things and was counsel for, you might say, the comptroller, who borrowed all the money of the city and had a lot of financial activities of various sorts.

Also at that time the city was thinking of buying the subways and the elevated railroads, which was about a $350 million transaction. I acted for the city as counsel in working out the negotiations, the terms, and what not, of that transaction and carrying it through.

In 1942, January, I went into the Army. I served in Washington in the Army service forces for about a year and a half mainly in connection with the Munitions Assignments Board, which was dealing with requests for lend-lease munitions and the like from foreign nations.

I was then sent to China-Burma-India theater where I served for 2 years, a little over 2 years, in charge of military lend-lease to China and to Mountbatten's command in southeast Asia. At the conclusion of the war, I came back to Washington and was a Special Assistant to Secretary of War Patterson, working on various matters, some of which brought me up here to the Hill.

I left that job in November 1946 and became a member of a law firm in New York City, and I have been a member of that law firm until I came with the program last November.

Mr. FORD. That is all, Mr. Chairman.

AGENCY OPERATION UNDER CONTINUING RESOLUTION

Mr. PASSMAN. The responsibility of this committee is to recommend the money you need—I am speaking of the hundred nations of the world and the British territories and possessions we are in—to carry out our commitments. You have the privilege of working under the continuing resolution, as do other Federal agencies, in the event of a delay in passage of the bill. Is that correct, Mr. Controller?

Mr. TENNANT. Yes, sir, that is correct.

Mr. PASSMAN. So if we gave you $3,935,248,000 last year, you are privileged to continue into fiscal 1963 at that level, are you not?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. And it is not unusual for all the money bills to be delayed beyond the end of the fiscal year?

Mr. TENNANT. I do not follow all the money bills. I have enough trouble with this one.

Mr. PASSMAN. When the fiscal year expires and we have not given the new appropriation, then we have a continuing resolution.

Mr. TENNANT. That is correct, sir.

Mr. PASSMAN. And agencies operate at the same level as the previous year's money, and that includes you; does it not?

Mr. TENNANT. That is correct.

Mr. PASSMAN. When you came in to the Congress last year, you had a pipeline of $5,975,397,000 in mutual security only; is that correct?

Mr. FORD. You say last year. What year?

Mr. PASSMAN. June 30, 1961, fiscal year. It was $5,975,397,000.

Mr. TENNANT. That is correct, sir.

Mr. PASSMAN. If there was a continuing resolution, you had the right to operate under it, as all other agencies; is that correct?

Mr. TENNANT. That is correct, sir.

Mr. PASSMAN. Then we appropriated last year under the mutual security alone $3,935,248,000; is that correct?

Mr. TENNANT. That is correct, sir.

Mr. PASSMAN. That gave you a total available for expenditure of $9,910,645,000?

Mr. TENNANT. That is correct.

Mr. PASSMAN. But, you only withdrew from that pipeline and expended during fiscal 1962 $3,198,100,000?

Mr. TENNANT. That is correct, sir.

Mr. PASSMAN. Which increased the unexpended balance on June 30, 1962, just closed, up to $6,712,545,000?

Mr. TENNANT. That is correct, sir.

Mr. PASSMAN. Thank you.

Mr. Rhodes?

CLARIFICATION OF "BUDGET RECEIPTS" AS OPPOSED TO BUDGETARY SUPPORT

Mr. RHODES. I note on page 211 of the brown book that there are credited to the Government of India certain items called budget receipts from U.S. aid. I do not find anything in any of these books which indicates any direct budgetary aid to this country. Is there such a thing?

Mr. BIRNBERG. The term budget receipts there refers to any funds flowing to any country which is entered on the Central Government's budget accounts, whether it is budgetary aid in the sense we often use the phrase, say in connection with Jordan or Iran, or aid in the sense of development grants and development loans as in the case of India—anything that goes into the budget—we have typically referred to as budget aid. Budget support is the phrase we more often use in the sense of assisting operating budgets as against development budgets or development and technical assistance aspects of budget. We lump all such aid together in this particular table for this particular purpose. The only aspect that we do not show here is the one I mentioned to Mr. Ford where some funds might go outside of any of the budgetary receipts and not show up.

Mr. RHODES. These are actually dollars?

Mr. GAUD. These are rupees converted into dollars.

Mr. RHODES. Are these dollars or are they rupees?

Mr. BIRNBERG. Both are correct, if I may seem to qualify what Mr. Gaud said. They are dollars in the sense they might be dollar loans or dollar-financed commodities which flow through the budget. They are rupees or rials, or what have you, in the sense that these figures are derived from a central government's figures, which are shown in rupees. We turn them back to dollar equivalents.

Mr. RHODES. Nevertheless, this is some kind of exchange we have made available to the Government of India?

Mr. BIRNBERG. That is correct; dollar financing of imported goods or peoples' services. It is not exchange in the sense of a cash check.

Mr. RHODES. I really am confused now. How can you break this figure as between goods and exchange itself?

Mr. BIRNBERG. It is the exchange value of the public sector goods.

Mr. GAUD. May I answer? In other words, these are not dollar loans in the sense that we give them dollars to support their budget, but the budget items for a development loan we may have made to build, say a thermal powerplant in the public sector. Or the rupee

equivalent of a program loan which finances Indian imports of certain types of commodities for their public sector. But the long and the short of it is that this is a part of the total aid program here, nothing in addition.

Mr. RHODES. That I understand. But, nevertheless, it can be goods rather than exchange, and it does not necessarily mean that as far as our balance of payments is concerned this necessarily reflects a minus quantity.

Mr. GAUD. That is right.

Mr. RHODES. I might suggest at this point in the record we get a more lucid explanation of what this is.

(The information follows:)

BUDGET RECEIPTS FROM U.S. AID—INDIA

The item "Budget receipts from U.S. aid (grants and loans)" in AID's congressional presentation or brown book represents that portion of U.S. aid to India which is included in the latter's budget receipts. What portion of total aid receipts is applied to the budgetary accounts depends essentially upon accounting practices. The practice followed in preparing the economic data for the brown book is to include in budget receipts all our aid except the following principal categories: (*a*) Grant and loan aid received in kind (direct project aid and technical assistance); (*b*) loan and grant aid given directly to private enterprise and to regional and local governments; (*c*) types of aid which are provided as relief measures and distributed directly to the population, such as Public Law 480, title III, and in part Public Law 480, title II; and (*d*) the portion of Public Law 480 aid which is paid for in rupees that are transferred to U.S. accounts for U.S. uses.

Following is a breakdown of the figures given in the brown book:

Budget receipts from U.S. aid (grants and loans)

[Million dollar equivalents]

	Indian fiscal year ending Mar. 31—		
	1960	1961	1962 (budget)
U.S. Government loan aid:			
AID, DLF loans	87	112	135
Public Law 480 loans	48	126	147
Export-Import Bank loans	21	52	100
Total, new borrowings	156	290	382
Less repayments of principal in local currency	−5	−6	−8
Plus grants from local currency obtained under Public Law 480	1	7	16
Total	152	291	390

This item, "Budget receipts from U.S. aid," should not be confused with so-called budget support assistance which has been given to some countries to enable them to meet Government payrolls or other normal budgetary costs. Nor should it be regarded in any sense as additional aid over and above what is reported as the total of our foreign aid. Rather, it represents that portion of our aid to India which is credited to the budgetary accounts.

Mr. RHODES. I think in preparing the presentation in the future it might be well to work this item over with more precision.

Mr. BIRNBERG. We would be glad to do this and talk with you who find it confusing. This is simply derived from budgetary accounts of the AID recipient governments and is not always clear to you and certainly never clear from the face of it as to the relationship of this to the AID program. We have to work it out with you.

ORISSA IRON ORE PROJECT

Mr. RHODES. Let us turn to page 580 of the other project book. This is the Orissa iron ore project, No. 386–D–21–AA. Can you tell me when this $20 million was obligated?

Mr. GAUD. In fiscal 1958.

Mr. RHODES. There is still $13 million unliquidated?

Mr. GAUD. That is correct.

Mr. RHODES. This is part of that category of spigots, Mr. Chairman, that we have mentioned, called the Asian economic development spigot.

I found it interesting because, as far as I can tell, this was the only project which was assigned to this particular spigot. I am wondering what the status of this project is and why it has not yet been completed.

Mr. BIRNBERG. I would like to speak to it in terms of how it is described here and what has developed a little bit since. As you observed, Mr. Rhodes, on page 580, the status of it is that the dredging of the port has begun, designs have been completed, tenders invited, and roads begun. In other words, as it says here, the preliminary work has been completed.

This project was a very slow moving one and in the most meaningful sense of that at the early stages. The design work was very slow. As stated here also, deliveries will extend over a 3-year period.

In the last 6 months or so I think it is fair to say two further developments have occurred. One is that there were disputes of a technical kind about port facility work and work related to this project, and those disputes have been resolved and agreement has been reached in India on the part of the Indian Government and the port authorities as to how they wished to proceed.

Secondly, the Indian Government found that the obligations originally made were in excess of the needs and a deobligation was made subsequent to this of $1 million something, I regret to say right now I do not have the figure, a little over a million dollars deobligated. You get down to about $18.7 million. I cannot be exact.

Mr. RHODES. Part of the $20 million original obligation has been deobligated?

Mr. BIRNBERG. Yes.

Mr. RHODES. Can you furnish the exact figure for the record?

Mr. BIRNBERG. We will be glad to furnish the exact figure for the record.

(The information follows:)

ORISSA IRON ORE PROJECT—DEOBLIGATIONS

Of the $20 million original obligation for this project, $1,060,000 was deobligated in June 1962.

ESTIMATED PROJECT COMPLETION DATE

Mr. RHODES. What is the prognosis for this project? Will it be finished soon?

Mr. BIRNBERG. The prognosis is, honestly, as stated in here, that we learned from our Indian mission that they really expect this to

be completed within a 3-year period, meaning by late 1964 or spring of 1965.

Mr. RHODES. So it is on schedule?

Mr. BIRNBERG. Yes.

DELHI THERMAL PLANT

Mr. RHODES. Now turn to page 566, if you will, which is the Delhi thermal plant, project 386–E–25–AC. The only thing that puzzles me about this project is that a footnote says that when it was begun in fiscal year 1957, it was a loan. First, how did this get to be a development grant when it started out to be a loan?

Mr. BIRNBERG. I am sorry, sir. This is a consolidation of accounts, if I may put it that way—Mr. Tennant may wish to correct me—but I think I am right in saying a number of these that used to be shown a little differently, they were spoken of as loans and when accounts were consolidated and projects of a distinct and discrete nature were put in sort of major groups, all such projects became project ties and put under development grants. There was no intention to discuss this as a grant. It remains a loan.

Mr. RHODES. What we used to call an ICA loan?

Mr. TENNANT. Yes, sir, the old development assistance appropriation, which was, I guess, around 1957.

Mr. RHODES. What caused this to be so slow? You originally obligated $4 million. There is still unliquidated $3,389,000. What obligation was made in 1957?

Mr. BIRNBERG. I do not have available the details on this, I am sorry. The note I have is it is a matter of slow delivery of equipment, but I do not know the exact nature.

Mr. RHODES. If you would get the details, please, you might consider deobligating this. It looks to me as though it is a prime candidate for deobligation.

Mr. PASSMAN. If it would not interfere with the gentleman's examination, if he would yield there, I might indicate something about these three old spigots. This is quite current, July 30, 1962; spigot No. 1, Asian Economic Development Fund, $34,584,000; spigot No. 2, development assistance, $19,556,000; spigot No. 3, special assistance, $80,958,000.

The Asian development and development assistance are many years old. I do not think you have had an authorization for development assistance for possibly 7 or 8 years, have you?

Mr. BIRNBERG. 1955.

DEOBLIGATION OF NONUTILIZED FUNDS FROM OLD ACCOUNTS

Mr. PASSMAN. In practically every one of these categories, with a few exceptions, they could be deobligated. They have plowed it into other accounts so that it loses its identity.

Thank you, Mr. Rhodes.

Mr. RHODES. Mr. Chairman, if I might just make a brief statement, it seems to me those old spigots ought to be liquidated and done away with and the whole thing brought up to date. It is not good business to leave it outstanding.

Mr. GAUD. It is pretty hard to deobligate a half built plant, in this case.

Mr. RHODES. I do not mean to be that specific. I merely suggested the possibility that as far as the spigots and the tanks above the spigots, maybe we could get them down to 14 or 15 spigots. We have more spigots than Howard Johnson has flavors. As long as that tank is there somebody will find a way to tap it.

Mr. FORD. Off the record.

(Discussion off the record.)

CONTRACTORS FOR INDIAN PROJECTS

Mr. RHODES. Have you furnished a list of contractors that do work for you in India?

Mr. GAUD. No, sir; we have not.

Mr. RHODES. Could we have such a list?

Mr. GAUD. On our development loans or everything?

Mr. RHODES. On the development grants.

Mr. PASSMAN. Could we not also have it on the development credits?

Mr. GAUD. On the development loans?

Mr. PASSMAN. On the development credits.

Mr. GAUD. We can give it to you on the development loans.

Mr. RHODES. Off the record.

(Discussion off the record.)

Mr. PASSMAN. At an earlier date we requested a list of every project in India, did we not?

Mr. TENNANT. Yes.

Mr. PASSMAN. Have you inserted that in the hearings?

Mr. GAUD. No, that list was not every project.

Mr. TENNANT. You requested earlier today a list of all projects.

Mr. PASSMAN. I thought I had requested a list of every project in India where we had made a commitment, whether it was development credits or development grants.

Mr. TENNANT. In any event, we will provide such a list.

Mr. FORD. Will the gentleman yield?

When you list these contractors will you list the amounts they received in fiscal 1962 and what their contract price is, or whatever the figure is, for fiscal 1963?

Mr. BIRNBERG. Related to these sheets, yes.

Mr. PASSMAN. And will you give the address of the contractors in the United States?

Mr. GAUD. I hope you do not want this tomorrow morning.

(The following was submitted for the record:)

List of AID development grant financed contracts—India

[In thousands of dollars]

Project title	Name of contractor	Address of contractor	Actual obligation, fiscal year 1962	Planned obligation, fiscal year 1963
Institutional:				
Agricultural education and research.[1]	University of Illinois	Urbana, Ill	102	187
	University of Kansas	Mahattan, Kans	----------	187
	University of Missouri.	Columbia, Mo	156	187
	Ohio State University	Columbus, Ohio	137	292
	University of Tennessee.	Knoxville, Tenn	120	187
Uttar Pradesh Agricultural University.[1]	University of Illinois	Urbana, Ill	180	252
Steel training	Carnegie Institute of Technology.	Pittsburgh, Pa	[2] 565	352
Multipurpose secondary schools.	Ohio State University	Columbus, Ohio	210	200
Indian Institute of Technology, Kanpur.	Educational Services, Inc.	164 Main St., Watertown, Mass.	[2] 2,088	1,100
National program of professional education.[1]	Teachers College, Columbia University.	New York N.Y	180	320
Technical education institutions.[3]	University of Illinois	Urbana, Ill	234	----------
	University of Michigan.	East Lansing, Mich	152	----------
	University of Wisconsin.	Madison, Wis	164	----------
Bombay Central Training Institute.	William Hood Dunwoody Industrial Institute.	818 Wayzata Blvd., Minneapolis, Minn.	[1] 92	185
Subtotal			4,380	3,449
Commercial:				
Construction equipment [1] training and utilization.	Ralph M. Parson Co	617 West 7th St., Los Angeles 17, Calif.	302	240
National Productivity Council	George Fry & Associate, Inc.	135 LaSalle St., Chicago, Ill.	236	230
Assistance to the coal industry	Pierce Management Corp.	Pennsylvania Power & Light Bldg., Scranton, Pa.	[3] 115	----------
Bokaro steel mill survey	United States Steel Corp.	525 William Penn Ave., Pittsburgh 30, Pa.	[4] 750	----------
Subtotal			1,403	470
Grand total			5,783	3,919

[1] Continuing project, costs vary depending upon contract requirements and rate of expenditures.
[2] Financed 2 years of contract services.
[3] Project terminating, no additional funds required.
[4] New project fiscal year 1962, no additional funds required.

List of AID development loan financed contracts—India

[In thousands of dollars]

Project title	Name of contractor	Address of contractor	Total obligation
Commercial:			
Barauni thermal powerplant.	Kuljian Corp.: (1) Civil works-engineering... (2) Electrical and mechanical engineering.	1200 North Broad St., Philadelphia, Pa.	(1) $63. (2) 1 percent cost of installed plant and facilities with minimum of $42,000 (estimated $60,000 to $63,000).
Chandrapura thermal powerplant.	Gibbs & Hill, Inc.: Engineering services.	Pennsylvania St., New York, N.Y.	$293.
Durgapur thermal powerplant.	Kuljian Corp.: Engineering services.	1200 North Broad St., Philadelphia, Pa.	$315.
Talcher thermal powerplant.	Gibbs & Hill, Inc.: (1) Design—engineering and training of Indian personnel. (2) Resident consulting engineer.	Pennsylvania St., New York, N.Y. ----------	$631. $34 and monthly pay of $1,450 per month.
Cambay thermal powerplant.	Kuljian Corp.: Engineering services. International General Electric: Engineering services. Erection and installation	1200 North Broad St., Philadelphia, Pa. 150 East 42d St., New York, N.Y. Bombay, India	$895. $484. $5,283.
Delhi Cloth & General Mills.	Chemtex Corp.: Design and engineering services. Beaunit Mills, Inc.: Know-how and patents.	New York, N.Y. -----do----------	$360. $500.
Trombay thermal powerplant.	Ebasco: Engineering services	2 Rector St., New York 6, N.Y.	$697.
Delhi C thermal plant expansion.	Kuljian Corp.: Engineering services.	1200 North Broad St., Philadelphia, Pa.	Estimated at 4.5 percent total project cost (about $37,600,000, total project).

PROJECT ASSISTANCE

Mr. RHODES. In fiscal 1963, you propose project assistance in the amount of $———. Could you please indicate for the record the total of the foreign currency requirements which will be used in these various projects in India?

Mr. GAUD. Could we give that as a total figure?

Mr. RHODES. Yes. It is included in the book under each project, but I was interested in the total.

Mr. BIRNBERG. The book shows cumulative 1962 and 1963 separately. Would you like it that way?

Mr. RHODES. Yes.

(The following was submitted for the record:)

FOREIGN CURRENCY REQUIREMENTS FOR DEVELOPMENT GRANT PROJECTS—INDIA

Total obligations of U.S.-owned

[Thousand dollar equivalent]

Cumulative through June 30, 1962	8,782
Estimated fiscal year 1963	3,873

PROPOSED PROGRAMS UNDER SECTION 202(b)

Mr. RHODES. Now, Mr. Gaud, do you have any 202(b) plans in effect in your region at all?

Mr. GAUD. Yes, with respect to Pakistan.

Mr. RHODES. Do you have any 202(b) plans in the works in your region?

Mr. GAUD. No.

Mr. RHODES. So could we safely say there will be no 202(b) plans submitted during the present fiscal year?

Mr. GAUD. No, we could not say that. To explain my answer, for one thing, as I said earlier, there will be a meeting of the Indian consortium to deal with some portion of the 5-year plan after the first 2 years. It is conceivable that there may be a section 202(b) situation there. I do not know about that.

In addition to that, the chances are that under the auspices of the OECD there will be meetings on development plans of both Turkey and Greece within this coming fiscal year. I do not know, again, whether there will be occasion for a section 202(b) arrangement.

Furthermore, as I said in my opening statement, Iran has a development plan she hopes to finish by September, and perhaps a situation will develop there.

Frankly, with 11 months left in the fiscal year, I cannot say. But at the moment there is nothing in the shop on a section 202(b) plan in my region except the Pakistan one which is now outstanding.

Mr. RHODES. In India most of the aid is going to the public sector. Is that the result of public policy in this country or public policy in India?

Mr. GAUD. It is certainly not a matter of the public policy of the United States. It is more the way things are in India. There are some fields in which the Indian Government is not willing to encourage the private sector. We have made many development loans this year that are in the private sector. We have made Cooley loans that are in the private sector.

COOLEY LOANS UNDER PUBLIC LAW 480 PROGRAM

Mr. FORD. What are Cooley loans?

Mr. GAUD. Cooley loans are loans of rupees available from Public Law 480 which are lent under the Cooley amendment to American affiliated businesses.

In addition, we have made rather substantial program loans to India under which India has imported iron, steel, and various other commodities. These imports are made under import licenses and a large proportion will go to the private sector.

Mr. RHODES. I hope it will be the policy of the U.S. Government to encourage private sector loans where there is a choice between public and private.

Mr. GAUD. It certainly will be in India and elsewhere.

Mr. RHODES. That is all, Mr. Chairman.

Mr. PASSMAN. You mentioned that you would not include in the consortium any loan under 10 years.

Mr. GAUD. I said that was true within the last 2 years, yes.

ORIGIN OF INDIAN CONSORTIUM

Mr. PASSMAN. When did the consortium start in India?

Mr. GAUD. I am familiar only with the meetings that have been held on the third 5-year plan and the first of those was held in May of 1961.

Mr. PASSMAN. This consortium operation is only 2 or 3 years old, is it not?

Mr. GAUD. That is my impression.

CRITERIA FOR LOANS UNDER CONSORTIUM AGREEMENT

Mr. PASSMAN. You say you have not included any loan under 10 years in the consortium in the last 2 years. I hold in my hand a list supposed to be up to date covering all the loans made to India other than the United States, and which covers all ranges from 3 years and the longest loan is 25 years.

Mr. GAUD. Are any of the loans under 10 years made since May 1961?

Mr. PASSMAN. I have no way of knowing.

Mr. GAUD. Are there no dates on that? My copy of that paper, if we are looking at the same paper, has dates on it.

Mr. PASSMAN. Mine has no dates and I believe this is the one you provided me, Mr. Controller?

Mr. TENNANT. This is the insert we furnished you, sir.

Mr. PASSMAN. We do not know if any have been disbursed, but they are in the consortium. You have them all through 1961 here. You have one in September of 1961.

Will you tell me what length of time we have considered them a part of the consortium?

Mr. GAUD. Which loan is that, Mr. Chairman?

Mr. PASSMAN. On the first page, a $42.5 million balance of payments loan at 3 percent for 20 years.

Mr. GAUD. My statement was that in the past 2 years loans for less than 10 years do not qualify as commitments to the consortium.

Mr. PASSMAN. That was the only question I asked you, if you had told us previously any loan under 10 years was not considered a part of the consortium.

Mr. GAUD. For the past 2 years that has been true.

Mr. PASSMAN. Will it be true in the future?

Mr. GAUD. I would hope so.

Mr. PASSMAN. What if, in the future, some of these other countries say, "We will not make the loans on your terms, but on our terms, and they will be for 6 or 7 or 9 years?"

Mr. GAUD. Under those conditions those loans cannot be considered in the consortium commitment.

Mr. PASSMAN. You do not try to fix the rate of interest, do you?

Mr. GAUD. We are doing our best to get them to grant the loans at a lower rate of interest, but after all these are sovereign governments.

Mr. PASSMAN. You may prevail on them to extend the length of time in which to repay the loans, but they will draw the rate of interest indicated in this column?

Mr. GAUD. Yes.

Mr. PASSMAN. If they extended the length of time for repayment to 15 or 20 or 25 years, they will still get whatever rate of interest is indicated here? You cannot prevail on these people to adopt your terms. If they want to charge this interest they will still be in the consortium?

Mr. GAUD. Provided the loans are for a term longer than 10 years.

Mr. PASSMAN. Ten years is not very long, and neither is 12 years.

Mr. GAUD. We agree.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

POPULATION OF INDIVIDUAL COUNTRIES

Mr. PASSMAN. There is a country named Andorra, is there not?

Mr. GAUD. Not in my region.

Mr. TENNANT. There is a country named Andorra.

Mr. PASSMAN. Could you give us the population of Andorra?

Mr. TENNANT. I will have to supply that, sir.

Mr. PASSMAN. Could you give us the population of Bhutan?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. And identify whether they are principalities or nations.

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. Get us also the population of Burundi.

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. And of Rwanda.

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. And tell us whether Burundi and Rwanda are the same two nations that were brought into being on July 1. They are spelled differently and I want to be sure.

Mr. TENNANT. There is a slight difference in spelling. We will get that.

Mr. PASSMAN. Then, please, get the population of Kuwait.

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. And there is a little country of Liechtenstein. Get us the population of that country.

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. And, also, of Monaco.

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. We wish to know, too, the population of Switzerland.

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. And of the Vatican City.

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. And, if you can, please, get that information for us tomorrow.

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. If you find that some of them are principalities, so indicate.

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. Gentlemen, when you start putting in little areas covering maybe five or six blocks, speaking figuratively, and calling them a nation not getting aid, it looks like you might be stretching the point a little bit.

We shall adjourn until 10 o'clock tomorrow morning.

THURSDAY, AUGUST 2, 1962.

Mr. PASSMAN. The committee will come to order.

I received a telegram just a few minutes before I left the office, dated August 2, 1962, 9:10 a.m. I quote the text:

OTTO PASSMAN,
Member of Congress,
Washington:

It is incomprehensible how the Congress in the face of our desperate financial situation can go on voting money we do not have to people who, at best, are indifferent and often actually dislike or hate us. This is being done against the will of millions of American people and without any constitutional authority whatsoever. It was just such extravagance as this that destroyed the great Roman Empire and others.

This message, typical of hundreds that I receive, was signed by 47 U.S. citizens.

Mr. ANDREWS. I received the same telegram, Mr. Chairman.

I noted some very outstanding American citizens who signed that telegram, former members of the State Department and high Government officials.

Mr. PASSMAN. I concur that this program could lead to our destruction.

IRAN

Iran had a program in the mutual security category, not including military assistance, of $55.2 million for fiscal 1962. Did that figure hold firm?

Mr. GAUD. No, sir.

Mr. PASSMAN. How much did it go down?

Mr. GAUD. It went down to $54,450,000.

Mr. PASSMAN. You are requesting $——— for fiscal 1963?

Mr. GAUD. That is correct.

UNLIQUIDATED OBLIGATIONS

Mr. PASSMAN. What amount do you have in the pipeline, unliquidated, to the credit of this country?

Mr. TENNANT. As of June 30, $23,861,000.

Mr. PASSMAN. Does that make up all categories of aid?

Mr. TENNANT. That is all of the economic aid.

Mr. PASSMAN. How about development credits?

Mr. TENNANT. It includes development loans.

FISCAL YEARS 1961 AND 1962 PROGRAMS

Mr. PASSMAN. What has been our total of aid to Iran for fiscal 1961 and also 1962?

Mr. GAUD. For the 2 years together?

Mr. PASSMAN. Separately.

Mr. GAUD. For fiscal year 1961 our program was $63,288,000.

Mr. PASSMAN. Is that the total program under your category?

Mr. GAUD. Under my spigots. For 1962 it was $54,450,000.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. MILLER. There is a mistake, Mr. Chairman. The bar chart shows $55.2 million.

Mr. GAUD. A mistake in addition where?

Mr. MILLER. It says $55.2 million and then on page 216 it says $54.2 million.

Mr. GAUD. We programed $55.2 million. This is incorrect addition. We programed $55.2 million and we obligated $54,450,000.

Mr. PASSMAN. Can you actually tell us now, for the first time, the amount of obligations by project for these countries?

Mr. TENNANT. No, sir. We can tell you obligations for the total country program by appropriation category but project detail is just dribbling in right at the end of the month. We have not summarized the reports.

Mr. PASSMAN. What figure shall we use?

Mr. GAUD. If you want the actual figure of what we obligated for this country, you can take what I call my actual figure of $54,450,000. That is the actual amount obligated for this country in fiscal year 1962.

Mr. PASSMAN. Will you give us your totals for 1961 and 1962?

Mr. GAUD. Yes, sir.

The 1961 total was $63,288,000; the 1962 total was $54,450,000.

TOTAL AID THROUGH FISCAL YEAR 1962

Mr. PASSMAN. What has been the total amount of aid for this country through fiscal year 1962?

Mr. GAUD. The total amount of aid. Now we go beyond these spigots to include——

Mr. PASSMAN. Everything your book shows.

Mr. TENNANT. Including Public Law 480?

Mr. PASSMAN. Everything.

Mr. GAUD. Will you add that? Do you have a figure on that, Mr. Tennant?

Mr. TENNANT. Total economic, military, including Export-Import and Public Law 480, I get $1,246,450,000.

Mr. PASSMAN. That is since the inception of the aid program?

Mr. TENNANT. Since the inception of the aid program.

Mr. PASSMAN. That does not include the other spigots, such as the international organizations?

Mr. TENNANT. It includes Export-Import Bank and Public Law 480 and AID.

Mr. GAUD. And military.

VALUE OF AID PROGRAM

POLITICAL STABILITY

Mr. PASSMAN. Is it not true that those people had more stability, and the potentates stayed in longer, before we started an aid program?

Mr. GAUD. I would like to yield to the State Department on that?

Mr. LEE. They have not always had stability.

Mr. PASSMAN. I did not say "always."

Did they not have longer periods of stability under the old potentates than they have had since we started this aid program?

Mr. LEE. I do not have a specific and precise answer to that.

Mr. PASSMAN. Yet you say you are requesting this much aid.

Mr. BIRNBERG. Yes, sir. I think I can fairly state something on this subject.

In one sense, sir, you can say there was greater stability when Reza Shah Pahlevi reigned. There were no revolutions for about 20 years. But, I may add, the disruptions caused by the war and the growth of the economy itself have produced great social and political instability

Mr. PASSMAN. They are a restive people, are they not?

Mr. BIRNBERG. Yes, sir.

Mr. LEE. I want to agree with what the previous witness said and also say that the nature of the threat to their interests and to ours has changed very considerably.

Mr. PASSMAN. A man stepped out in the headlines the other day, with tears running down his cheeks, and he said that this would not have happened to him if the United States had given him more aid. He blamed us. Did you see that article?

Mr. LEE. Yes. He later explained his statement.

He, in effect, apologized for what he had said.

Mr. Chairman, this man resigned after having attempted to reform the financial situation in the Government in accordance with the principles which I believe we thought were sound principles. (Off the record.)

Mr. PASSMAN. But he did not succeed, did he?

Mr. LEE. No; and he resigned.

Mr. PASSMAN. He resigned and he blamed the United States because of the insufficiency of our aid; and then, later, he kind of apologized?

Mr. LEE. He modified his statement.

Mr. PASSMAN. That still does not alter the fact that we have given $1,246,450,000 in aid to Iran. Is that correct?

Let us go back to the year we started this program.

Mr. TENNANT. The mutual security program started in 1952.

Mr. PASSMAN. Ten years ago?

Mr. TENNANT. Yes, sir.

LITERACY RATE

Mr. PASSMAN. Could you give us the literacy rate in 1952?

Mr. TENNANT. No, sir; I do not have that figure.

Mr. PASSMAN. You do not know whether it has remained static or whether it has improved?

Mr. BIRNBERG. I would not want to say flatly because, whatever figures we gave years ago, I know from every kind of evidence that it has gone up.

Mr. PASSMAN. If you do not know, say you do not know. Let us be factual.

Mr. BIRNBERG. The number of schools has gone up.

Mr. PASSMAN. But where do you get your authority that this literacy rate actually has gone up?

What was their literacy rate 10 years ago?

Mr. BIRNBERG. I do not know.

Mr. PASSMAN. How do you know it has gone up?

Mr. BIRNBERG. I know from the reading I have done that the number of schools has increased tremendously.

Mr. PASSMAN. Would you cite the source that would secure you in stating there has been an improvement?

Mr. BIRNBERG. Yes, sir; State Department reports from the field.

Mr. PASSMAN. Do you have them with you?

Mr. BIRNBERG. I do not have them with me.

Mr. PASSMAN. Could you cite the years that were covered?

Mr. BIRNBERG. Reports over the period from 1957 and extending to the present.

Mr. PASSMAN. Let us see whether or not the State Department is going to support you in your findings.

If we go back to your 1958 presentation, the literacy rate was 10 to 15 percent. You say here in your justifications this year that the literacy rate is 10 to 15 percent.

Mr. BIRNBERG. I do not think——

Mr. PASSMAN. Let us deal with the facts which you presented to us.

This just gives us an idea that my statement still may be valid that in the underdeveloped countries where we have had an aid program going, there has been a change of about one-quarter of 1 percent.

Mr. MILLER. Mr. Chairman——

Mr. PASSMAN. Yes.

Mr. MILLER. In that connection, of course, as the chairman knows, our program is not designed in education to produce a large increase in a literacy rate in any particular country, but nevertheless a low literacy rate indicates a number of factors, such as that there is not very much ability in the public administration line in a particular line, and other such factors as that the individuals are just not highly trained enough to carry on the day-to-day operations of the Government. As far as our educational programs, by and large throughout the world is concerned, it is designed to focus upon specific kinds of problems to produce primary school teachers, secondary school teachers, or a college in a country which can help produce trained people to——

Mr. PASSMAN. One group of witnesses said the thing we are trying to do is to educate the people.

Mr. MILLER. We are trying to educate them.

Mr. PASSMAN. To reduce illiteracy.

When we pin down one country, to see whether my statement about one-quarter of 1 percent has been the average increase, then you say it is not the purpose.

EDUCATION PROGRAM

You have $964,000 for Iran in just one category of education for fiscal 1963, do you not?

Mr. TENNANT. That is correct.

Mr. PASSMAN. Let us see how much the total education program has cost since we started in Iran.

Mr. GAUD. We will supply that.

(The information may be found on p. 463.)

Mr. PASSMAN. Do you have it there?

Mr. TENNANT. No, sir; I do not have it.

Mr. PASSMAN. Can you give us anything near the figure?

Mr. GAUD. No, sir; we have no information here that would give us a breakdown of the past year.

Mr. PASSMAN. Would you get some person downtown to compile the information?

Mr. GAUD. We can get that.

Mr. PASSMAN. You pour billions of dollars into this program—and it is $1 billion-plus in this nation—yet they still have the same literacy rate as 4 years ago.

Let us get those figures. We want to tie this down.

This program is either serving a good purpose or it is not.

If it is not serving a good purpose, with all of the money we are spending, in educating the people to where they can acquire techniques to help themselves, then it is a failure.

DISCONTINUANCE OF PROPOSED INDUSTRIAL SURVEY PROJECT

You are requesting $195,000 for the industrial survey project to finance feasibility surveys to be selected by AID and the Iran Plan Organization?

Mr. GAUD. Mr. Chairman, that is the project to which I referred yesterday when I said one had been dropped before it was started.

Mr. PASSMAN. It has been dropped?

Mr. GAUD. It has indeed.

Mr. PASSMAN. Do you have any similar projects in other countries in your area?

Mr. GAUD. Not to my knowledge.

COMMITMENTS FOR FUTURE YEARS

Mr. PASSMAN. Have you made any commitments as yet out of future appropriations?

Mr. GAUD. To Iran?

Mr. PASSMAN. Yes, sir.

Mr. GAUD. No; we have not.

LAKE REZAIEH NAVIGATION PROJECT

Mr. PASSMAN. When was the $1,279,000 obligated for the development of the Lake Rezaieh navigation project, shown on page 631?

Mr. TENNANT. $1,279,000. That was obligated before June 30, 1961.

Mr. PASSMAN. You still have on hand an unliquidated balance.

In what year did you obligate the $1,279,000?

Mr. TENNANT. Fiscal 1957.

Mr. PASSMAN. That makes this about 7 years old?

Mr. TENNANT. Approximately, sir.

Mr. PASSMAN. You still had unliquidated $1,176,000 at the end of 1961?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. You had unliquidated $1,110,000 at the end of 1962?

Mr. TENNANT. That was our estimate for 1962.

Mr. PASSMAN. For what purpose did you spend the $169,000?

Mr. TENNANT. I will yield.

Mr. PASSMAN. In 7 years.

Mr. BIRNBERG. We spent a small amount, Mr. Chairman, on engineering design and supervisory services.

Mr. PASSMAN. When do you expect to deobligate this item?

Mr. GAUD. We do not.

Mr. PASSMAN. You are just going to keep on carrying it?

Mr. GAUD. No, sir. We hope to finish this project.

Mr. PASSMAN. You have been at it 7 years, and this will be 8 years, and you have only spent for engineering the difference between the original obligation and the $1,110,000?

Mr. GAUD. It took us a long time to get the topographic and hydrographic surveys. It also took a long time to get a satisfactory engineering design and contract for satisfactory engineering design. We are now going forward with the project.

Mr. PASSMAN. When do you anticipate its completion?

Mr. GAUD. We hope to complete it, let us say, in 1964.

Mr. PASSMAN. These funds were obligated some 7 years ago for the entire cost of the project?

Mr. GAUD. That is true.

Mr. RHODES. Will the chairman yield?

Mr. PASSMAN. Yes.

Mr. RHODES. This is a salt lake?

Mr. GAUD. Yes, sir.

Mr. RHODES. How does the salt content compare with our Great Salt Lake?

Mr. GAUD. I have no idea. I do not know.

Mr. RHODES. It strikes me as rather unusual to provide for navigation on a salt lake. Do you know of any other salt lake in the world where there is navigation?

Mr. GAUD. This is a field in which I have very little information.

Mr. RHODES. I gather from the extent to which these funds have not been liquidated there are a lot of people who have some doubts about this, as I do. I might suggest this again as one you might want to deobligate and reobligate.

Mr. GAUD. We will take a look at it, Mr. Rhodes.

Mr. PASSMAN. You mean reobligate for another purpose, rather than back the same project?

Mr. RHODES. Certainly.

Mr. GAUD. I thought he meant that.

Mr. RHODES. I do not think it would be necessary to reobligate for the same project.

My understanding of a salt lake, particularly a shallow salt lake such as this—and most of them are shallow—is that it is very difficult

to provide any form of navigation by the very nature of the water which tends to hold a floating object higher in the water than you would ordinarily want for navigation.

Mr. GAUD. This is a question of linking to one railroad line and to a highway, which in turn joins a main railroad line. It is far cheaper in Iran to put in this kind of a ferry link than it would be to build a bridge.

Mr. RHODES. I note that in our Great Salt Lake we built a trestle across rather than transport railroad cars by ferries, even though it might have been cheaper at the time. The reason was obvious, of course.

Mr. PASSMAN. Is this money just for the planning of this project as such? Should it ever be completed, would that lead into a request for additional funds?

Mr. GAUD. No; that is in the works.

POPULATION OF IRAN

Mr. PASSMAN. What is the population of Iran?

Mr. GAUD. The population of Iran in 1961 was 21.1 million.

Mr. PASSMAN. With what area?

Mr. GAUD. 629,000 square miles.

TOTAL MILITARY AND ECONOMIC AID

Mr. PASSMAN. You are sure there is no mistake about the amount of aid we have given them since the inception of the program? You did state there was $1,246,450,000, including military aid?

Mr. TENNANT. Let us see. That includes military aid through 1961, Mr. Chair. I would have to add 1962.

Mr. PASSMAN. Let us get it all.

Mr. GAUD. That is going to fuzz up the works by showing the military item for 1 year.

Mr. PASSMAN. No; what we are going to do is get the total.

Mr. GAUD. And substitute it.

Mr. PASSMAN. We are going to show the total aid to this country.

Mr. GAUD. Let us substitute it for the previous total figure, or otherwise you would be able to subtract one from the other.

Mr. PASSMAN. I say the total aid.

Mr. TENNANT. $1,308,850,000; between military and economic.

Mr. PASSMAN. The total aid program since its inception, $1,308,850,000. That does not include the International Organization spigots, does it?

Mr. TENNANT. That is correct.

Mr. ANDREWS. Does it include Public Law 480?

Mr. TENNANT. Yes, sir; and Export-Import Bank.

CLASSIFICATION OF COUNTRY AID FIGURES

Mr. ANDREWS. If I remember, this man's complaint was we had not given them enough aid. He said we have given more aid to other people than him and he thought we should have given him more aid. One of the bad features about this whole program, in my opinion, is that it creates jealousies among the nations of the world and that is

the reason we have been told the hearings, or the amounts, are classified until after the appropriation bill has been passed, to keep down jealousy and keep down lobbying, if it is possible to do that.

Mr. PASSMAN. It is still classified, even after that.

You have it by area, certain categories. You cannot declassify it. You still keep it by areas, and not by individual items in certain categories?

Mr. ANDREWS. That is all, Mr. Chairman.

Mr. PASSMAN. That is correct, is it not?

In certain categories, you give it by area, but you cannot break it down individually?

Mr. GAUD. We do not publish country figures immediately after the Appropriations Act is passed; that is right.

Mr. PASSMAN. I made a statement of fact, did I not?

Mr. MILLER. In terms of future fiscal year programs for which we are asking appropriations, but in most cases, if not all, in terms of economic assistance they do declassify country programs after——

Mr. ANDREWS. After the appropriation bill is passed. The only reason or justification or need for classifying this information is to keep down jealousies between these nations?

Mr. PASSMAN. Do you do that on defense support?

Mr. ANDREWS. We have been told that for years.

Mr. MILLER. My understanding——

Mr. PASSMAN. Let us be sure we do not get off on the same side road we did yesterday, where not a man from the Department knew whether or not the development loans under the old system, the local currency part, went back into the country.

Do you know of any programs other than military where, in prior years, you declassified after you got the appropriation?

Mr. TENNANT. Prior year transactions on the economic side have been declassified.

Mr. PASSMAN. In all categories?

Mr. TENNANT. Except for——

Mr. PASSMAN. At the end of the year or when you got your money?

Mr. TENNANT. At the end of the year.

Mr. PASSMAN. Not when you got your money to allocate?

Mr. BIRNBERG. Never when we get the money, sir.

Mr. PASSMAN. It was after it had been spent?

Mr. TENNANT. After countries are advised of aid levels.

Mr. PASSMAN. Then you declassify?

Mr. TENNANT. That is correct.

Mr. PASSMAN. I now yield to the gentleman from Kentucky.

STATUS OF INTERNAL BUDGET IN IRAN

Mr. NATCHER. Several days ago, the retiring Prime Minister of Iran complained very bitterly over the fact that if $30 million more of foreign aid money had been delivered, the Government generally in Iran would have been able to have traveled through this rough period.

I wish you would explain to the committee just what the situation is at the present time in regard to this program in Iran. I am particularly interested in knowing whether or not the Government of this country is so tied in with our foreign aid program here in the

United States that the country will rise or fall on this particular program.

Mr. GAUD. Mr. Natcher, I do not believe for a minute that the future of any government will depend on this program entirely. The situation in Iran, when Prime Minister Amini resigned, was that he had been unable to take certain measures which we felt had to be and must be taken by Iran.

Iran has roughly $300 million of oil revenues for its use. It does not have a bad foreign exchange position. At the same time, Iran does not have a centralized budget control organization. In our judgment, the budget has been out of control and Prime Minister Amini was not able to bring it under control. When I speak of the budget, I am talking about civil expenditures, military expenditures, and expenditures for other programs.

We told the Iranians some time ago that we would not give them any money for budget support beyond that already provided, and that they would have to solve their own operating budget problem. We thought they were capable of solving it.

Mr. Amini proved unable to solve it and his government resigned on that issue. It is perhaps true that if we had come forward with a substantial amount of budget support, we might have saved the Amini government for a time.

In our judgment, we would have been doing ourselves and the Iranians a disservice because we think that the Iranians ought to put their home in order and get hold of their own operating budget, and not count on us to support their operating budget.

TOTAL BUDGET FOR IRAN

Mr. NATCHER. Can you give me the total amount of the budget of Iran?

Mr. GAUD. We can give it to you for the previous year; that is 1961–62. We cannot give it to you for the current year. It has not been fixed yet.

Mr. NATCHER. You have it for the previous year?

Mr. BIRNBERG. From the figures on page 217, you may notice, the Iranian year begins in March. We are now one-third into that Iranian year. Budget discussions in Iran always continue into the opening months of the budget year. Even the figure you see in the book, for the year already ended, is still a preliminary figure.

There is no current budget in the sense of a current government-accepted budget. When the government fell on the budget issue, there was still no budget.

Mr. NATCHER. Can you give me the figures you have for last year?

Mr. BIRNBERG. The figures shown here should be the final figures for last year, but I would like to go back and check once again.

Mr. NATCHER. What is the total budget for Iran?

Mr. BIRNBERG. I am referring to the total expenditures, $820 million; domestic revenues, $707 million.

GROSS NATIONAL PRODUCT IN IRAN

Mr. NATCHER. What is the gross national product of Iran? What was it for 1960?

Mr. GAUD. $4,190 million.

Mr. NATCHER. Has it ever occurred to you that a country like Iran, that has a gross national product of $4,190 million for the year of 1960 certainly should not be in a position of requesting foreign aid from this country?

Mr. GAUD. Of requesting foreign aid for operating budget support, I quite agree.

JUSTIFICATION FOR CONTINUED AID PROGRAM

Mr. NATCHER. Do you know of any reason why Iran should receive any assistance from this country at the present time in the mutual security program—of any nature?

Mr. GAUD. Yes, sir.

Mr. NATCHER. Proceed and tell us about it.

Mr. GAUD. Does the State Department want to speak on this?

Mr. LEE. I would like to speak on this.

Iran is on the flank of Russia, and very accessible to Russia, and there is a long history of aggression directed from Russia toward Iran, some of it quite recent. There are constant pressures on Iran, both internal and external from that direction, and the fall of Iran would affect the whole of the Middle East area.

The Government of Iran is not in a position to stand by itself there. We are compelled in our own national interest to try to increase and support the political stability, not necessarily of this Government, or of any particular government, but of the country itself.

Fortunately, the Government and people are very determined in their efforts to maintain their independence.

As I pointed out a moment ago, the situation is not the same as it was a few decades ago. It is unlikely they would be able to maintain their independence if they do not have the continuing cooperation of the other members of the free world.

Mr. GAUD. May I add a word from the standpoint of AID.

We feel, as I said a minute ago, that Iran has sufficient resources to take care of her own budgetary requirements. We do not believe, and we are not alone in this view—other foreign nations of the free world feel the same way—we do not feel she is in a position to maintain her budget, carry these miiltary expenses, and also promote economic development to the point that we think is wise for her future growth and security.

Mr. NATCHER. Can you tell me if the GNP you show on page 217 includes the income of the Shah?

Mr. GAUD. I cannot tell you that, sir.

Mr. NATCHER. Thank you, Mr. Chairman.

U.S. POSITION ON AID ON WORLDWIDE BASIS

Mr. PASSMAN. Mr. Secretary, it is only natural that you people put your best foot forward in trying to justify these funds. You spoke of policy and our national interest. Certainly that is the purpose of these tremendous expenditures in the field of foreign aid, we hope.

But what you said about Iran would also be true with regard to the other nations we are helping.

Mr. LEE. I think so.

Mr. PASSMAN. I think you can go completely around the world, and regardless of how pro-Communist a country might be and regardless of the position of their leaders, we take that same position. Now we are in 101 of the nations of the world with a foreign aid program, either, past, present, or planned, and we are also in many of the British territories and possessions with substantial aid programs.

Do you agree that there is a limit as to how far we can go in dissipating the resources of America?

Mr. LEE. I agree certainly that there is a very real limit. I would also qualify my previous agreement with you to say the situation differs very substantially from country to country and also from time to time.

Mr. PASSMAN. Surely.

Mr. LEE. Each individual situation must be judged on its own. However, it is true there is similarity arising out of the facts of the modern world situation.

AFGHANISTAN-PAKISTAN BORDER PROBLEM

Mr. PASSMAN. I believe you were present when we established yesterday that one little country, Afghanistan, recipients of our generosity, closed their border. Afghanistan made the final decision to open the border for 8 weeks to let our aid pour in. After you got it across the line, the curtain fell again.

It would appear to me we are going a little far afield when we have to prevail upon two recipient nations, which are feuding, to get one of the nations to open its border in order to let the aid come in.

You also heard it established that we are even endeavoring, under a request, or an obligation, you had under the contingency fund, and a carryover, to accumulate, or bring up to the border, millions of dollars worth of material and machinery and whatever components it takes to carry out the aid program there, hoping the border will open and we could get it all in before the curtain drops again.

It looks to me as if we are going considerably far afield.

GOLD PURCHASES BY IRAN

Iran in the last quarter of 1961 purchased from us $16.1 million in gold. Here is a country that we say is not capable of supporting its own economy, yet they bought $16.1 million worth of gold.

I just wonder why we cannot, with the large unliquidated balance to the credit of Iran, and in view of the fact that they have sufficient foreign exchange to buy our gold—in the last quarter of 1961, to the extent of $16.1 million—if we could not sort of let the pipeline decrease a little, rather than having them come in under the mutual security program for aid of $54,450,000; and that does not even include the military, does it?

Mr. GAUD. No, sir.

Mr. PASSMAN. Mr. Andrews?

FISCAL YEAR 1963 PROGRAM

Mr. ANDREWS. Mr. Gaud, I notice you have planned for the program in Iran for 1963, $——— for supporting assistance.

Mr. GAUD. That is for the development grants. We have no supporting assistance planned for Iran this coming year.

Mr. ANDREWS. $——— for development grants, and you expect to use for development loans or credits $———?

Mr. GAUD. That is our estimate of what we are considering; yes, sir.

TERMS OF FUTURE DEVELOPMENT LOANS

Mr. ANDREWS. Will those loans be the same type we discussed for other countries, namely, 40-year loans with a three-quarters percent service charge, nothing paid for the first 10 years?

Mr. GAUD. Mr. Andrews, I do not want to seem to duck your question, but we have not made any development loans to Iran other than one small one since we adopted this most recent policy. We have not fixed on the the terms on which we would lend to Iran. It is possible it would be those terms, they might be tighter.

Mr. ANDREWS. Will you determine the terms of the loans at the time you make them?

Mr. GAUD. Yes. There are some countries in this region to whom we make loans on the 40-year terms, some where we make them on harder terms.

Mr. ANDREWS. What would be the harder terms for a loan, and what would govern your decision as to whether it would be a hard-term loan or one of the so-called soft loans?

Mr. GAUD. It depends partly upon the purpose of the loan, and partly upon the capacity of the country to repay in terms of estimated foreign exchange situations in the future.

Mr. ANDREWS. That would be determined then by the financial condition of the country?

Mr. GAUD. Plus the type of loan. In other words, for example, we have made a number of loans for stabilization agreements which you might call short-term requirements. Those are made for short terms, 5 to 10 years, on interest rates ranging from let's say 2½- to 5½-percent interest.

We make loans to development banks which are medium term. These are loans which can be subloaned and those are on medium terms with a substantial rate of interest.

PRESENT LOANS TO IRAN

We have made two loans to Iran so far under the new act.

Mr. ANDREWS. In what amount?

Mr. GAUD. In fiscal year 1962, a development loan for $6 million, and a supporting assistance loan for $14 million. These two loans were made for periods of 17 years at 3½ percent interest. Both loans were made in February 1962.

Mr. ANDREWS. What were the proceeds of the loans used for?

Mr. GAUD. In one case, the $6 million loan was for highway construction, building roads in other words; the $14 million loan was what we call a nonproject loan for the importation of commodities.

Mr. ANDREWS. What was the $17 million? Did you mention a $17 million loan?

Mr. GAUD. No; those two loans were made for terms of 17 years.

Mr. ANDREWS. You have made two loans, one for $6 million for roads, and the other $14 million for commodities?

Mr. GAUD. Those are the only loans we have made since the enactment of this new legislation.

Mr. ANDREWS. Were each of the loans for 3½ percent?

Mr. GAUD. Yes, sir.

Mr. ANDREWS. What was the length of the loan?

Mr. GAUD. Seventeen years.

Mr. ANDREWS. I am looking at page 217. My opinion is, this country is financially about as well off as any country we have discussed.

Mr. GAUD. It is not well off by most standards. It is certainly better off than a great many other countries.

INCREASE IN GNP

Mr. ANDREWS. For instance, I notice a total GNP in 1961 of $4,380 million which was a substantial increase from the GNP of 1960, which was $4,190 million.

Mr. GAUD. That is true, sir.

Mr. ANDREWS. And quite an increase over the GNP of 1959, which was $4,070 million.

Mr. GAUD. Yes; that is true.

Mr. ANDREWS. That indicates to me they have some progress in that country.

Mr. GAUD. We feel that.

Mr. ANDREWS. They are doing pretty well.

Mr. GAUD. We feel they are making headway. These figures still work out to a per capita GNP of a little more than $200 per person. The principal cause for this increase in the total GNP, I believe, is in rising production and sale of oil.

FAVORABLE TRADE BALANCE

Mr. ANDREWS. Look at their foreign trade. They seem to be doing pretty well with their exports.

Total exports in 1959, $785 million. That went up in 1960 to $830 million. Again they had an increase in 1961 to $880 million.

Mr. GAUD. Yes; that increase was largely from the export of oil.

Mr. ANDREWS. They have a very favorable trade balance, $300 million for 1961, which was an increase of $70 million, from $230 million in 1960 and $198 million in 1959.

I am impressed with their gold and foreign exchange record, which in 1961 was $208 million, an increase from 1960, which was $184 million.

Mr. GAUD. Yes, sir.

INCREASING DOMESTIC REVENUES

Mr. ANDREWS. Their domestic revenues have been on the increase, $605 million in 1959, $664 million in 1960, and $707 million in 1961.

So all in all, it looks to me like this country is doing pretty well.

Mr. GAUD. It is what I might call, without meaning any disrespect to the country, a lopsided country in the sense there are a great many people, or a considerable number of people, in Iran who are extremely well off. There are many more who are very poorly off.

Mr. ANDREWS. That is true all over the world, including this country.

Mr. GAUD. Yes, but I think it is particularly true in some countries. This is a country which needs land reform badly, which needs fiscal reform badly.

Mr. ANDREWS. Let me ask you one final question, Mr. Gaud.

Mr. GAUD. Yes, sir.

NEED FOR DEVELOPMENT ASSISTANCE

Mr. ANDREWS. In your opinion, is the need for economic assistance for this country due to the financial condition of Iran, or are we giving them aid just because we are giving all the other countries aid?

Mr. GAUD. Aid for development is badly needed. As I said earlier, I think that Iran has the capability to solve her own operating budget problems. But I think she does need additional assistance for development.

RISE IN COST-OF-LIVING INDEX

Mr. ANDREWS. One final question—I notice since 1959 there has been a substantial increase each year in the cost-of-living index. Using 1953 as a base of 100, their cost of living in 1959 went up to 152 points, then the next year it increased 12 points to 164, and then in 1961 it increased again 12 points to 176.

Mr. GAUD. Yes, sir.

Mr. ANDREWS. You have had a steady increase of 12 points each year since 1959 in their cost of living.

Mr. GAUD. That is true.

Mr. ANDREWS. In your opinion, has our aid program contributed to that increased cost-of-living trend?

Mr. GAUD. I would say not, Mr. Andrews. Their budgetary position, and their inflationary practices, have contributed to that. Our aid certainly has not.

Mr. ANDREWS. Have the millions that we have put into the country's economy for the last 3 years had anything to do with the inflation that you mention?

Mr. GAUD. No.

Mr. ANDREWS. That is all.

Mr. PASSMAN. Mr. Rhodes?

BUDGETARY SUPPORT IN PRIOR YEARS

Mr. RHODES. Mr. Gaud, turning to page 619 in the project book, I gather that the amounts set forth under nonproject assistance are the items which would be under supporting assistance; is that correct?

Mr. GAUD. Yes, quite right.

Mr. RHODES. And in fiscal year 1962 there were cash transactions under that category which would amount to direct budgetary support, I presume.

Mr. GAUD. That is true.

Mr. RHODES. I note in fiscal year 1963 there is no such item.

Mr. GAUD. That is right.

Mr. RHODES. Does this represent a firm intention on your part, or is this subject to change without notice?

Mr. GAUD. This is a firm intention.

Let me also say, to be perfectly honest, a firm intention is subject to change, but this is a firm intention and I sincerely hope we will stick to it.

Mr. RHODES. Well, looking in the brown book on page 214 I note it says:

The United States provided in fiscal year 1962 a $15 million supporting assistance grant for general budgetary support in addition to the $15 million grant already provided to help finance the military budget.

Mr. GAUD. Yes.

Mr. RHODES (reading):

The United States also agreed to provide loans of $20 million for work planned or in progress under this 7-year plan.

Is this $15 million in addition to the $44 million which I see in the project book?

Mr. GAUD. No, sir.

Mr. RHODES. It is included?

Mr. GAUD. Yes.

Mr. RHODES. Now, turning to page 213 where we have a recapitulation of the various types of aid——

Mr. GAUD. Yes, sir.

FISCAL YEAR 1962 LOANS TO IRAN

Mr. RHODES. For fiscal year 1962 you show nothing at all for development loans.

Mr. GAUD. In 1962, we show $6 million.

Mr. RHODES. But on the other side, you state you have agreed to provide loans of $20 million.

Now, did you not follow your usual modus operandi and obligate the money at the time the loan was agreed upon?

Mr. GAUD. The $20 million of loans referred to on top of page 214 comprises the two loans that I mentioned earlier, one development loan of $6 million and a $14 million supporting assistance loan. In other words, part of that $44 million which you see on page 213 was loaned, it was not all grants.

Mr. RHODES. In other words, this $20 million that you characterize as a loan for progress under the 7-year plan, you also carry in the same category as budgetary assistance?

Mr. GAUD. The $6 million of that was for roads, a development loan; the other $14 million was a supporting assistance loan; that is correct.

Mr. BIRNBERG. The $44 million plus $6 million is $50 million; $15 million and $15 million and $20 million is $50 million.

Mr. RHODES. I am trying to figure out what the $44 million is.

SUPPORTING ASSISTANCE LOANS

It looks to me like it is a cash transaction—budgetary grant under supporting assistance. Since when have you been making loans under supporting assistance?

Mr. GAUD. We have made a number in this region in fiscal year 1962, and they are shown in my opening statement. Supporting as-

sistance can be either granted, or loaned. Under certain circumstances, we have felt that supporting assistance should be made in the shape of a loan. We did this in this region in this past year. We have done this with Iran. We have done it with Egypt, and we have done it with Syria.

BUDGETARY SUPPORT

Mr. RHODES. Can you break out for me from this figure, or any other figure you want to choose from the many we have, the amount of actual grant money which we have given to this country in fiscal year 1962 for budgetary assistance?

Mr. GAUD. Yes. The amount of grant is $30 million of this figure of $44 million. The other $14 million is a supporting assistance loan.

Mr. RHODES. The supporting assistance loan again is for what purpose?

Mr. GAUD. In effect budgetary support; in support for the development budget, not the operating budget.

Mr. RHODES. Just an advance of foreign exchange?

Mr. GAUD. The need was for local currency actually, not foreign exchange.

Mr. RHODES. You mean the $14 million was in local currency?

Mr. GAUD. No, it was in dollars, but it generated local currency for budget support; that is, current development expenditures.

AVAILABILITY OF LOCAL CURRENCY

Mr. RHODES. If they needed local currency and we have local currency, why did we not give them their own local currency back?

Mr. GAUD. We did not have any accumulated in Iran.

Mr. RHODES. How much local currency do we have?

Mr. TENNANT. Of counterpart, we have none. There is a small amount of Public Law 480 local currency which we estimate using, $9.1 million in 1963, leaving an estimated unobligated balance of $900,000 as of June 30, 1963.

Mr. RHODES. Is the figure of $9 million equivalent to the total which would be found in the project book under the category "Estimated foreign currency requirements"?

Mr. TENNANT. For the U.S.-owned segment, that is correct, the columns on the left-hand side.

Mr. RHODES. Where do you come by the amounts which would be under that same category "Estimated foreign currency requirements" of country-owned currency?

Mr. GAUD. That is money they put up themselves. That money belongs to them.

Mr. RHODES. In other words, this may be taken then as an addition to the total cost of these projects?

Mr. GAUD. That is correct.

NONPROJECT ASSISTANCE

Mr. RHODES. Turning again to page 619 under the "Nonproject assistance," in fiscal year 1961 you had for agricultural commodities $10 million. I presume that was under supporting assistance. Was that a grant?

Mr. GAUD. Yes, it was.

Mr. RHODES. What did we use it for?

Mr. BIRNBERG. In the case of Iran, it was sugar.

Mr. RHODES. These, I take it, were products which were not available under Public Law 480.

Mr. TENNANT. At this time we had a section 402 in the act which required us to use a certain amount of our funds for surplus agricultural commodities.

Mr. RHODES. Off the record.

(Off the record.)

PUBLIC LAW 480 PROGRAM

Mr. RHODES. I note there is no similar category for either fiscal year 1962 or 1963. In other words, there are no funds provided for the purchase of agricultural commodities.

Has this been transferred to another program, or has the need ended?

Mr. GAUD. We have a Public Law 480 program in 1962 and we expect to have one in 1963, but nothing else of that nature, Mr. Rhodes.

Mr. RHODES. Would you give us——

Mr. GAUD. 1960 was a poorer crop year than either 1961 or 1962 in Iran.

Mr. RHODES. Would you give us a breakdown of the Public Law 480 assistance to this nation for the last 5 years in dollar equivalent?

Mr. GAUD. Yes. We have that, I think.

Mr. TENNANT. Public Law 480, title III: In 1958, $500,000; 1959, $900,000; 1960, $700,000. In 1961, $16 million title I and $11.8 million under title II for emergency relief, and $1.6 million under title III for a voluntary agencies program.

Mr. RHODES. Making a total of how much for 1961?

Mr. TENNANT. $29.4 million.

Mr. RHODES. What about 1962?

Mr. GAUD. $6.8 million under title I; $3.7 million under title II; $2.1 million under title III, which gives a total of $12.6 million.

Mr. RHODES. It appears then that the Public Law 480 activities having been increased, the requirements for supporting assistance funds has been met and ended; would that be a fair statement?

Mr. GAUD. The rise of the one is not releated to the fall of the other. Public Law 480, titles I and II respond to particulars food needs: the poor crops of 1960 and 1961 explain the sharp increase in fiscal years 1961 and 1962.

ORGANIZATION FOR DEVELOPMENT PLANNING

Mr. RHODES. Now, tell us about the Iran plan organization. In the first place, what is it supposed to do?

Mr. GAUD. It is supposed to come up with their third long-term plan.

The organization has been in existence since 1956. It is not a ministry of the government, but it is a part of the government and it functions primarily as a planner for economic development.

Mr. RHODES. Is it made up mainly of American nationals?

Mr. GAUD. No, of Iranians. It has some American advisers, but it is primarily Iranians.

Mr. RHODES. When the organization first began, was it primarily Iranians, or is this a recent development?

Mr. GAUD. I do not know about the origin.

Mr. BIRNBERG. The proportion of Americans to Iranians has stayed about the same. The top people are Iranians. The Americans took a slightly larger role in the beginning and a lesser one since.

Mr. RHODES. Off the record.

(Off the record.)

Mr. RHODES. Have you any record of how much money, either in Iranian currency, or American dollars, has been paid to this organization for its services, No. 1; No. 2, is this a nonprofit organization?

Mr. GAUD. The plan organization, as they call it, is a part of the government.

Mr. RHODES. It is a part of the Iranian Government?

Mr. GAUD. Absolutely.

I have not answered the first half of the question about how much money we have contributed.

Was that the question?

Mr. RHODES. Yes.

Mr. GAUD. We have never contributed administrative costs to the plan organization.

Mr. RHODES. You do not know how much their budget is within the framework of the Iranian Government?

Mr. GAUD. I suppose that information is available, but I do not have it here. We can get it for you if you like.

Mr. RHODES. If you do not have to send someone to Iran to obtain it.

Mr. GAUD. I do not think we will have to send someone there, or the Library of Congress.

Mr. RHODES. The Library of Congress would certainly be cheaper.

(The information supplied follows:)

Budget of plan organization, Iran—Nonprogram (administrative) expenditures

Iranian fiscal year beginning Mar. 22—	*Millions of U.S. dollars*
1955–56	1.2
1956–57	3.0
1957–58	5.5
1958–59	9.0
1959–60	14.6
1960–61	21.2
1961–62 (estimated)	20.2
Total	74.7

BUDGETARY SYSTEM IN IRAN

I was interested in your discussion of the budget of Iran with the gentleman from Alabama.

What sort of a budget does Iran have? Is it divided into compartments? In other words, is one compartment for operating expenses and the other compartment for other purposes?

Mr. GAUD. As I understand the budget of Iran—and this is not my strong point, Mr. Rhodes—they have a separate capital development budget from their ordinary operating budget. The great problem about the operating budget is, there is no one man in the Iranian Government at present who has control over all its component parts.

(Off the record.)

Mr. RHODES. What do you mean by one direction or another direction?

Mr. GAUD. The budget is not under one ministry's control, or under the control of one individual.

Mr. RHODES. Fiscal control, or operating control?

Mr. GAUD. I am talking about fiscal control; deciding how much money can go in the budget and be spent in a fiscal year.

Mr. RHODES. They have no budget director?

Mr. GAUD. They have no budget director. There is no one man in the Government of Iran today who can come up with what we call a budget.

Mr. RHODES. Is it then your policy to withhold certain types of aid from Iran until the budgetary situation is improved somewhat?

Mr. GAUD. We are taking the position that Iran should rectify her fiscal control and take certain other steps which we feel are necessary so that a greater proportion of her own resources will be utilized for her own current operating expenses.

NEED FOR LAND AND FISCAL REFORMS

Mr. RHODES. It seems to me previously you made a statement which at least led me to believe you had some dissatisfaction with the way the land reform was being financed under the budget. Would you care to elaborate on that?

Mr. GAUD. I think I did say we felt land reform is important in Iran. One of the problems that land reform creates for the budget at the moment it that we at least are unaware of the extent to which the Iranian Government proposes to go forward with land reform in the next year, and how it prepares to finance the program it is going to undertake. We feel that the costs of financing a land reform program are essential part of the Iranian budget, and that they should be included in the budget. And we feel we must have a look at the whole budget, there must be a whole budget, before we know where Iran is, and what additional support, if any, she needs.

Mr. RHODES. Mr. Gaud, are we telling the Iranians to do as we say, not as we do?

Mr. GAUD. I am not quite clear—I do not quite get the implication.

Mr. RHODES. I think you get the implication very thoroughly. We certainly are not paragons of virtue as far as our own budget is concerned. We have people in this Government who are now indicating, at least, they would like very much to see this Government go to a capital budget as distinguished from the type of budget we now have. I gather we are trying to get Iran to do the opposite, which I think is right.

Mr. GAUD. Let's put it this way: As far as the operating budget is concerned in the United States, we do have, whether any particular individual likes the amount of it or not, an operating budget, and we know what is in it, and we know its size. Iran does not have this today.

Mr. RHODES. I will not agree with you that we know the size of our budget. We might know what the general compartments are, and what makes them up, but when people say in January there will be

a surplus and in July we have a $6.7 billion decit, your statement falls flat.

Having interrupted you, I will now yield back.

Mr. GAUD. Maybe it would be better for us to discuss foreign aid rather than our own domestic budget.

Mr. RHODES. I think the question is unfair to begin with.

Mr. GAUD. I do not object to it.

Mr. RHODES. You are very genial and very kind.

SECTION 202(b) COMMITMENTS

As I believe you mentioned yesterday, Mr. Gaud, this is a 202(b) country.

Mr. GAUD. No, sir. Yesterday, when you asked me if there were any prospect of our entering into section 202(b) commitments during the fiscal year 1963, I think I said, depending on what happened with the Iranian third plan, we might conceivably enter into such a commitment during this year and I did not want to make a flat statment that we will or we won't. Whether we will or not is much too early to say.

Mr. RHODES. Do you regard 202(b) as a two-way commitment in in this particular context? If the Executive agrees that our legislative is morally obligated to appropriate money projected, is there a moral obligation on the part of the recipient country not to ask for further commitments from the United States during the time that the plan is in operation?

Mr. GAUD. Outside of the plan?

Mr. RHODES. Yes.

Mr. GAUD. I certainly do.

Mr. RHODES. If I may—and I apologize for skipping around like this—but may I refer you to page 643 of the project book?

Mr. GAUD. Yes, sir.

DEVELOPMENT OF INSTRUCTIONAL MATERIALS

Mr. RHODES. This is a development of instructional materials project. It looks very much like one that we had in Tunisia. As the chairman and members of the committee will remember in Tunisia we had a project similarly named which looked like the start of a new Hollywood in north Africa, with movies and all. While your program here is relatively modest, with $119,000 do you intend to set up sound studios and that sort of thing in order to provide this instructional material?

Mr. GAUD. No, sir.

Mr. RHODES. Thank you very much.

Mr. ANDREWS. Will the gentleman yield?

Mr. RHODES. Yes.

Mr. ANDREWS. I am sure you received a letter from some movie union, a movie technician union?

Mr. RHODES. I did.

Mr. ANDREWS. And the writer stated that so many movies were being made overseas that Hollywood was fast becoming a ghost town. I wish the gentleman would ask some questions as to just what the

said outfit is dong toward promoting, if anything, the production of movies in foreign countries.

Mr. GAUD. Sir, I can speak only for my own region.

Mr. RHODES. Are you familiar with that letter? Did you see it?

Mr. GAUD. No, I did not. Are you talking to me?

Mr. RHODES. Yes, sir.

Mr. GAUD. No, sir. I can say quite confidentialy, that at least in my region, that no money is being spent for this purpose.

AGRICULTURAL ECONOMICS, CREDIT AND MARKETING

Mr. RHODES. Now may I direct your attention to page 626 of the project book? This is a comparatively new project, begun in fiscal year 1962, entitled "Agricultural Economics, Credit and Marketing."

Mr. GAUD. Yes, sir.

Mr. RHODES. It looks like a rather far-reaching project and one which might be of lengthy duration. Do you have any prospectus as to the probable duration and the probable total cost of the project?

Mr. GAUD. I think that the answer to that will depend a good deal on the extent to which the Iranian Government does go forward with a land reform program, Mr. Rhodes. The primary thing we are interested in, for the time being, is to assist the Ministry of Agriculture and the Agriculture Bank, to teach them, or to help them carry out the land program in terms of making it possible for the peasants who get the new land to use it intelligently and to get the credit to pay for the land. How far we go forward on this or whether we do not will depend a good deal on what Iran does with reference to land reform.

Mr. RHODES. This could be a project which would be extended rather amazingly in the future?

Mr. GAUD. Well, if you will withdraw the word "amazingly," it might become much larger in the future.

LOAN AGREEMENTS UNDER ECONOMIC DEVELOPMENT

Mr. RHODES. Page 653, and this will be my last question, Mr. Chairman, this is a loan agreement signed on the 7th of January 1959 which has been completely disbursed. It is for various objects and all under the heading "Economic Development." How was this disbursed? Was it disbursed in the Iranian currency or in dollars, and the second part of the question, to whom was it disbursed?

Mr. GAUD. The loan is to be repaid in dollars, is it not?

Mr. RHODES. That is correct.

Mr. GAUD. Will you give me a moment? I am not familiar with this project. It is an old one before my time.

Mr. RHODES. Certainly.

Mr. GAUD. Mr. Rhodes, some of this money was attributed to imports, and some of it was attributed to local costs, that is, in terms of local currency. I haven't a breakdown of the precise amounts here.

Mr. RHODES. Would you break this down as to how much of it was spent in the United States?

Mr. GAUD. That we will do.

(The information follows:)

ECONOMIC DEVELOPMENT LOAN, IRAN DLF LOAN NO. 34, PURCHASES IN UNITED STATES

This loan was authorized by the Development Loan Fund to assist in the financing of development projects which were a part of Iran's 7-year development program, each such project to be subject to the approval of the Managing Director of the Development Loan Fund. It was agreed in this instance by the Development Loan Fund that funds provided under the loan could finance both local currency (rial) and foreign costs in the approximate proportion of 35 perecent foreign and 65 percent rial costs. The loan agreement, signed on January 7, 1959, provided that goods financed out of the loan could be procured either in Iran, in the United States, or from other free world sources. Funds were made available on a reimbursement basis against expenditures for various projects under the loan, and it would be most difficult to trace the country of origin of goods utilized for the projects, unless an attempt were made to trace invoices through the plan organization's files. However, it is estimated, from a review of the 11 loan categories, that probably only a relatively small portion of the funds were expended for goods imported from the United States. This judgment is predicated on the fact that the expenditures in the largest loan categories of projects; i.e., municipal development, roads, and airports (which together account for more than one-half of the loan objectives) did not include major items commonly imported from the United States and that other loan categories (e.g., railroad equipment) included items customarily imported from European sources.

Mr. PASSMAN. Thank you, Mr. Rhodes.

COMMODITY PROCUREMENT FROM THE UNITED STATES

If I may, just before I yield, under supporting assistance and development grants, that money may be used by recipient countries to purchase commodities from the United States; is that correct?

Mr. GAUD. That is true of the supporting assistance.

Mr. PASSMAN. And it could be also the direct part of development grants?

Mr. GAUD. The development grants is for specific projects. There are some commodities in those, yes.

Mr. PASSMAN. They could, out of supporting assistance, requisition commodities, and among the commodities there could be grain or any type of agricultural commodity?

Mr. GAUD. That is not the policy being followed in the Near East region for supporting assistance, Mr. Chairman.

Mr. PASSMAN. They could not take supporting assistance, or any other type of grant aid, anywhere, and requisition agricultural commodities of any type from America?

Mr. GAUD. As I understand it the only way they can get those commodities is under Public Law 480.

AGRICULTURAL COMMODITY PROCUREMENT FORMERLY UNDER GRANT AID

Mr. PASSMAN. Under prior years' appropriations they could have purchased agricultural commodities with the various types of grant aid, could they not?

Mr. GAUD. Yes, and did.

Mr. PASSMAN. And we did supply substantial quantities of agricultural commodities under the old grant-aid program?

Mr. BIRNBERG. That is right.

Mr. PASSMAN. So it could follow, under the new criteria, that you could show a lower amount for grant aid to these countries, because you are furnishing much of the aid out of Public Law 480 that heretofore was supplied out of development grants and supporting assistance, defense support, and other categories?

Mr. GAUD. That could be, but it is not true for Near East countries.

Mr. PASSMAN. Is it not true that in prior years—and I want it so we can understand it—that out of the different grant-aid spigots those people purchased agricultural commodities in substantial amounts from the United States?

Mr. GAUD. That is true in the case of some countries.

Mr. PASSMAN. I do not know what countries, there being over a hundred of them.

Go ahead with your conference. When you get through I shall proceed with the examination.

Mr. GAUD. Go right ahead, sir. I am listening.

Mr. PASSMAN. I want you to finish your conference.

Mr. GAUD. Thank you for your courtesy, Mr. Chairman.

SUPPORTING ASSISTANCE SUPPLIED FROM PUBLIC LAW 480

Mr. PASSMAN. Under the present policy, they can no longer requisition agricultural commodities out of the grant aid or out of the development credit part of the program? All of it is out of Public Law 480?

Mr. GAUD. That is true.

Mr. PASSMAN. So you could very easily show in your justifications that we are requesting less money for special assistance or supporting assistance—there are other spigots—but out of support assistance you could reduce your request, as much of it is being supplied out of Public Law 480. Would that be a statement of fact?

Mr. GAUD. That could be done; yes, sir.

Mr. PASSMAN. Then, it is rather impossible at this point to determine actually what this aid figure would be, if you are transferring maybe hundreds of millions of dollars from the normal mutual security program over to the Public Law 480 section?

Mr. MILLER. Mr. Chairman, it is my understanding that section 402—which Mr. Rhodes and I had a colloquy on earlier—stated that we should use a certain amount of the mutual security funds to finance the export and sale for foreign currencies or the grant of surplus agricultural commodities or products thereof produced in the United States, in addition to surplus agricultural commodities or products transferred pursuant to the Agricultural Trade Development and Assistance Act of 1954, that is, Public Law 480. These were additional amounts that were purchased with mutual security funds beyond what Public Law 480 would supply, so that the opportunity for substitution was not very clear, in that this was to be an additional amount beyond the Public Law 480, and as you know, Public Law 480 has its own criteria for what surplus agricultural commodities may be used overseas.

Mr. PASSMAN. I yield to the gentleman from Arizona.

Mr. RHODES. I think Judge Miller will agree with me that undoubtedly since we are not operating under 402(b) any more, that undoubtedly the function of 402(b) which was primarily to acquire agricultural products which were not in surplus has now been taken up under the expanded food for peace program. Isn't that probably the situation, or do you want to state categorically it is or not?

Mr. MILLER. I have no real knowledge on that, Mr. Rhodes.

Mr. RHODES. Would you check on that and find if we are right or not because it appears from the figures and the way the picture is that probably the food for peace program has taken up some of the activities which were formerly under supporting assistance. We are not trying to trap anybody. We want to find out how many total dollars we are spending for aid.

PURCHASE OF AGRICULTURAL COMMODITIES FROM SUPPORTING ASSISTANCE COMPARED WITH PREVIOUS YEARS

Mr. TENNANT. I think when Mr. Birnberg answered one of your questions he answered it strictly for the Near East area, as indicated on page 505 we do not propose the purchase of agricultural commodities out of supporting assistance in 1963, but if you will go back to page 1 of the blue book justifications, there is some proposed on a global basis but not out of the Near East and south Asia.

Mr. PASSMAN. It is $53 million?

Mr. TENNANT. $53.3 million.

Mr. PASSMAN. Out of supporting assistance?

Mr. TENNANT. Yes.

Mr. PASSMAN. That fact certainly indicates that in some areas, where you have a policy of not furnishing surplus agricultural commodities out of supporting assistance, you are substituting Public Law 480 to supply those commodities.

Would that be a fair statement? It is only by areas that you have the policy that Mr. Gaud described?

Mr. RHODES. Mr. Chairman, the figures speak for themselves. In fiscal year 1961, out of supporting assistance, we bought agricultural commodities in the amount of $248,856,000. In fiscal year 1963 we planned to buy $53,300,000, which is about one-fifth of what we had previously bought in supporting assistance. So if we could get the increase in the food-for-peace program with the comparable figures for these years then I think we would have data which would be informative to all of us.

Mr. MILLER. Mr. Rhodes, it is my understanding that in the field of supporting assistance, which a good deal of this goes into budgetary support, that it is a question of allocation of commodities as to the flow into the country to generate the local currency for the use of the budget that is involved. As you know, if you send in $10 million worth of agriculture commodities or $10 million worth of manufactured goods that come from this country, the $10 million of commodities generate the equivalent amount of local currency and in terms of the country's budget that is involved, it is the local currency that we are attempting to use for support.

Mr. RHODES. Mr. Miller, with all due respect to your great ability as a lawyer, the relevancy of your statement to this subject is not apparent to me.

Mr. PASSMAN. In prior years you had suporting assistance, defense support, grant aid in your area. They did purchase surplus agricultural commodities.

PUBLIC LAW 480 COMMODITIES TO REPLACE THOSE FROM SUPPORTING ASSISTANCE

So far as your area is concerned in subsequent years, that is, fiscal year 1963, you are not going to use supporting assistance for the purchase of surplus agricultural commodities. Those needs, if any, will be filled out of Public Law 480, if the request is made?

Mr. GAUD. That is right.

Mr. PASSMAN. Thank you.

BUDGETARY SUPPORT

You had budgetary support for Iran in fiscal year 1962 in the amount of $44 million?

Mr. GAUD. Yes, sir.

Mr. PASSMAN. $30 million was in the form of a grant. Could you tell us when you programed and obligated the $30 million?

Mr. GAUD. There are two different questions.

Mr. PASSMAN. Let it stand as it is.

Mr. GAUD. The——

Mr. PASSMAN. You programed $30 million to Iran in direct cash grant budgetary support.

Mr. GAUD. Yes; I can——

Mr. PASSMAN. What date did you enter that on your books?

Mr. TENNANT. We have two different dates here.

Mr. PASSMAN. Give the two dates.

Mr. TENNANT. The $15 million in November, as I see it, and $14 million in January. Part of this was a loan, as I recall. The $14 million was a loan.

Mr. PASSMAN. How about the other $15 million?

Mr. TENNANT. The other $15 million which was in the congressional presentation was programed in the beginning of the year in the initial programing in October.

Mr. PASSMAN. You gave them $30 million of it in November?

Mr. GAUD. July and November.

Mr. PASSMAN. July and November and $14 million was given as a loan in January.

Let us stick with 1962 funds and deal with 1962 allocations, because the last 6 months of 1961 was the first 6 months of fiscal year 1962.

CONTINGENCY FUNDS FOR BUDGETARY SUPPORT

At the very time you made these people this grant out of the contingency fund—and that was for budgetary support——

Mr. GAUD. Excuse me, sir; I do not think these are out of contingency funds.

Mr. PASSMAN. Part of it is.

Mr. GAUD. What part of it?

Mr. PASSMAN. Let the controller find it for you.

Mr. GAUD. I take it back, Mr. Chairman. The second $15 million and the $14 million were both out of the contingency fund.

Mr. PASSMAN. This is rather unusual budgetary support. You allocated the funds, $30 million of it in the last quarter, or 90 days, of calendar 1961, which was October, November, and December; is that correct?

Mr. GAUD. That is the second quarter of fiscal year 1962.

Mr. PASSMAN. I said the last quarter of calendar 1961.

Mr. GAUD. Yes.

Mr. PASSMAN. Which would be October, November, and December of calendar 1961?

Mr. GAUD. Yes.

PURCHASES OF U.S. GOLD BY IRAN

Mr. PASSMAN. This is rather unusual budgetary support, because Iran during the last quarter of 1961 used dollars to purchase $16,100,000 of our gold.

Am I correct in saying that in the final quarter Iran did purchase $16,100,000 of U.S. gold?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. Mr. Ford?

FOREIGN ASSISTANCE TO IRAN IN FISCAL YEAR 1962

Mr. FORD. I have before me the justification book for Iran that was submitted to the Congress for fiscal year 1962 and on page 111 it shows a planned program as follows, and if I am inaccurate, I wish you would correct me: Supporting assistance $15 million, development grants, continuing activities, $3.8 million. In the budget justification books for fiscal year 1963 under the heading "Program for fiscal year 1962," it shows supporting assistance, $44 million, development grants, $5.2 million, development loans, $4 million.

What has actually been executed or what was executed for Iran in fiscal year 1962?

Mr. GAUD. $44 million of supporting assistance, $4,450,000 of development grants and $6 million development loans.

Mr. FORD. That is the total program that was executed in these three categories in fiscal year 1962 for Iran?

Mr. GAUD. Yes, sir.

PUBLIC LAW 480 ASSISTANCE TO IRAN IN 1962

Mr. FORD. I do not see the figures here. Maybe you can supply them. What did you program under Public Law 480 for Iran in fiscal year 1962 as it would be reflected?

Mr. GAUD. If you will look—you mean in the previous year? I have not got the previous year's book, I am sorry.

Mr. BIRNBERG. I do not believe we showed it.

Mr. FORD. What did you actually execute for Public Law 480?

Mr. GAUD. In 1962, $6.4 million for title I and $3.2 million under title III.

Mr. FORD. What do your justification books show?

Mr. GAUD. $6.8 million in title I, $3.7 million in title II and $2.1 million in title III.

Mr. FORD. Would you repeat those figures?

Mr. GAUD. Yes, sir, $6.8 for title I, $3.7 for title II, and $2.1 for title III.

SUPPORTING ASSISTANCE INCREASED BY CONTINGENCY FUND

Mr. FORD. In the case of supporting assistance, at the time the hearings were held a year ago, you programed $15 million.

Mr. GAUD. That is correct.

Mr. FORD. You indicate, in the justification books before us, that you would execute $44 million and you did execute $44 million.

Mr. GAUD. That is right.

Mr. FORD. This is a $29 million increase over what was proposed a year ago?

Mr. GAUD. That is true.

Mr. TENNANT. Mr. Ford, the difference came out of the contingency fund.

Mr. GAUD. That is right.

Mr. FORD. I am not concerned about the source. I simply want to know what you executed. The $29 million did come out of the contingency fund in these two transactions?

Mr. TENNANT. That is right.

DEVELOPMENT GRANTS, PLANNED AND ACTUAL

Mr. FORD. In the case of development grants——

Mr. GAUD. We programed originally in last year's book $3.8 and in fact, we obligated $4.5 million.

Mr. FORD. However, you did indicate at one point during fiscal year 1962 you were going up to $5.2 million.

Mr. GAUD. That is right.

Mr. BIRNBERG. This is a very minor point, that $3.8 is an odd figure, like all the development grant figures last year. We were showing the continuing costs and not anything else, so it is not quite comparable.

Mr. FORD. And development loans, at the time that hearings were held a year ago, you had no——

Mr. GAUD. We had none in prospect. In fact, we made a $6 million loan.

INCREASED AID TO IRAN OVER ESTIMATE

Mr. FORD. The net result as far as Iran is concerned, is that during fiscal year 1962 Iran did $30 million plus better than what a year ago was anticipated?

Mr. GAUD. That is true.

Mr. FORD. That leads me to ask the question, What is the basis, if anything, for Mr. Amini's complaint?

Mr. GAUD. I do not think there is any. From my standpoint, it is a thoroughly unjustified complaint. The fact is that these increases were due, which you have referred to, the $29 million, were due to an effort to support the Amini government; the first one of $15 million was a grant for supporting assistance which was made shortly after Mr. Amini's government came into power.

Mr. FORD. That was in November of 1961?

Mr. GAUD. No, sir; in July of 1961. Mr. Amini's government seemed to offer real hope of progress with Iran's problems and it was to our advantage to support it.

We made that grant of $15 million. Subsequently in November it appeared that the Amini government needed $20 million more to finish off its second plan, long-term plan. We gave that in the form of a $14 million supporting assistance loan for a period of 17 years at 3½ percent, plus this $6 million development loan for 17 years at 3½ percent, for a total of $20 million. So, if you look at what actually happened, it is pretty hard to understand why Mr. Amini said what he did.

Mr. FORD. And the generous father usually catches it.

What would have satisfied Mr. Amini, if anything?

Mr. GAUD. That, of course, I cannot possibly say.

Mr. FORD. Didn't they have some further proposals with the State Department, with you or with somebody?

Mr. GAUD. At the time his government fell?

Mr. FORD. At the time he let loose this blast.

STATUS OF BUDGETARY SUPPORT IN IRAN

Mr. GAUD. Mr. Ford, we had made it clear to the Government of Iran some months ago that we were not going to give any further budget support until Iran took certain steps which we felt were essential to put her house in order. Among these were to get a unified budget of her own and to take care of her own budget herself.

We were not interested in any more budget support. He knew this. The whole Government of Iran knew this.

Mr. FORD. Would you like to add anything, Mr. Lee?

Mr. LEE. No. (Off the record.)

Mr. FORD. Is it the consensus among our officials that if certain steps, certain recommendations had been taken that within the funds we had made available the situation could have been remedied?

Mr. GAUD. Yes. We feel Iran can handle her operating budget problem—resources plus the capability of taking certain reforms, increasing the amount of tax revenue, decreasing the costs of government and unifying her budget.

1963 PROGRAM FOR IRAN

Mr. FORD. Turning now to fiscal year 1963 in the justification books, you have proposed $——— for development grants and development loans ranging from $——— to $———.

Mr. GAUD. Yes, sir.

Mr. FORD. What are our plans for the execution of this proposal, bearing in mind Mr. Amini's attitude or the current attitude of the Iranian Government?

Mr. GAUD. We have no program. We have no plans. We have no intention at the moment of giving Iran any operating budget support. But we do feel that Iran needs money for her economic development. If she will solve, or take steps to solve her budgetary problem, we propose to make development loans to her. The basis of the estimate in the program book is this: She is now working on what she calls her third plan, a long-term development plan. The IBRD has been work-

ing with Iran on this and has been considering the possibility of organizing a consortium to deal with that plan. When we prepared these books we had in mind the possibility that we would be a member of that consortium and would be making development loans to her.

Now the budgetary crisis which has occurred within the last few weeks may or may not—we do not know—slow up the development of that third plan, but it is probable that we will make some project development loans to Iran in this fiscal year. I cannot possibly say now what their amount will be.

Mr. FORD. At the time these justification books for fiscal year 1963 were prepared, at least the hope and expectation was that the Iranian Government would be able to carry out these reforms that would have straightened out their fiscal problems?

Mr. GAUD. Yes, sir.

Mr. FORD. At that time you predicated development loans, or anticipated development loans between $——— and $——— and development grants in the magnitude of $———?

Mr. GAUD. Yes, sir.

JUSTIFICATION FOR FISCAL YEAR 1963 PROGRAM FOR IRAN

Mr. FORD. Since then this crisis has developed. You are dissatisfied with their attitude toward budgetary reform.

You have refused to accede to request by implication, if not specifically, for additional budgetary support.

Under these circumstances, why do you plan any program for fiscal year 1963?

Mr. GAUD. The end of the fiscal year is still 11 months ahead of us. It may be Iran will solve this problem or will take sufficient steps toward the solution of the problem that we will feel justified in extending project development loans to her.

Mr. FORD. With circumstances as they are on August 2, would it be your recommendation to make any development grants and or development loans to Iran?

Mr. GAUD. Yes.

Mr. FORD. How can you justify that?

Mr. GAUD. The development grants are for specific purposes, which we hope will improve the Government administration in Iran, for example, and will make it easier for them to make these reforms, which will teach them it is important to make the reforms, which will improve the level of know-how and the like in Iran.

As far as the development loans are concerned, we have an application for a loan which is pretty far along.

It may well be that other projects will be developed which we feel are so essential to the future well-being of Iran, economic development, that we will want to go with them.

Mr. FORD. I can see why you would seek to carry out your planned program in fiscal year 1963 if these reforms, which we deem necessary were made but I do not see the justification for even thinking about carrying out these plans if they do not make these reforms.

Mr. GAUD. Our position at present, Mr. Ford, is if Iran will take the steps to solve her immediate budgetary crisis, we will go forward. Now I do not know whether she will or not, but there are 11 months left in the fiscal year.

Mr. FORD. Well, we could just say under current circumstances we are limiting the program to Iran because of their failure to carry out what we believe to be good policy and then use the contingency fund if and when Iran straightens out her problems. Isn't that the way we could handle it?

Mr. GAUD. That could be done. However we expect that we will be making some loans to Iran in the next year.

(Off the record.)

Mr. FORD. This is what bothers me. In some instances we stand firm and say, "If you do not do this we are not going to cooperate."

Take Peru as an example, example 1; Laos, example 2. Whether I agree with that or not is immaterial, but this is what we have done, if I understand the facts, but in the case of Iran we disagree with what they have done or failed to do and yet we say we are going to continue with the program.

DEVELOPMENT LOAN FOR PORT BANDAR ABBAS

Mr. GAUD. Let me say a word or two about this specific project. It is a loan to develop a port called Bandar Abbas, which is in the southeastern section of Iran. There is a port there now.

We believe that we should go forward with this project for several reasons. For one thing it is well to the east of Khorramshahr which is the present main port of Iran. It is close to Afghanistan. In the long run this port has capacity for developing interregional relationships in the area which we think are important, serving not only as an access to the eastern part of Iran but also as a route to Afghanistan.

We feel that this is an important regional project. We told the Iranians that we would be prepared to go forward with this, assuming that it works out from an engineering standpoint and the like. We did this from the standpoint of developing the region.

This project, barring unforeseen consequences, we do propose to go forward with at the present time.

Mr. GARY. Will the gentleman yield?

Mr. FORD. Yes.

POLICY ON AID TO COUNTRIES SHARING U.S. VIEWS

Mr. GARY. I want to say that I share the gentleman's concern with reference to countries like Iran. I made a very complete statement the other day with reference to India, and that applies to the other countries as I see it. It was my understanding that when the President signed the foreign aid bill last year that he said we were going to help those countries that shared our views in international affairs.

I thought that meant that we were not going to help those that did not share our views and I think that is the policy that we should follow. I think we ought to follow it consistently.

It may be that in some peculiar instance it might be our advantage to go ahead with a particular project, but it seems to me that there is a pattern in certain countries where we are not following that policy. I am so thoroughly in favor of the policy that I think it ought to be followed.

Mr. LEE. Mr. Chairman——

Mr. PASSMAN. Yes, sir.

Mr. LEE. I have avoided restating what I understand Mr. Talbot said on the first day of the hearing. I want, however, to reemphasize that in the case of Iran, we are dealing with a Government, and hopefully a people that are basically friendly to the United States.

The Shah of Iran, when he was here—I think in his address to Congress—spoke very firmly and strongly on this and even though the previous Prime Minister was a person of considerable stature and did fall, he was friendly and the present Prime Minister is friendly in terms of our overall objectives and our concepts. This difference is a difference in the method of attacking the problem and we have been unable to persuade them to manage their budgetary affairs as we thought they ought to be done, but that does not eliminate the fact that this is a friendly nation, that it is at a critical point in its own development, and that we will have a continuing problem there that extends beyond that immediate one of how they balance this particular budget.

I think those larger national interests have to be kept in mind in this question of how far we go in bringing off our entry into the area on this particular issue.

Mr. GAUD. I would like to add to that, if I may.

As you know, Mr. Gary, Iran is a member of CENTO and definitely on our side, as far as this business is concerned.

Mr. FORD. May I just comment?

Mr. PASSMAN. Yes.

Mr. FORD. I fully appreciate that Iran, at least the present regime, is sympathetic to our views. They are a member of CENTO but it does seem a little paradoxical that we get so firm on the issue of budgetary support and we seem to be very wishy-washy in trying to achieve the same objectives through other legitimate means. They are all dollars.

We should use all of our dollars in the same way.

Why divide the dollars and try to enforce one policy with half of them and not enforce what we believe to be right with the other half?

Mr. GAUD. In answer to that, Mr. Ford, I would say we should be as tough as we feel the circumstances require.

We should do only those things which we feel we want to do for our own reasons, not to be nice to Iran, but for our own reasons. This is obviously a question of judgment.

Mr. FORD. There are always extraordinary circumstances, and this is a matter of judgment.

Mr. GAUD. That is right.

Mr. FORD. If we are consistently firm and use all of our dollars in the same way, I am confident we can come up with a better result.

I applaud what you have done in the case of budgetary support but I would like to be as complimentary about the rest. I note a tendency to use a different set of ground rules on the other.

Mr. Rhodes, you wanted to ask a question?

SUPPORTING ASSISTANCE LOAN TO IRAN

Mr. RHODES. I just wanted to ask about the supporting assistance loan to Iran in fiscal year 1962 of $14 million.

Is this repayable in dollars?

Mr. GAUD. It is.
Mr. RHODES. What are the terms?
Mr. GAUD. Seventeen years, 3.5 percent.
Mr. RHODES. Thank you.

U.S. CONTRACTORS IN IRAN

Would you list for the record the names and addresses of the contractors who operate in Iran?
Mr. GAUD. Under American contracts?
Mr. RHODES. Yes.
Mr. GAUD. I think you asked us yesterday for that on——
Mr. RHODES. Yes, for India.
Mr. GAUD. All right; we will do that.
Mr. RHODES. Get a similar list for Iran.
Mr. GAUD. We will do that.
(The information requested follows:)

List of aid financed contracts—Iran

[In thousands of dollars]

Project title	Name of contractor	Address of contractor	Obligations, fiscal year 1962	Proposed obligations, fiscal year 1963
Karaj Agricultural College	Utah State University	Logan, Utah	[1] 78	[1] 162
Shiraz Medical Center	Iran Foundation	Empire State Building, New York, N.Y.	[2] 164	
	University of Pennsylvania	Philadelphia, Pa.		[3] 324
General education	New York University	Washington Square, New York, N.Y.	[4] 35	
Development of Pahlavi University.	Not yet selected			[5] 300
Subtotal			277	786
Commercial contracts: Industrial development center.	George Fry & Association, Inc.	135 South LaSalle St., Chicago, Ill.	[2] 64	
Subtotal			64	
Grand total			[6] 341	[7] 786

[1] Continuing contract.
[2] Extend contract to termination as of June 30, 1963.
[3] New contract to finance the services of 4 teachers at the Pahlavi University Medical Center (formerly Shiraz Medical Center) from July 1, 1962 until June 30, 1963, and 9 teachers thereafter.
[4] Survey team to help develop a plan for an Iranian system of teacher education.
[5] Contract will provide advice and assistance in establishment of centralized administration for Pahlavi University, development of general education program with training and administration in American-type course development and instructional methods, establishment of central library properly equipped with materials, books, and staff.
[6] This figure $195,000 less than the proposed fiscal year 1963 contractual services figure which appears on page 619 of vol. V, congressional presentation. Proposed industrial surveys project has been dropped.
[7] Contemplated electric power survey project was eliminated, reducing total contract element by $750,000 below total shown for fiscal year 1962 in fiscal year 1963 congressional presentation.

List of aid development loan financed contracts—Iran

[In thousands of dollars]

Project title	Name of contractor	Address of contractor	Total obligation
Highway construction	Amman & Whitney, engineering services.	111 8th Ave., New York, N.Y.	2.7

Mr. GARY. Will the gentleman yield?
Mr. PASSMAN. Yes.

POLICY TOWARD AID RECIPIENTS WHO PURCHASE U.S. GOLD

Mr. GARY. Mr. Gaud, I want to say it is absolutely inconceivable to me that we would be pouring money into Iran at the same time they are using their money to purchase our gold, particularly with the present state of our gold reserves.

Can you throw any light on that situation?

Mr. GAUD. No, sir; I cannot.

Can you, Mr. Birnberg?

Mr. BIRNBERG. I think the only light we can throw on it, Mr. Gary, is (1) as you observed on page 217, we show that the foreign exchange reserves have not slipped but they have chosen, of their own free will, to transfer securities of one sort or another, or dollar holdings, into gold. I cannot give you the reasons. They would presumably be financial reasons of the Government.

Mr. GARY. It seems to me that if they have money to buy U.S. gold, and to deplete our gold reserves, then we should not take money out of the contingency fund, which is supposed to be used only for an emergency, to give to them. To me, that is absolutely inconceivable and I just cannot understand it.

If you can give me any explanation on that, I would like to have it put in the record.

Mr. PASSMAN. Will the gentleman yield?

Mr. GARY. Yes.

Mr. PASSMAN. Would you also get it on 63 other nations?

Mr. GAUD. What?

Mr. PASSMAN. I want to make this a general statement.

Mr. GAUD. The nations who bought our gold?

Mr. PASSMAN. The nations which are buying our gold and to which we are giving dollars.

Would you get a policy statement as to why we continue to make grants and credits available to nations all over the world when they are buying our gold, and getting us down to the point where we cannot afford to let much more go out?

Mr. GARY. I would be glad to have a policy statement on that. I want all the information I can get on it.

It looks to me like it is going to be difficult to explain.

Mr. RHODES. It is self-defeating, to put it in the very nicest terms that I can imagine.

Mr. GARY. That is right.

(The information supplied follows:)

ECONOMIC ASSISTANCE TO COUNTRIES WHICH PURCHASE U.S. GOLD

It is AID policy to analyze the relation of proposed assistance to the estimated balance-of-payments requirements of a recipient country. Assistance is not normally given in excess of an anticipated dollar or foreign exchange deficit. However, in a number of cases urgent problems of internal security or development investment exceed the country's capacity to marshal the necessity budget financing, requiring external assistance beyond balance-of-payments needs. Laos, Greece, and certain African countries are cases in point. In other cases, the country's export crop may be larger than anticipated, or price relations may shift, so that an anticipated balance-of-payments gap does not materialize. In

still other cases, where reserves were so low as to limit a country's development effort, and cramp its economy, an increase in its reserves is beneficial and in the U.S. interest. For such reasons, economic assistance is sometimes given even where there exists at the same time an increase in a country's foreign exchange reserves. When reserves rise inordinately, assistance is normally withdrawn or reduced.

Most countries wish to keep some part of their reserves in gold as well as in foreign currencies. AID has no control over such decisions and makes no attempt to influence them. It should be noted that a gold purchase is sometimes associated with a deterioration of a country's reserve position, as in the case last year of Cambodia, Egypt, Nigeria, and Syria.

Countries receiving economic assistance accounted for only a minor part of recent foreign purchases of U.S. gold. During the period April 1, 1961–March 31, 1962, the latest year for which data are available, foreign nations and international institutions purchased net, $745 million of monetary gold from the United States. Of this amount, $543.1 million was in transactions with international financial institutions and countries for which no economic assistance from the United States was obligated in fiscal year 1962 (Austria, Belgium, France, Iceland, Netherlands, Saudi Arabia, Switzerland, and the United Kingdom; $256.3 million of gold was purchased from the United States by countries receiving economic assistance, and $49.8 million was sold to the United States by such countries.

Two countries where economic assistance is being terminated accounted for two-thirds of the gross purchases by aid recipients: Spain, $145.1 million; and Lebanon, $21.6 million. In 10 other cases indicated on the attached table by an asterisk, and totaling $35.7 million, the purchase was associated with an equal or larger repayment in gold by the country to the IMF, which in turn was related to the $150 million IMF sale of gold to the United States during the period.

Of the remaining countries, economic assistance to Greece was addressed specifically to the special defense budget problem of that country in relation to its NATO commitments and the Berlin buildup, and that to Cambodia and Laos was related to the internal costs of security in those areas. AID expenditures in Nigeria were relatively low because of the newness of that country's development effort. It is expected that that effort will result in considerable strain on its balance-of-payments position in the near future. The purchase by the Dominican Republic was made in late 1961 before the fall of the Trujillo regime and the extension of economic assistance to that country. The modest increase in Turkish foreign exchange reserves is a welcome sign of health in that economy taken in conjunction with the substanital drop in the level of U.S. assistance from previous years and its undiminished defense and development efforts.

The attached table relates gold purchases by countries receiving aid to the change in their total foreign exchange reserves and to the aid programed for them during fiscal year 1962.

Relation of foreign purchase of gold from the United States to changes in country foreign exchange reserves and to U.S. economic assistance

[In millions of dollars]

	Net gold purchases, Apr. 1, 1961–Mar. 31, 1962	Net change country gold and foreign exchange reserves, Apr. 1, 1961–Mar. 31, 1962	Fiscal year 1962 aid obligations
Argentina (sale)	−25.0	−354.0	22.0
Brazil	*3.2	+92.0	90.5
Cambodia	3.1	−3.3	29.1
Congo (sale)	−24.1	−29.0	46.7
Costa Rica	*2.3	+3.5	2.0
Cyprus	*2.0	(1)	.7
Dominican Republic	3.0	+7.5	26.0
Egypt	*7.8	−47.0	42.0
El Salvador (sale)	−.7	+5.8	3.0
Greece	14.2	+53.9	30.3
Iran	*16.1	+8.0	54.5
Israel	10.0	+93.9	45.4
Laos	*1.9	(1)	27.5
Lebanon	21.6	+24.3	.5
Nepal	*.3	(1)	3.8
Nigeria	20.0	[2] −80.0	20.1
Spain	145.1	+331.0	15.0
Syria	*1.1	−20.0	33.9
Tunisia	*.5	[2] −5.0	28.7
Turkey	3.6	+6.0	72.9
Vietnam	*.5		24.2
Net purchases by recipients of AID assistance	206.5		
Net purchases by other countries	538.5		
Net purchases of monetary gold by foreign countries and international institutions	745.0		

[1] Not available.
[2] Approximate.

Mr. GARY. One other question off the record.

(Discussion off the record.)

Mr. GARY. I might want to put that on the record later but I want to give you an opportunity to look it up first.

Mr. PASSMAN. We know you have some type of answer. Not too long ago Argentina was demanding gold for dollar investments in America. People at the very top down at the Treasury Department were using every means at their command to get those people to leave their dollar credits in securities because they were drawing interest, but they were unsuccessful in their persuasion.

After Argentina acted contrary to what we thought was to the best interests of that country, it was revealed that you took money out of the President's contingency fund in the last quarter for Argentina, and it was in the last quarter that they took about the same amount of dollars and requisitioned gold.

The things we are dealing with today have been happening since the beginning of time, have they not—the rise and fall of nations and governments?

Mr. LEE. Yes, sir.

Mr. PASSMAN. It would seem to me that we do not know how to get our own house in order, especially as it deals with our economy. Yet, we are willing to go out across the world and try to tell 100 other nations and many of the British possessions how to do their jobs.

We are trying to cure all of the ills with the limited resources of America.

Did you get that information on the literacy rate in Iran?

Mr. BIRNBERG. We have not received all of it yet.

Mr. PASSMAN. Have you obtained the data as to the amount of aid in the education sector since 1952?

Mr. BIRNBERG. That has not come down.

Mr. PASSMAN. Mr. Alexander?

Mr. ALEXANDER. Mr. Chairman, I have a few questions.

SINO-SOVIET AID TO IRAN

Mr. Gaud, I noticed the Sino-Soviet bloc was giving a certain amount of money to Iran; what was that spent for?

Mr. GAUD. That $6 million?

Mr. ALEXANDER. Yes.

Mr. GAUD. I do not know.

This was in 1961 or prior. It was some years ago and I am afraid I do not have that figure here, Mr. Alexander. We will try to get it and put it in the record.

(The information supplied follows:)

SOVIET AID TO IRAN

The $6 million Sino-Soviet bloc aid to Iran represented loans from Poland for the purchase of two sugar factories, one costing $2.5 million and the other $3.6 million, which were made available in 1958 and 1959. The factories are located in the Meshed area.

Mr. ALEXANDER. How much is the domestic——

Mr. LEE. I do not know, but I have a little story in connection with this. One of our people was building a school building, or helping to build a school building up there one time and he found out the cheapest way to do it was to buy some steel that came from Russia. So he built the school building with Russian steel, so they told me.

Mr. ALEXANDER. In other words, we are helping their economy?

DOMESTIC REVENUES IN IRAN

How much was the domestic income of Iran in 1961 and 1962 and projected for 1963?

Mr. GAUD. We have the figure for 1961; $707 million.

You said domestic revenues?

Mr. ALEXANDER. That is right.

Mr. GAUD. We do not have the figures for 1962 because I think I said before you came in there is not any budget for Iran yet.

Mr. ALEXANDER. What is the salary of the Shah?

Mr. GAUD. I have no idea. I doubt if he has a salary. He has a private income, as I understand it.

Mr. ALEXANDER. In other words, the same as Laos, we do not have much to go on in regard to exactly where we stand financially with them? I believe we were financing about 25,000 troops in Laos and then we came to find out we did not have anything. We had no way of checking.

We had no figures but only their word.

They want our assistance but they do not cooperate with us very much in giving you information; is that right?

Mr. GAUD. No, sir. We have the figures on Iran. The reason I cannot give you an estimate of the domestic revenues for the current year is that they have not gotten a budget presented.

INCOME AND PROPERTY OF SHAH OF IRAN

Mr. ALEXANDER. Where does the Shah get his income from?

Mr. GAUD. It is his own property he gets it from. It belongs to him.

Mr. ALEXANDER. Where did that come from?

Mr. GAUD. He inherited it from his father.

Mr. ALEXANDER. It has been handed down to him and somewhere back in history it came from the people of that country, I suppose?

Mr. GUAD. I daresay. His father, of course, took over the country. He is not a hereditary monarch, except to the extent that his father founded the dynasty. I do not know the details of how he acquired his property but, as I understand it, he has a considerable amount of property.

It is also true that he has given away in the last year——

Mr. LEE. Probably land holdings.

Mr. GAUD. Quite a large amount of villages he owned to the peasants who lived on them.

Mr. ALEXANDER. That is very interesting. Is he in favor of your land reform and tax reform we are concerned about?

Mr. GAUD. That is my understanding.

Mr. LEE. Yes, sir.

TOTAL AID PROGRAM FOR IRAN

Mr. ALEXANDER. I note we are giving aid through a great number of agencies; international organizations, the United Nations, AID, International Monetary Fund, World Bank, Public Law 480, food for peace, Export-Import Bank.

We are also giving aid through supporting assistance but what is the grand total in dollars that actually flows from the United States to Iran directly and indirectly through all of these means? What is the amount for 1963?

Mr. GAUD. As far as 1963 is concerned, our program under AID is $——— for development grants. The development loans we have estimated in the range of $——— to $———.

Mr. ALEXANDER. (Off the record.)

Mr. GAUD. $——— to $———, Mr. Alexander.

I think the Public Law 480 figure is $2.2 million.

Mr. ALEXANDER. How about the other international organizations to which we are the main contributors?

Mr. GAUD. As I understand it, they do not put out advance programs but deal with individual projects. I cannot give you any figures for 1963 on them, sir.

Mr. PASSMAN. Would the gentleman yield?

Mr. ALEXANDER. Certainly.

Mr. PASSMAN. As we are concerned with Iran, would you try to put all of those categories together and also pick up the military? We have a substantial military program, do we not?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. Put the grand total together for us.

Mr. TENNANT. Cumulative to date?

Mr. PASSMAN. The projected figure for 1963.

That was the gentleman's question, but include all spigots and the military, too.

Mr. TENNANT. We will do that, sir.

Mr. PASSMAN. You might use the prior years' estimate for international organizations.

Mr. ALEXANDER. Will you get that?

Mr. TENNANT. Yes, sir.

(The information supplied follows:)

FISCAL YEAR 1963 ASSISTANCE TO IRAN FROM FREE WORLD SOURCES

If the Iranians had been able to settle on a fiscal year 1962–63 budget, and to have developed a satisfactory development plan, commitments of some $40 to $60 million from the IBRD and other free world sources other than the United States might have been reasonably expected in fiscal year 1963. AID still hopes that the budget crisis will be resolved with provision for paying past debts to maintain the confidence of potential lenders, and with a minimum diversion of oil revenues from the development to operating budgets. If enough worthwhile projects can be developed and the operating budget issue resolved, we anticipate commitments of $40 to $60 million early in calendar 1963.

MANAGEMENT-LABOR RELATIONS PROJECT

Mr. ALEXANDER. I was interested in one of the many things you have projected for 1963. I refer to the item under labor affairs where you say, "To better understanding of labor-management practices."

Just what do you mean by that?

Mr. GAUD. Is this the project on page 633?

Mr. ALEXANDER. Right.

Mr. GAUD. The general purpose is to set up a management-labor relation department in the Ministry of Labor.

Mr. ALEXANDER. Is that to organize the workers of that country in labor unions?

Mr. GAUD. No, sir.

Mr. ALEXANDER. I am not sure I have a clear understanding of what you will do with that $4 million.

Mr. GAUD. It is really an advisory project to the Ministry. It is designed, as I understand it, to assist. We do not work in the field. We do not work on individual plants or anything of that sort. It is to advise the Ministry in setting up procedures, standards, and all that sort of thing.

Mr. ALEXANDER. These nine participants who come under that, are they sent here to the United States and trained?

Mr. GAUD. They are.

Mr. ALEXANDER. What kind of training do you give them here?

Mr. GAUD. The Labor Department handles it for us. They get training in manpower statistics, aptitude testing, counseling, employer representation. They are people who will work in the Ministry. In other words, what we are trying to do, in effect, is to help them improve their Ministry of Labor.

Mr. RHODES. Will the gentleman yield?

Mr. ALEXANDER. Yes.

Mr. RHODES. We are doing this on a global basis?

Mr. GAUD. We are doing this in many countries.

Mr. RHODES. I think you will find there are labor leaders involved in this program.

Mr. GAUD. I think that is unquestionably true, but that is not true in Iran, Mr. Rhodes.

Mr. RHODES. In the general program, is that true?

Mr. GAUD. That is certainly true.

Mr. RHODES. So I do not think the gentleman's point is far wrong. We are helping to strengthen the labor unions of the countries of the world.

Mr. ALEXANDER. I know that is true of many of the countries I visited. We certainly want to raise wages and the standards of living, but it looked to me like this was a very large sum of money for a very small country for this particular purpose.

Mr. PASSMAN. Would you yield?

Mr. ALEXANDER. Yes.

Mr. PASSMAN. It is also the policy of the new AID program to train people how to establish cooperatives?

Mr. GAUD. That is true.

Mr. PASSMAN. Thank you.

Mr. LEE. Mr. Chairman, may I just highlight the fact that there is in existence in Iran a national front. That group includes labor and youth especially, and the Communists are making a determined effort to infiltrate this national front. I do not know the exact relation of this to the project, but I know that this is a target area as far as the conflict is concerned.

Mr. ALEXANDER. It is always a fertile field in which you have organized people, where leaders have a tremendous influence on the membership of that organization.

Mr. LEE. I think our hope is that enough of them will see things our way to have some impact.

Mr. PASSMAN. How do you define a Communist, when you say a Communist is doing this?

Mr. LEE. Well, that is the subject for a book.

Mr. PASSMAN. What?

Mr. LEE. A subject for a book.

PROCEDURE FOR MAKING LOANS OR GRANTS

Mr. ALEXANDER. One other question and I will be through, Mr. Chairman.

In these programs, do we turn over the money or goods we give to the Government itself, or how is it distributed?

Mr. GAUD. In this region—I cannot speak for the whole program, Mr. Alexander—we give money very rarely. In the case of Jordan where we give supporting assistance we give dollars on what we call a cash grant to the Government against which it pays its bills. We did this last year in Iran when we gave cash grants and loans for budget support. We give it to the Government.

Mr. ALEXANDER. If you give credits for products we are shipping out of this country, are they shipped to the government and the gov-

ernment then disposes of them either by gift to their people or by sale to them?

Mr. GAUD. Yes; that is right.

Mr. ALEXANDER. It does go to the government?

Mr. GAUD. Yes.

What happens is that the loan will be set up here and shipments will be made against invoices presented here. The money does not go abroad.

Mr. ALEXANDER. I understand that.

Mr. GAUD. These goods in some cases may go to the government for resale, or they may go to the people in the private sector who have import licenses to import the products. You may have either situation.

Mr. ALEXANDER. What determines where it goes? What policy determination determines where it goes?

Mr. GAUD. The policy of the government that is receiving the aid.

Mr. ALEXANDER. They either get it themselves or direct where to send it?

Mr. GAUD. Or they give import licenses to their citizens and let them get it, as the case may be.

Mr. PASSMAN. Some potentates, or leaders, or shahs, have a little bit more direct path to Treasury funds then they do under a government such as ours; do they not?

Mr. GAUD. That certainly is true in some countries.

Mr. PASSMAN. Does the Shah of Iran own any oil properties?

Mr. GAUD. I have no idea.

Mr. PASSMAN. You do not know?

Mr. BIRNBERG. No, sir.

Mr. PASSMAN. Do you know whether or not the Shah has any oil interests?

Mr. LEE. I do not know.

Mr. PASSMAN. What is your opinion?

Mr. BIRNBERG. The Shah himself does not own any.

Mr. PASSMAN. Did you read that somewhere or was that in some State Department book?

Mr. BIRNBERG. Yes, sir.

Mr. PASSMAN. Thank you very much.

We shall recess until 2:30 p.m.

AFTERNOON SESSION

ESTIMATED LITERACY RATE IN IRAN

Mr. PASSMAN. The committee will come to order.

Did you get the literacy rate on Iran in fiscal year 1952, and will you please cite your authority?

Mr. BIRNBERG. We have the figures year by year for education expenditures since the fiscal year 1952.

Mr. PASSMAN. How about the literacy rate?

Mr. BIRNBERG. We got for you the number of students enrolled in the elementary schools.

Mr. PASSMAN. That is not what we requested.

In the 1958 justification book you showed a literacy rate of 10 to 15 percent. We move to your 1963 books and it remained the same. We

want to ascertain the literacy rate for 1952, 1953, 1954, and 1955, 1956 and 1957, from the justification books.

Mr. BIRNBERG. The two books available show 10 percent figures from 1954 to 1956.

Mr. PASSMAN. It remains in status quo?

Mr. BIRNBERG. The estimate is still in that general range.

Mr. PASSMAN. We are trying to find out if any improvement has been made.

FUNDS FOR EDUCATION IN IRAN

The education figure has totaled $14,700,000. That is in the one category under the education sector, and you have education under many other different categories, such as technical assistance and our experts out there in the field of agriculture and in trade schools.

Mr. BIRNBERG. Yes.

Mr. PASSMAN. We shall insert the tabulation in the record.

(The information referred to follows:)

Iran—Education (DG, TC and DS) obligations for past 10 years

	Million
I. Annual:	
Fiscal year 1952	$2.8
Fiscal year 1953	2.0
Fiscal year 1954	3.0
Fiscal year 1955	1.0
Fiscal year 1956	1.2
Fiscal year 1957	2.1
Fiscal year 1958	.3
Fiscal year 1959	.6
I. Annual—Continued	
Fiscal year 1960	$0.4
Fiscal year 1961	.6
Fiscal year 1962	.4
II. Cumulative total for past 10 years (fiscal years 1952 through 1962)	14.7

EDUCATIONAL PROGRESS IN IRAN

Mr. PASSMAN. That means, if this applies throughout the foreign aid program, they are standing still in the percentage of increase in the literacy rate.

Mr. GAUD. May I say a word about education in Iran?

The U.N. Statistical Yearbook states that in 1950 there were 653,000 students enrolled in elementary schools in Iran. The same book states in 1959 this number has risen to 1,327,000. That is almost exactly double.

Mr. PASSMAN. The number of students?

Mr. GAUD. Enrolled in elementary schools.

Mr. PASSMAN. But when you spread the literacy rate, it remains the same.

Mr. GAUD. The increase from 10 to 15 percent is a 50-percent increase, and both of these books give a range of 10 to 15.

That is the only information we have. It does not indicate that the actual literacy rate was static in those 2 years.

Mr. PASSMAN. We discussed this morning your justification books going back, I believe, to 1958?

Mr. GAUD. Yes, sir.

Mr. PASSMAN. That is 1958, 1959, 1960, 1961, 1962, and we are discussing now 1963.

Mr. GAUD. That is true, sir.

Mr. PASSMAN. And you used the same literacy rate percentages in the first book that you did in your last book, and that is 10 to 15 percent.

Mr. GAUD. That is true.

Mr. PASSMAN. Since it remained identical for the years mentioned, how would the committee have any way of arriving at any other conclusion than that it is static?

Mr. GAUD. I do not see how the committee could arrive at the conclusion it is static. I do not see how it could arrive at any conclusion other than it is in a range of 10 to 15 percent in those years. This is, at best, an estimate.

Mr. PASSMAN. That is a 50 percent spread.

Mr. GAUD. Yes, it is.

Mr. PASSMAN. You do not have any proof that it has improved, and I have no proof that it has not. We shall let the record you give us speak for itself.

Mr. GAUD. That suits me.

IRAQ

Mr. PASSMAN. You had a program in 1962 of $800,000 for Iraq. Does that remain firm?

Mr. GAUD. Yes, the precise figure is $799,000.

UNLIQUIDATED BALANCE

Mr. PASSMAN. What amount do you have unliquidated to the credit of Iraq?

Mr. TENNANT. $1,170,000 for the economic aid program.

Mr. PASSMAN. What do you have in the other spigots?

Mr. GAUD. We will have to supply the others for the record.

(The information requested, follows:)

Unliquidated balances of aid to Iraq, as of June 30, 1962

[In millions]

Foreign assistance program:	Amount
Economic assistance	[1] $1.5
Military assistance	-----
Total, foreign assistance	1.5

[1] Preliminary.

Mr. PASSMAN. Do you have a military program for this country—training?

Mr. GAUD. I think it is a small training program.

Mr. PASSMAN. What sum is unliquidated to the credit of the military?

Mr. GAUD. I would have to get the military books.

Mr. TENNANT. Nothing on the military program.

Mr. PASSMAN. What is your estimate for Iraq for fiscal year 1963?

Mr. GAUD. $———, Mr. Chairman.

Mr. PASSMAN. Are they one of the Belgrade Conference countries?

Mr. LEE. They are.

Mr. PASSMAN. They would be called a neutral?

Mr. LEE. That is what they call themselves.

Mr. PASSMAN. We are compensating them for that position by increasing their aid program over last year more than $——— in this one category?

INCREASE FOR PARTICIPANT TRAINING PROGRAM

Why are you requesting an increase for this country when on page 219 of the justification you state:

Following the revolution, it was made clear that U.S. technical advisers were not welcome in Iraq, but interest was expressed in continuing the training of Iraqis under the International Cooperation Administration, (ICA) participant training program.

Mr. GAUD. Let me say what the program is, if I may. It consists of only two items.

Mr. PASSMAN. It is an increase.

Mr. GAUD. An increase in dollars, but no change in program. One is a participant program which trains men who may someday have important positions in Iraq.

The other item in the program, which is responsible for the increase, is the funding of the third year of a continuing contract with the University of Texas which is assisting the University of Baghdad in the development of its curriculum and upgrading its engineering and science faculties.

These two projects, we feel, are warranted despite the situation to which you referred.

Mr. PASSMAN. You said the increase fell only in the field of dollars.

Mr. GAUD. That is true.

Mr. PASSMAN. On page 660, we see:

Fiscal 1963 funding. Overall, we plan to finance a somewhat higher volume of participants.

We go back to page 657 and it certainly pins this one down, that the participants in fiscal 1962 were 115, and the number for 1963 is 130.

Mr. GAUD. What I meant was, the cost of these two projects is greater. We have not added any new items in the program.

Mr. PASSMAN. You have increased the number of participants.

Mr. GAUD. Yes, sir.

Mr. PASSMAN. Could we, anywhere in this worldwide program, where people take the attitude these people take, at least hold the new fiscal year to the present fiscal year level?

Mr. GAUD. (Off the record.)

Mr. PASSMAN. I understand that. You had 115.

Mr. GAUD. That is correct.

Mr. PASSMAN. We could have gone along on that basis for some time, as we have to borrow the money that we are going to pay for the program. I think we have already agreed that there is a limit to what we should do.

Mr. RHODES. Before the Iraqi revolution, we had quite a large program where people were brought to this country. I know Iraqi were brought to Arizona because of the similarity in climate, and problems. I am not saying eventually we might not get our money's worth from this, but the showing thus far, as far as profit to our relationships are concerned, vis-a-vis the Iraqi, is not impressive.

Mr. GAUD. I think that is a fair comment.

Mr. PASSMAN. Are you having to work with the leaders of the country?

Mr. GAUD. In what sense.

Mr. PASSMAN. To firm up the program and bring in the participants.

Mr. GAUD. The participants have to get permission from their Government to leave. Am I right about that, Mr. Lee?

Mr. LEE. Yes. That would be true in any country. It varies with regard to the degree of control. They have to get their passports and visas.

PARTICIPANT TRAINING CONTRACT

Mr. PASSMAN. You enter into a contract, do you not, with the Government of Iraq—some kind of an arrangement whereby you pay for the participants who come out of the country?

Mr. LEE. I do not know the details.

Mr. TENNANT. We do issue a document that covers the participant.

Mr. PASSMAN. It is a joint agreement between the recipient country and our country?

Mr. TENNANT. That is correct.

Mr. PASSMAN. Do you have to have a contract entered into between our officials and the officials in their country before you can firm up a program such as this, or bring in their participants?

Mr. GAUD. I do not think so.

Mr. PASSMAN. On what basis are they brought in? Do you just pick them out?

Mr. TENNANT. Both the representative of our country and their country sign the document. I refer to, and I guess it would be a contract, but I would have to yield to counsel on this point.

Mr. PASSMAN. We shall let the counsel interpret his understanding of the contract and put it in the record.

(The information follows:)

PARTICIPANT TRAINING AGREEMENTS

The training of participants is covered by agreements signed by representatives of AID and of the cooperating country governments. These agreements describe the training programs involved, name the participants, state the contemplated plans for dissemination and use of the knowledge they gain, and set out what assurances have been given that the participants will return to the positions they will leave or to similar or superior positions in the same field of activity. A separate agreement of this kind is written for each participant to be trained or for an identifiable group of participants who will be undertaking the same type of training and for whom arangements can be made on a group basis.

Mr. PASSMAN. I made a statement of fact when I quoted your words:

Following the revolution, it was made clear that the U.S. technical advisers were not welcome in Iraq?

Mr. GAUD. That is true.

Mr. PASSMAN. Mr. Rooney, we are in Iraq.

Mr. ROONEY. This request for $175,000 in connection with your program with the University of Texas, is merely a continuation of the program?

Mr. GAUD. It is to fund the third year, Mr. Rooney; that is right.

Mr. PASSMAN. You are increasing the program and the number of participants from 115 to 130?

Mr. GAUD. That is true.

Mr. PASSMAN. So you are enlarging upon the program in numbers as well as in dollars?

Mr. GAUD. In numbers of the people in one of the existing projects as well as the dollars.

Mr. NATCHER. What part, if any, does the mutual security program in its entirety play insofar as the budget of Iraq is concerned?

Mr. GAUD. None.

Mr. NATCHER. Thank you, Mr. Chairman.

TOTAL AID TO IRAQ

Mr. PASSMAN. Mr. Controller, what has been the total amount of aid to Iraq, in all categories, since the inception of the program?

Mr. TENNANT. Since inception, through fiscal year 1962, military and economic, Public Law 480 and export-import, $67.5 million.

Mr. PASSMAN. $67.5 million?

Mr. TENNANT. Yes. I have added the 1962 program into that.

Mr. PASSMAN. That is in all categories of aid?

Mr. TENNANT. Yes, under this act, and Public Law 480 transactions.

Mr. PASSMAN. In all probability some of these expenditures would never have been made had we known this attitude would have prevailed; would that be a fair statement?

Mr. GAUD. Most of those expenditures were military expenditures, and it is a little hard to answer your question; is it not?

Mr. PASSMAN. It may be. What part was not military?

Mr. TENNANT. Not military, approximately $21 million.

Mr. FORD. About two-thirds military and about one-third economic?

Mr. TENNANT. That is true.

Mr. PASSMAN. We had the economic aid in the country in 1952? We had a substantial economic aid program straight through, including fiscal year 1961? In 1961, it was $1.7 million?

Mr. GAUD. Yes.

GOLD PURCHASES BY IRAQ

Mr. PASSMAN. During that time, they built up sufficient dollars to purchase, in the third quarter of 1960, $1.8 million of our gold, and in the fourth quarter they purchased $28 million, for a total of $29,800,000 in calendar year 1960, which was in the fiscal year 1961.

AID FROM U.N. SPECIAL FUND

Mr. ANDREWS. I notice where they expect to get in 1962, or did get, $1.7 million from the United Nations Special Fund.

What was that for, Mr. Gaud?

Mr. GAUD. I do not have any information on that.

Mr. TENNANT. I would think that would be covered under Mr. Cleveland's testimony a little later in the week. We do not have that at the moment.

Mr. FORD. We do contribute to that Fund?

Mr. TENNANT. Yes. That is what Mr. Cleveland will testify to later.

AID FROM COMMUNIST NATIONS

Mr. FORD. Also, I read on page 219 that large industrial projects are being financed with Soviet and Czech credits. Bloc trade is increasing, though trade ties with the West are still stronger than those with the bloc.

This is another one of the countries taking aid from both sides?

Mr. GAUD. It is indeed. This country gets a great deal more aid from the Soviet bloc than it does from us.

Mr. FORD. Do they accept our aid willingly? Do they seem to be happy about it, or do we have to talk them into taking it?

Mr. GAUD. No, sir.

TRAINING PROGRAM

This is a case where we are carrying on these two projects because, as I said a moment ago—perhaps before you came in the room—we think it is important to continue to bring participants to this country in the hope we can train people who will in the future be important in the life and government of Iraq. We also have a project with the University of Baghdad where we are likewise trying to help the future generation of Iraq. (Off the record.)

Mr. FORD. How many students come over here?

Mr. GAUD. Under this existing project, we have had 200 Iraqis in the past 3 years.

Mr. FORD. Do they come in classes?

Mr. GAUD. They come over here and receive training in different fields. They all go back and work in the government ministries, and they get different types of training.

Mr. FORD. Do they all go to the same school, the University of Texas?

Mr. GAUD. No, the University of Texas is a different operation. That is another project. That is the one that has a contract with us for working in the University of Baghdad.

Mr. FORD. No students go to Texas schools?

Mr. GAUD. I do not know whether any do or not. They do not necessarily go to Texas. I do not have a breakdown on where they go. We could get that, if you like.

Mr. FORD. I wish you would put it in the record if you cannot tell me now how many students come to this country and what the expense of the students is for each student and what their expenses cover.

COST FOR TRAINING PARTICPANTS

Mr. GAUD. We have the figures. We have had 200 students in the last 3 years. The total amount we have obligated in this project through June 30, 1962, is roughly $2.4 million.

Mr. FORD. Is that for the 200 students?

Mr. GAUD. I think that is for 200 students—I think I better get some more information here. The information from this project sheet is not sufficient to give me what you want.

Mr. FORD. It figures about $12,000 a student?

Mr. GAUD. It sounds a little high.

Mr. FORD. Can you give us more information about it?

Mr. GAUD. I cannot at the moment, but I can get it for you.

Mr. FORD. Be sure and put it in the record.

Mr. GAUD. Some of these students may have been here for more than 1 year. I cannot tell from the way this is written whether it is 200 students every year, or what it is.

Mr. FORD. That should cover about a 4-year college education?

Mr. GAUD. There is something wrong.

(The information requested follows:)

PARTICIPANTS FROM IRAQ

The following table sets forth the number of participants who arrived in the United States and third countries to commence their studies during the period July 1, 1960, through March 31, 1962. Because of the time required to arrange programs and enroll participants in specific colleges and universities, arrivals for the most part occur in the fiscal year succeeding the dollar obligation:

	Arrivals		
	United States	3d countries	Total
Fiscal year 1960	87	4	91
Fiscal year 1961	58	17	75
1st 9 months, fiscal year 1962	37	27	64
Total	182	48	230

NOTE.—Programs for an additional 89 participants are currently being arranged, approximately ½ of whom will be arriving in late August or early September for the fall college semester.

During the same period, a total of 232 participants completed their training programs and returned to Iraq. The same comment with respect to funding noted above would apply to participants leaving the country—departures in a given year for the most part reflect obligations of an earlier fiscal year.

	Departures		
	United States	3d countries	Total
Fiscal year 1960	72	----------	72
Fiscal year 1961	55	19	74
1st 9 months, fiscal year 1962	68	18	86
Total	195	37	232

Training programs for Iraqui participants are usually scheduled for a 1-year period (two semesters). The average cost to AID to train a student in the United States for this period comes to approximately $6,200 and covers the following items:

International travel	$1,200
Travel within United States	350
Tuition	1,000
Maintenance allowance	3,510
Books	75
Contingencies	65
Total	6,200

Cumulative adjusted obligations for participant training during the period July 1, 1960, through June 30, 1961, total $843,000 rather than $1,757,000 noted on page 660 of the fiscal year 1963 congressional presentation status of projects volume. The latter figure includes funds committed for participant training for years prior to fiscal year 1960.

Moreover, the congressional presentation figure does not reflect the downward adjustments of obligations that have been made as a result of program cancellations and liquidation of balances which remained after training programs had been fully completed. A breakdown of participant training obligations for fiscal years 1960 and 1961 follows:

[In thousands]

	Original obligations	Adjusted obligations as of June 30, 1962
Fiscal year 1960	$646	$389
Fiscal year 1961	553	454
Total	1,199	843

Mr. FORD. Do you pay them salaries, or do you know?

Mr. GAUD. No.

Mr. FORD. Just expenses?

Mr. GAUD. Yes.

Mr. FORD. Tuition to the college?

Mr. GAUD. Yes.

Mr. FORD. I wish you would put as much information in the record as you can.

Mr. GAUD. We will.

Mr. FORD. Thank you.

UNLIQUIDATED OBLIGATIONS FOR BELGRADE CONFERENCE PARTICIPANTS

Mr. PASSMAN. Twenty-four so-called neutral countries attended the Belgrade Conference of last year as delegates, plus two observers. Subsequent to the Conference, our President issued a rather positive statement as to our position in subsequent years in respect to aid to neutrals. Looking at the record, we ascertain that in fiscal 1962 for the so-called neutrals, 24 of them, we had an aid program of $714.4 million; but, looking at the program for fiscal year 1963, we find that you are requesting $834,500,000 for these same 24 countries. The increased request for the so-called neutrals in fiscal year 1963 will exceed by $142,500,000 the allocations for fiscal year 1962.

We wish that you would, Mr. Controller, have another look at this list that you furnished to us on the 24 Belgrade Conference nations and give us the amount of unliquidated funds to the credit of each one of these 24 nations as of the close of fiscal year 1962.

Mr. TENNANT. Yes, military and economic.

Mr. PASSMAN. All types of aid.

This chart refers only to those two spigots, and I should think they would also be in the other fields: International organizations and perhaps other types of aid that we might have?

Mr. TENNANT. I believe some of them are.

Mr. PASSMAN. If you prefer, however, just give us the economic and the military.

(The information follows:)

Estimated unexpended balances as at June 30, 1962—AID and other selected programs for countries attending the Belgrade Conference, September 1961

[In millions of dollars]

	Foreign Assistance Act			Public Law 480			Export-Import Bank (long-term loans)	IBRD	IDA	Total
	Economic programs	Military programs	Total	Title I [1]	Title II [2]	Title IV [1]				
Delegations:										
Afghanistan										
Algeria										
Burma										
Cambodia										
Ceylon										
Cuba										
Cyprus										
Ethiopia										
Ghana										
Guinea										
India										
Indonesia										
Iraq										
Lebanon										
Mali										
Morocco										
Nepal										
Saudi Arabia										
Somali Republic										
Sudan										
Tunisia										
United Arab Republic (Egypt)										
Yemen										
Yugoslavia										
Subtotal	1,305.1	80.3	1,385.4	693.8	40.2	16.5	261.6	344.3	127.4	2,869.2
Observers:										
Bolivia										
Ecuador										
Total	1,360.2	83.9	1,444.1	695.2	40.5	16.5	261.9	350.1	127.4	2,935.7

[1] Market value of commodities (excluding ocean transportation) programed and not shipped.

[2] Commodities under transfer authorizations (excluding ocean transportation) not shipped.

SCREENING OF STUDENTS FROM IRAQ

Mr. FORD. Do we have any way of checking these Iraq students who come to the United States? Do we screen them in any way?

Mr. GAUD. Yes.

Mr. FORD. What criteria do we use?

Mr. GAUD. Do you know, Mr. Birnberg? I do not know the answer to that question.

Mr. BIRNBERG. The criteria is best described as twofold: (1) Present position and academic and technical training of the person, exclusive of his likely future position and second, his likely future. That is to say whether he would return to a position that would ultimately be of greater importance.

Mr. FORD. Would you have any idea what percentage we reject of those who apply?

Mr. BIRNBERG. I cannot be precise on that, Mr. Ford. I have been given to understand that numbers have been rejected, particularly for academic reasons. I don't know much about the judgment factor. (2) I want to say because of the nature of our relationship with the Government of Iraq, we do not deal with certain ministries which are controlled by antagonistic people, so we start with people who sort of know what type criteria we use. I could not be more precise.

Mr. FORD. Have we any record of how well or badly they do when they come to this country?

Mr. BIRNBERG. We have records of how they do in this country. I cannot tell you now, but it can be provided—you mean academically?

Mr. FORD. Academically.

Mr. BIRNBERG. We could provide it.

Mr. FORD. If it is not too big an effort I think it might be helpful. That is all, Mr. Chairman.

(The requested information follows:)

Progress Made By Iraqi Participants in United States

Evaluation reports covering those participants who returned to Iraq in the last 6 months follow:

AGRICULTURE AND NATURAL RESOURCES

Training facility	Course	Evaluation
Texas A. & M.	Horticulture	Received M.S. degree.
University of Arkansas and University of Florida.	Plant disease control	Satisfactory.
Oklahoma State University	Soil conservation	Do.
American University	General administration	No grades recorded. Wrote term paper and passed.
New Mexico State University	Social welfare, cooperative societies.	Satisfactory.
University of Georgia	Tree plant and nurseries	B-plus average.
Utah State University	Plant breeding, fieldwork and inservice training.	Satisfactory.
Virginia Polytechnic Institute	Design and analysis of agricultural experiments.	Do.
Utah State University	Irrigation	Grades not recorded. Received B average.
University of Maryland	Agriculture extension	Satisfactory.
Ohio State University	Grain and cotton marketing, fieldwork, and inservice training.	Do.
Travel, observation, and Ohio State	Agricultural credit	Do.

INDUSTRY

National Academy of Science	Science research	Excellent.
Bureau of Apprenticeship and Training, Department of Labor, Temple University, Philadelphia, Pa.	Cost accounting	Poor language ability, comprehension extremely limited, poor grades, difficult personality, training terminated prematurely.
Observation and practical training with selected academic study at University of Washington, University of Minnesota, and Dunwiddie Institute.	Civil engineer	B average.

TRANSPORTATION

U.S. Weather Bureau	Meteorology	Excellent.
U.S. Weather Bureau	do	Do.
Federal Aviation Academy, Oklahoma City, and onjob training at airport facilities in Houston, Tex.	Radio communications	Exceptional work in on job training.
Federal Aviation Academy, Oklahoma City	do	Do.
University of New Hampshire	Mechanical engineering	B.S. degree.
University of Indiana	Public administration	M.A. degree.
University of North Carolina	Library services	Do.
University of Oklahoma	Civil engineering	Do.

PUBLIC ADMINISTRATION

University of Pittsburgh	Administrative management.	Attained certificate of course completion in spite of poor attendance.
American University, D.C.	Financial planning	Attained certificate of course completion. Good student.
Do.	Administrative practices	Poor classroom attendance; limited acquisition of skills.
Observation San Mateo and Yolo Counties, Calif.	Government administration	Terminated after 3½ months upon own request.

HOUSING

Training facility	Course	Evaluation
Observation and practical training	Housing construction	Above average.
Do	do	Do.
Do	Housing construction and maintenance.	Do.
Southern Police Institute and on-the-job training with Pennsylvania RR., Chesapeake & Onio RR., and Southern Pacific RR.	Railroad security	Attained completion certificate at institute. Good in on-job training.
On-job training in police departments, oil fields and oil companies in Texas, New Mexico, California, Michigan, and Louisiana.	Oil field security and plant protection.	Satisfactory.
On-job training in police departments, in Salt Lake City and San Francisco.	Police administration	Do.
Audiovisual training at Indiana University; observation of various city police departments; and all types of security problems in local communities.	do	Do.
Northwestern Traffic Institute and on-job training, city police departments.	Traffic control	Do.

Mr. PASSMAN. Mr. Rhodes?

Mr. RHODES. Mr. Chairman, I want to surprise everybody. I have no questions.

ISRAEL

Mr. PASSMAN. There is no grant aid requested for Israel for fiscal year 1963?

Mr. GAUD. That is true.

Mr. PASSMAN. It could be that Israel would be considered for a development credit—as you would say, development loan?

Mr. GAUD. Yes, sir.

Mr. PASSMAN. I think that Israel has made great progress. I commend those people and the effort they are making to develop their nation. I have invested in Israeli bonds, and I do not think I ever owned better securities.

Mr. Rooney?

AID FROM ISRAEL TO OTHER COUNTRIES

Mr. ROONEY. You might for the record tell us, if you know, the extent to which Israel has engaged in giving aid to underdeveloped countries in Africa and elsewhere. Do you have any information in this regard?

Mr. GAUD. I haven't any dollar figures on it, Mr. Rooney. I know they have been active in giving technical assistance in particular. She has also done some of this in Nepal and various other places. She has likewise trained a great many people in Israel—participants as we call them. I have no dollar figures on it.

Mr. ROONEY. And Israel is quite well thought of in the countries of Africa generally speaking, is she not?

Mr. GAUD. I think that is true except for those countries which lean toward what we might call the East Arab States.

Mr. ROONEY. Would the fact that the cost of her aid to countries in Africa is far less than ours have anything to do with her success in this regard?

Mr. GAUD. With her success?

Mr. ROONEY. Yes.

Mr. GAUD. I do not know, sir.

Mr. ROONEY. I have an idea that that may be the answer. They send experts to countries in Africa and teach the natives about seeds and soil at small cost, make real friends for themselves in teaching the people in these African countries something which redounds to their benefit.

Mr. GAUD. If I may say so, a lot of this program is similar to what is done by our Peace Corps.

Mr. ROONEY. Of course they were doing it before the Peace Corps came into existence, if my memory serves me right.

Mr. GAUD. That is so, sir.

Mr. ROONEY. The fact that we are the wealthiest Nation in the world enters into this picture, too. As the result, we have enemies whereas Israel being a small nation would not have them to the extent that we do.

Mr. GAUD. That is right.

Mr. ROONEY. Mr. Chairman, I have also subscribed to those bonds.

U.S. PUBLIC DEBT

Mr. PASSMAN. As an afterthought, I find that a lot of people no longer think of America as the most prosperous nation in the world, when they look around and see a lot of other nations balancing their budgets and creating surpluses and buying gold—while, at the same time, we have borrowed money to run a lot of our programs both domestic and foreign, and when they discover that we owe a public debt that exceeds by $23 billion all the public debts of all the other nations of the world.

I recognize what has been done insofar as teaching certain techniques is concerned, perhaps in many different fields; but as the Peace Corps goes, 66 percent of them are actually teaching in grammar schools, so they are just about a schoolteaching outfit. We have been given that information previously, and at a subsequent date they said the figure was down to 50 percent of the total as teachers.

GOLD RESERVES IN ISRAEL

Mr. NATCHER. I notice the gold reserve in Israel for 1961 is estimated to be $368 million. Can you tell me if the currency in this country is backed by the gold reserve on hand?

Mr. GAUD. Do you mean fully backed?

Mr. NATCHER. Yes.

Mr. GAUD. I don't know what the legal requirement is in Israel, Mr. Natcher.

Mr. NATCHER. Would you say it was gold and foreign reserve?

Mr. GAUD. Yes. The figure shown here is gold, plus foreign exchange reserves.

Mr. NATCHER. That is all, Mr. Chairman.

TOTAL AID TO ISRAEL

Mr. FORD. According to the fiscal year 1962 justification books which are before me it shows that in fiscal year 1960 for Israel we carried on a program of $7.5 million for defense support and special

assistance, $1.4 million for technical cooperation and $15 million for development loans, for a total of $23.9 million; is that correct?

Mr. GAUD. That is true, sir.

Mr. FORD. The same justification book shows for fiscal year 1961 that for defense support and special assistance the United States contributed to Israel $7.5 million; technical cooperation, $1 million; $16 million for development loans; for a total of $24.5 million.

The fiscal year 1963 justification book shows the fiscal year 1961 program as a total of $24.5 million. The same overall total. It is made up as follows:

For supporting assistance, $7.5 million; for development grants, $1 million. Is that correct?

Mr. GAUD. Yes, sir.

DEVELOPMENT GRANTS FOR FISCAL YEAR 1962

Mr. FORD. Returning now to the fiscal year 1962 justification book it shows a proposed assistance program for Israel for fiscal year 1962 of $500,000 for development grants, again with the qualification of continuing activities.

The program you executed for fiscal year 1962 according to the justification books for fiscal year 1963 indicates $400,000 for development grants—that is a $100,000 reduction—below the program which was submitted to us last year.

DEVELOPMENT LOANS FOR FISCAL YEAR 1962

It also shows a $10 million development loan program for fiscal year 1962. You apparently at the time this book for fiscal year 1963 was prepared had at least programed a reduction of $100,000 in the development grant program. What was actually executed?

Mr. GAUD. In fiscal year 1962?

Mr. FORD. Yes, sir.

Mr. GAUD. $390.000.

Mr. PASSMAN. Did the development loan program reach the figure of $10 million?

Mr. GAUD. It reached it and passed it. The development loans in fiscal year 1962 for Israel total $45 million.

Mr. FORD. And those funds were found from what source?

Mr. GAUD. The appropriation for development loans and not from the contingency fund, if that is what you are after, Mr. Ford.

Mr. FORD. I was only interested in the source.

Mr. GAUD. Yes.

Mr. FORD. You guessed wrong on the question——

Mr. GAUD. I have heard that question so many times I thought it was coming again.

FOOD FOR PEACE PROGRAM

Mr. FORD. Turning back again to the fiscal year 1962 justification books in a footnote I find the following:

> In addition to the funds requested a food for peace program of $30 million is contemplated for fiscal year 1962.

Did that materialize?

PUBLIC LAW 480 PROGRAM FOR FISCAL YEAR 1962

Mr. GAUD. Yes, it did. The Public Law 480 program for Israel in fiscal year 1962 was $24,750,000 under title I; $1.6 million under title III. That is a total of just over $26 million. It is not the full $30 million.

Mr. FORD. Is that the way you fund all of the food-for-peace programs, by Public Law 480?

Mr. GAUD. Yes.

ESTIMATED DEVELOPMENT LOANS FOR FISCAL YEAR 1963

Mr. FORD. Now, for fiscal year 1963 I see in the justification books you have no supporting assistance, no development grants. You simply have a development loan estimate.

Mr. GAUD. That is true.

Mr. FORD. Ranging from $——— to $———.

Mr. GAUD. Yes.

Mr. FORD. What are those for?

Mr. GAUD. Do you mean what specifically?

Mr. FORD. Yes.

Mr. GAUD. We have taken no action on project applications at the present time We have discussed several projects with them. The chances are in fiscal year 1963, as in fiscal year 1962, most of the development loan money to Israel will go for what we call program loans. The importation of equipment, machinery, commodities, and the like from a specified list from the United States. Specified lists of types of commodities, equipment, and machinery.

Mr. FORD. As of now you have no specific application on hand?

Mr. GAUD. We have one or two in hand. We haven't any approved. We have some we are studying.

Mr. FORD. I thought you said a minute ago you had been discussing loan applications but you didn't have any on hand.

Mr. GAUD. To make it quite clear if I did say that we haven't got any that we have approved. We have some that we are studying. We haven't got any that I can say definitely we are going to approve.

DEVELOPMENT LOANS FOR FISCAL YEAR 1962

Mr. FORD. What were the programs and development loans for in fiscal year 1962? You intimated they covered certain items. Could you be more definitive?

Mr. GAUD. The $45 million loans in fiscal year 1962 were all program loans. Would you like the list of things they covered?

Mr. FORD. I would like at least a good sample of the list.

Mr. GAUD. Do you have a list there, Mr. Tennant?

Mr. TENNANT. I believe I have one.

Mr. GAUD. These are items usable in the public and the private sector and are used by all sorts of industrial establishments.

I am afraid I haven't got the list here.

Mr. TENNANT. I haven't a list of the three loans without the specifics——

Mr. GAUD. It is easy enough to supply that if you would like to have it.

Mr. FORD. I think it would be well to have an example or examples for the record.

Mr. GAUD. All right, sir.

(The information supplied follows:)

COMMODITIES TO BE PURCHASED UNDER THE FISCAL YEAR 1962 DEVELOPMENT LOAN AGREEMENTS WITH ISRAEL ($45 MILLION)

1. Equipment, machinery and engineering services for chemical, plastics, and pharmaceutical industries.
2. (*a*) Automotive and railroad vehicles, equipment, and component parts.
(*b*) Tractors, agricultural machinery, equipment, and component parts.
3. Iron and steel mill products.
4. Heavy construction machinery.
5. Electrical equipment and components.
6. Nonferrous metals.
7. Materials handling machinery and equipment.
8. Metal manufactures.
9. Mining and basic chemical machinery, equipment, and engineering services.
10. Computors and other office equipment.

Mr. FORD. I believe that is all.

TOTAL UNLIQUIDATED OBLIGATIONS

Mr. PASSMAN. What amount do you have to the account of Israel unliquidated, all spigots?

Mr. TENNANT. Our initial estimate was $19,140,000. However, since the program went up higher in 1962 I would estimate unexpended would be approximately $54,140,000.

Mr. PASSMAN. To the credit as of June 1962?

Mr. TENNANT. Yes.

Mr. FORD. What was that figure? I did not hear it.

Mr. TENNANT. Well, initially we had estimated $19,140,000 and that was on a basis of a program of about $10.5 million.

This program moved up to $45 million. I don't know the exact date the loans were signed——

Mr. PASSMAN. The unliquidated sum would be $54,140,000?

Mr. TENNANT. Yes——

Mr. PASSMAN. It looks like you had so much money last year that you just had to go back and revise programs upward all over the world. It is not a new area. There have been a few that have gone down a little bit. Almost every time you open this up you run into a new field, however.

Our aid to Israel through fiscal year 1961 under mutual security amounted to $793.3 million; is that correct?

Mr. TENNANT. That is correct, sir.

Mr. PASSMAN. Are you making those 40-year development credits?

Mr. TENNANT. No, sir; they are not.

TYPES OF LOANS

Mr. PASSMAN. Do you have a list of the different types of loans that you could insert in the record?

Mr. GAUD. The loans to Israel in fiscal year 1962 were for a period of 20 years, with three-quarters of 1 percent service charge and a grace period of 5 years.

Mr. PASSMAN. How many years?

Mr. GAUD. Twenty years.

Mr. PASSMAN. Then it is on the same pattern: No interest and a 5-year grace period, and you get the normal three-quarters of 1 percent service charge?

Mr. GAUD. And a 20-year term.

Mr. PASSMAN. It is the same thing other than you have just cut down——

Mr. GAUD. It is the same thing except it is 20 years rather than 40 years and it is 5 years rather than 10 years.

Mr. PASSMAN. The no interest provision still prevails?

Mr. GAUD. Yes, sir.

AID TO ISRAEL FROM OTHER SOURCES

If I may make a comment, in the last few years in considering the program to Israel, the Export-Import Bank has been considered and has been used in some years as an active source of aid for Israel.

Mr. PASSMAN. Have they used IDA?

Mr. GAUD. IDA lent $2 million to Israel in 1962. But what I was about to say was that in 1960—Mr. Ford was contrasting 1961 to 1962. In 1961 the amount of development loans was only $16 million, but Israel got $35 million in loans from the Export-Import Bank, making a total of $51 million.

Now, in 1962 our loans—that is AID loans—went up to $45 million. The Export-Import Bank lent Israel only $10.8 million, so if you put these two together there isn't the dramatic change indicated by omitting the Export-Import spigot.

Mr. PASSMAN. The Export-Import Bank has a standard rate of interest, does it not?

Mr. GUAD. I believe they do. It is a harder rate than ours.

Mr. PASSMAN. If you take it away from the Export-Import Bank and move it over to the development credit system, with no interest, it makes a little different story anyway, does it not?

Mr. GAUD. Yes; but it isn't a question really, as I am sure you know, sir, of taking things away from the Export-Import Bank. We have to refer to the Export-Import Bank every loan application we receive before we get to act on it.

If the Israeli come in with applications which the Export-Import Bank is willing to take, that is one thing. If they come in with applications they won't take and refer to us, we take them and that is another thing.

Mr. PASSMAN. But, did the Export-Import Bank reduce the amount of the loan it had previously approved for Israel?

Mr. GAUD. No, sir. They just lent less in 1962 than they did in 1961.

Mr. PASSMAN. And we picked it up under mutual security?

Mr. GAUD. In effect that is what happened.

TOTAL AID FOR ISRAEL, FROM ALL SPIGOTS

Mr. RHODES. Mr. Chairman, because of the appearance at least of rather drastic changes in the spigots we are using in Israel I am

wondering if it could be possible Mr. Gaud could furnish a table for say the last 5 years setting forth the type of aid we have given Israel in all of the spigot categories. Can you do that?

Mr. GAUD. We would be glad to do it.

Mr. RHODES. I would like to have that by year and by category, not forgetting Public Law 480 and all the other spigots.

(The information supplied follows:)

U.S. aid to Israel, fiscal year 1957 to fiscal year 1962

[In millions of dollars]

Fiscal year	Technical cooperation		Special assistance		Public Law 480, title I		Public Law 480, title III, program/ shipments	Eximbank loans		Development loans		Grand total	
	Program	Expenditure	Program	Expenditure	Sales agreements	Shipments		Authorized	Disbursed	Authorized	Disbursed	Program	Expenditure
1957	1.8	1.3	25.0	22.3	10.5	19.4	2.3					39.6	45.3
1958	1.5	1.2	7.5	26.1	41.0	29.9	2.3	24.2	1.0	15.0	1.5	91.5	62.0
1959	1.7	1.5	7.5	8.3	38.3	29.1	1.7	3.0	12.5	10.0	10.8	62.2	63.9
1960	1.4	1.4	7.5	8.6	37.6	27.8	.5	.5	13.7	15.0	3.7	62.5	55.7
1961	1.0	1.2	7.5	7.6	25.9	19.5	1.0	35.4	8.0	16.0	11.8	86.8	49.1
1962	.4	.9			27.5	27.2	1.6	10.8	15.0	45.0	19.7	85.3	64.3

JORDAN

Mr. PASSMAN. In fiscal year 1962 you had a program of $43.8 million out of the mutual security spigot for Jordan. Did that figure hold firm?

Mr. GAUD. Yes, it did.

Mr. PASSMAN. You have a planned program for fiscal year 1963 of $———?

Mr. GAUD. Yes, Mr. Chairman.

Mr. PASSMAN. What amount do you have in the cumulative spigot category for Jordan, unliquidated?

Mr. TENNANT. $11,063,000.

Mr. PASSMAN. How much of the proposed fiscal year 1963 program is for budgetary support?

Mr. GAUD. $———.

Mr. PASSMAN. How firm is your estimate of the ——— for East Ghor irrigation project, T–679?

Mr. GAUD. I have no reason to doubt that that figure is firm, Mr. Chairman.

CENTRAL MOTOR POOL PROJECT

Mr. PASSMAN. Are you establishing a central motor pool under the technical support project?

Mr. GAUD. I believe it was established some time ago.

Mr. PASSMAN. What are they going to do with a central motor pool?

Mr. GAUD. It is to cover all mission operations for the projects all over Jordan. You can get around Jordan only by automobile, as there are no railroads.

Mr. PASSMAN. How many vehicles will be involved?

Mr. GAUD. I haven't got that information with me. I will be glad to supply it.

(The information follows:)

MOTOR POOL

The central motor pool at USAID/Jordan headquarters consists of 18 U.S.-titled vehicles and 8 non-U.S.-owned autos which have been made available by the host government for the use of American chiefs of technical staffs. Of the 18 vehicles owned by AID, 15 were purchased with program funds and the remaining 3 were procured with funds made available from administrative appropriations. Operation and maintenance costs for the 15 U.S.-owned and 8 host-government-owned vehicles are funded under the technical support project.

Mr. PASSMAN. It is a small country in land area, is it not?

Mr. GAUD. Local vehicles are hard to come by and are expensive. I think, sir, it would be less expensive to do this than to give all of our technicians separate automobiles. They have to get around. These projects are scattered all over the country.

Mr. PASSMAN. I hope you did not think that I had suggested you give them separate automobiles.

In some countries we found where they had 2 rifles per soldier.

Our main aid for Jordan is budgetary support, is it not?

Mr. GAUD. It is, indeed.

TOTAL AID TO JORDAN

Mr. PASSMAN. What has been the total of our aid to Jordan since the inception of the program?

Mr. TENNANT. Including 1962 military and economic, $351 million.

Mr. PASSMAN. That is the total for the mutual security spigots?

Mr. TENNANT. Yes, military and economic. Excuse me. That includes some Public Law 480.

Mr. PASSMAN. Is that the total from all spigots until you get into the international organizations?

Mr. TENNANT. Yes.

Mr. PASSMAN. Do they get anything out of IDA?

Mr. GAUD. No, sir; I will check.

Mr. PASSMAN. What is the population of the country?

Mr. GAUD. The population in 1961 was 1.7 million.

IDA LOANS TO JORDAN

Mr. PASSMAN. I asked if Jordan had received any loans from the International Development Association, and you are doing some research over them. Have you anything to indicate whether they have or not?

Mr. GAUD. Yes, Mr. Chairman. It appears they got a loan of $2 million in December 1961 from IDA.

Mr. PASSMAN. Thank you.

Mr. Ford?

BUDGETARY SUPPORT TO JORDAN

Mr. FORD. A lot of the total of $340 million or $350 million we have made available to Jordan—what percentage of that would be budgetary support?

Mr. GAUD. Were your figures, Mr. Tennant, through 1962?

Mr. TENNANT. That includes 1962.

Mr. GAUD. A total of $237 million would have been budget support.

Mr. FORD. About two-thirds?

Mr. GAUD. That is about right.

Mr. FORD. Is this about the level budgetary support we think will be necessary to keep this nation afloat in the years ahead?

Mr. GAUD. We hope it will go down.

Mr. FORD. Is there any evidence that it will take place?

Mr. GAUD. Yes, sir.

Mr. FORD. What is the evidence?

Mr. GAUD. The evidence is in 1960 it was $47 million. In 1961 it was $40 million. In 1962 it was $37 million.

Now, granted that these annual reductions are not large, but it is a trend we hope will continue. We cannot be sure but we feel some progress is being made in the development of Jordan and that as time goes on she will be able to provide more of the revenue she needs to maintain her budgetary expenditures.

I think I mentioned the other day—perhaps you weren't here—that we are counting a good deal on the East Ghor project when it is completed, which is in 1963. That will be a place—I have heard it compared to the Imperial Valley in California. I have never been to the Imperial Valley in California. It is a place where citrus fruits and strawberries—fairly high-priced crops which can be exported to neighboring countries will grow. This is an example of several things going on in Jordan.

They are trying to increase their tourist trade and they are making some progress on that. We hope this figure will go down.

Mr. FORD. From the description I heard a few minutes ago, it is a little hard to visualize any increase in the tourist traffic.

Mr. GAUD. Jerusalem is in Jordan. A great many of the Biblical sights are in Jordan and the tourist trade in Jordan is increasing. There are some who feel that if better tourist facilities were made available they would increase still further. There are one or two hotels being built in Jordan, for example, good ones, and there are hopes in this direction.

EAST GHOR IRRIGATION PROJECT

Mr. FORD. How much is invested in the East Ghor project?

Mr. GAUD. Our total investment to date is roughly $9,083,000. We are estimating—we propose to obligate during fiscal year 1963 another $——— and then there is an additional $———, so the total figure is $———.

Mr. FORD. That will complete the project?

Mr. GAUD. Yes, sir.

Mr. FORD. When will it be operational?

Mr. GAUD. Fiscal year 1964. It is up to date at the moment.

Mr. FORD. That is all, Mr. Chairman.

PUBLIC LAW 480 PROGRAM IN JORDAN

Mr. PASSMAN. Have you had a Public Law 480 program in Jordan?

Mr. GAUD. We have had an extremely small one.

Mr. PASSMAN. It is an extremely small country, is it not?

Mr. GAUD. It is indeed.

Mr. PASSMAN. Would you tell us how much, Mr. Comptroller, with reference to the cumulative Public Law 480 program?

Mr. TENNANT. Through fiscal year 1961, title II, $35.5 million.

Title III is $12.3 million, which brings the total to $47.8 million.

Mr. PASSMAN. Jordan has had Public Law 480 aid through fiscal year 1961 of $48 million?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. They are very large importers of food, are they not?

Mr. GAUD. Yes, they import on the average from $30 to $35 million per year.

Mr. PASSMAN. What is the amount of Public Law 480 funds scheduled for fiscal year 1963?

Mr. TENNANT. I have a projected figure of $2.2 million.

Mr. GAUD. What title is that, please, Mr. Tennant?

Mr. TENNANT. Under title I and title IV. I do not have any information for title II since that it is an emergency type program.

Mr. PASSMAN. All these titles you are talking about have to do with food?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. It is food and fiber?

Mr. TENNANT. That is correct, sir.

Mr. PASSMAN. They are still going to be large importers of food, are they not?

Mr. GAUD. They will be for some time, Mr. Chairman.

Mr. PASSMAN. You would expect, with this kind of aid, that they would buy as much as possible in the United States.

Mr. GAUD. They certainly have to import much of this food, yes.

Mr. PASSMAN. Would it follow that you may have an increased Public Law 480 program for them in fiscal year 1963?

Mr. GAUD. I think that is unlikely. We would like to have a larger program, frankly.

Mr. FORD. Would the chairman yield there?

Mr. PASSMAN. Yes.

Mr. FORD. Obviously it is a deficit area from the point of view of agriculture?

Mr. GAUD. Yes, it is.

MARKETS FOR FOOD FROM EAST GHOR PROJECT

Mr. FORD. I suppose this is sustaining agriculture from the point of view of the consumer.

I thought the chairman was going to make the point, if that is a great need, why are we in the East Ghor project going to the production of foodstuffs that are certainly of the more expensive type rather than the sustenance type?

Mr. GAUD. As I understand it the point is to increase their foreign exchange resources and thereby decrease our obligation to support the budget.

They have to buy a good deal of food today as they do nearly everything else.

Mr. FORD. Is there a market in that area of the world for the kind of luxury foods you are talking about in the East Ghor area?

Mr. GAUD. Yes. Lebanon, some of the other Arab States, and ultimately, after better marketing arrangements are made, Europe.

DIVERSION OF BUDGETARY SUPPORT FUNDS FOR FOOD PURCHASES FROM OTHER NATIONS

Mr. PASSMAN. It would be expected they would purchase more food to meet their requirements than the amount we are providing under Public Law 480, would it not?

Mr. GAUD. Do you mean purchase from here?

Mr. PASSMAN. No.

Mr. GAUD. They do purchase more and they get it where they can get it the cheapest.

Since we are supporting the budget anyway, that has some advantage, really.

Mr. PASSMAN. That is the point I wanted to clear up. We are giving them dollars for budgetary support. We have billions of dollars worth of surplus food. If they can buy food cheaper elsewhere, they take our dollars and buy food elsewhere; is that it?

Mr. GAUD. Yes, sir. It is a question of the larger price differential between American wheat and Australian wheat landed in Jordan and the requirements of our statute which make this fact has made it impractical for us to use title I Public Law 480 in Jordan.

Mr. PASSMAN. But we have had a rather substantial program going on there over the years, have we not?

Mr. GAUD. Not under title I. We have had work relief projects under title II. And we have provided help under title III through the private voluntary agencies.

Mr. PASSMAN. The figure you gave earlier is a correct figure, the $40 million-odd?

Mr. TENNANT. Yes, for title II and title III.

Mr. PASSMAN. That is a strange situation. We are giving tens of millions of dollars—in fact $——— grant aid to Jordan in fiscal year 1963, and we have only about a $2.3 million Public Law 480 program there, yet they are going to have to spend a large amount of the $——— for food. This simply means they are going to take appropriated dollars and buy food from other nations, wherever they can get it the cheapest.

Mr. FORD. Are there any limitations on the nations from whom they can buy that food?

Mr. PASSMAN. Do you know the nations from which they procure the food?

Mr. GAUD. Yes, sir. They procure wheat primarily from Australia.

Mr. RHODES. I believe it was last year or the year before that the gentleman from Massachusetts, Mr. Conte, made an important point concerning Arab relief. At that time the testimony was similar to yours, that if the Arab relief bought its foodstuffs around the world at whatever price was obtainable, it was because it was too expensive to use U.S. Public Law 480. Later that was reversed, as I understand

it, and now the Arab relief organization does use the U.S. food. While I recognize the cost in dollars, it seems to me with the balance-of-payments situation as it is that not only here but wherever else this situation occurs you should be addressing yourselves to it and changing your procedures. It is just not right.

Mr. GAUD. This is a problem which concerns us, we are working on at the moment, Mr. Rhodes, to try to see what might be done about it.

Mr. RHODES. As the chairman pointed out, they can take those dollar credits and buy foodstuffs and then the people who buy them can buy gold with the dollars.

Mr. GAUD. We sent a man out to Jordan within the last few weeks to see what might be done to work out a scheme for greater utilization of Public Law 480 because of this very problem we have been discussing.

Mr. RHODES. To get greater utilization you can cut down on the dollar aid which you give.

Mr. PASSMAN. The point is, we are not competitive and, for that reason, we cannot let them buy our food?

Mr. GAUD. We cannot lay it down at anywhere near a competitive price. This has been a problem I hope we are going to be able to do something about. We are actively working on it at the moment.

Mr. PASSMAN. We hope you will, because this will be pretty much worldwide where they take dollars and buy food. That is because we are not competitive from a price standpoint?

Mr. GAUD. That is true in this case, sir.

Mr. PASSMAN. How about a fiber, such as cotton? Do they have any need for importing cotton? Do they have any type of mills or any way to utilize it?

Mr. GAUD. I do not have the facts on that. I do not know.

Mr. PASSMAN. We are able to sell cotton now only by subsidizing it about 20 percent to meet the world price, and we are not competitive on food.

You take a country which is not self-supporting, and we give them our dollars. We price ourselves out of the world market on food, and then they take our dollars and buy food from some other country. The other country then takes our dollars and buys gold.

LEBANON

You had a fiscal 1962 program of $500,000 for Lebanon?

Mr. GAUD. Yes, sir. In fact, we obligated $450,000.

Mr. PASSMAN. You have a planned program of $150,000 in 1963?

Mr. GAUD. Yes; that is correct.

Mr. PASSMAN. What amount did you have unliquidated to the credit of Lebanon as of June 30?

Mr. TENNANT. $4,834,000.

Mr. PASSMAN. Are we in accord that this country does not need aid?

Mr. GAUD. We are in accord that this country does not need development grants. We have held open the possibility that at some time we might make development loans to the country, but we have none in prospect at the present time.

Mr. PASSMAN. It is quite a wealthy country, as we think of countries in that region?

Mr. GAUD. Yes, sir.

Mr. PASSMAN. I just wondered for what reason we got back in Lebanon with an aid program.

COMPLETION OF AERONAUTICAL FACILITIES PROJECT

Mr. GAUD. We have not opened up anything there. We are finishing up a single project, the aeronautical project which includes assembling and installing electronic equipment for the Beirut Airport and training people to operate that equipment in the airport. This is a part of the——

Mr. PASSMAN. We were out in Lebanon at that airport which the AID people apparently figured they had stashed off, and they would not have some fellow stumble into a situation such as that one.

They obligated the funds for the highway, and then built the airport. Washington did not know anything about it, and we so informed them on our return.

That is not altogether water under the bridge because it led to other requests.

You had unliquidated to the credit of this project, $800,000?

Mr. GAUD. That is correct.

Mr. PASSMAN. Then you request $125,000 for fiscal year 1963. Do you expect that to complete the project?

Mr. GAUD. Yes, Mr. Chairman.

U.S. TECHNICIANS

Mr. PASSMAN. All this is in connection with the airport?

Mr. GAUD. Yes, sir.

Mr. PASSMAN. How many U.S. technicians do you have there?

Mr. GAUD. The 1963 funds are to cover four technicians.

Mr. PASSMAN. The last time we went out there this thing looked like it was operating and everybody was happy. They even had an air-conditioned waiting room. What are they doing there?

Mr. GAUD. I am not talking about building an airport.

Mr. PASSMAN. It was already built. You had technicians there to teach them what skills?

Mr. GAUD. This is a matter of assembling electronic equipment and training people to use it. That has to do with the safety of the airplanes.

Mr. PASSMAN. Is this a new project?

Mr. GAUD. No; this is part of the existing project. All of the equipment is not yet in Beruit.

Mr. PASSMAN. This is one of the airports where they have kind of a "head tax" for getting in and out; do they not?

Mr. GAUD. I have been there but I do not recall. It is not unlikely. Most of them in that part of the world do.

Mr. PASSMAN. It looked to me like one of the most prosperous airports I have ever visited.

Mr. GAUD. Again, this is not a project for building the airport. My guess would be that more Americans, or as many Americans as any other nationality, fly on these airplanes to Beruit and to the Far East. The purpose of this equipment basically is to make that flying safe.

Mr. PASSMAN. This is a wealthy little country, as we think of them, and they have a favorable balance-of-payments position and also as far as their gold is concerned. As it is a very profitable venture, I just wondered why they would not put in these facilities themselves?

CANCELLATION OF EL BARED POWERPLANT LOAN

At one time you approved a loan out of the Development Loan Fund for the El Bared powerplant; did you not?

Mr. GAUD. That was approved in February 1960, Mr. Chairman.

Mr. PASSMAN. That is going to be, as we think of the procedure, deobligated; is it not?

Mr. GAUD. Yes, sir.

Mr. PASSMAN. You state:

It is anticipated the loan will be canceled soon for technical reasons.

What is holding up the cancellation?

Mr. GAUD. I do not know.

Mr. PASSMAN. If this loan had been canceled prior to the end of fiscal 1962, the amount, even though small, would have been available and you would have shown a larger unobligated balance; would you not?

Mr. GAUD. I think the sentence goes on to say:

* * * and that the needed financing will be made available to El Bared instead through a subloan from loan No. 99.

This is a loan to the Development Bank.

Mr. PASSMAN. You are talking about the proceeds now, but you are not increasing the loan shown on page 694; are you?

Mr. GAUD. I stand corrected. You are quite right. The project would have gone forward and the $500,000 would not be used for it.

Mr. PASSMAN. If they had deobligated it prior to the close of business on June 30, 1962, it would have increased the amount on hand unobligated by that amount?

Mr. GAUD. Yes, sir.

There is nothing like sticking my neck out, but I do not know whether it was or not. This sheet speaks as of last March and for all I know, it may or may not have been canceled by the end of the fiscal year.

Mr. PASSMAN. We are in accord that these sheets are not too reliable to go by. We have learned that already.

Could the Controller tell us whether or not it has been deobligated?

Mr. TENNANT. I do not have any later information.

(The information later supplied follows:)

EL BARED POWERPLANT LOAN—LEBANON

This loan was terminated by an exchange of letters, July 25–July 31, 1962. The Ste d'Electricite d'El-Bared, Sal, in a letter to AID dated July 31, 1962, confirmed its agreement on the termination of loan No. 96.

NEPAL

Mr. PASSMAN. You had a 1962 program of $3.7 million for Nepal. Did that hold firm?

Mr. GAUD. Yes, sir.

Mr. PASSMAN. You are requesting $——— in fiscal year 1963?

Mr. GAUD. That is true.

Mr. PASSMAN. What is the amount of the unliquidated funds out of the mutual security spigot arrangement?

Mr. TENNANT. $5,806,000

Mr. PASSMAN. We made a request that you go into the records for all of these countries to pick up the amounts under the other spigots and give us a total. Is that the understanding?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. You are following through on all of them?

Mr. TENNANT. We will do our best.

U.S.-OWNED LOCAL CURRENCY

Mr. PASSMAN. In addition to the dollar estimate, how much U.S.-owned Indian rupees did you use in fiscal 1962?

Mr. GAUD. We expended $6 million worth in fiscal year 1962.

Mr. PASSMAN. This is a pretty good little sideline note, gentlemen. Were they able to purchase with these rupees what they would have purchased with dollars, had the rupees not been available?

Mr. GAUD. Yes, sir.

Mr. PASSMAN. In reality, if you pick up the rupees of $6 million and add that to the 1962 program, you get $9.7 million?

Mr. GAUD. That is true.

Mr. PASSMAN. Could you give it to us for fiscal year 1963?

Mr. GAUD. In rupees?

Mr. PASSMAN. Yes, sir.

Mr. GAUD. It is approximately $7 million.

Mr. PASSMAN. What is the unliquidated balance to the credit of Nepal? Is it $5,806,000?

Mr. TENNANT. That is correct.

Mr. PASSMAN. What are the unliquidated credits in Indian rupees to Nepal?

Mr. TENNANT. I do not have that figure with me.

Mr. PASSMAN. Will you find out the amount of Indian rupees you have to the credit of Nepal?

Mr. TENNANT. Yes, sir.

(The information follows:)

USE OF INDIAN RUPEES IN NEPAL

As of June 30, 1962, the unliquidated balance of Indian rupees to the credit of Nepal was the equivalent of $5.2 million.

Mr. PASSMAN. We have an adequate supply of Indian rupees, do we not?

Mr. GAUD. We do, for use in India.

USE OF INDIAN RUPEES IN INDIA

Mr. PASSMAN. As it would apply to Nepal, I suppose the Indian rupees serve the same purpose as if they had been dollars, so far as obtaining their needs?

Mr. GAUD. We use them as though they were local currency for support of the joint United States-Nepal program. Indian rupees circulate in Nepal; they also pay for imports from India.

Mr. PASSMAN. If this would serve the same purpose, why would we not increase the Indian rupees and decrease the dollars?

Mr. GAUD. The Indian rupees cannot be used to buy things or people's services from the United States. They can only be used to buy imports from India or local services needed for the program in Nepal. You cannot use them to buy things from the United States or from Pakistan or from any other country.

Mr. PASSMAN. What is India's main export?

Mr. GAUD. Her main export?

Mr. PASSMAN. Yes.

Mr. GAUD. I am sorry to say I draw a blank on that.

INDIA'S TOTAL EXPORTS IN 1961

Mr. PASSMAN. What is the amount of India's exports, worldwide?

Mr. GAUD. Total amount?

Mr. PASSMAN. Yes.

Mr. GAUD. We can give you the figure for the total amount of exports if that is what you mean.

Mr. PASSMAN. Yes.

Mr. GAUD. I misunderstood the question.

India's total exports in 1961, calendar year, were $1,395 million.

Mr. PASSMAN. You would not know what categories that included? Do they export any food?

Mr. GAUD. They certainly export tea, if you call that food.

I do not know if they export any other food, Mr. Chairman.

We know India has a very large Public Law 480 program. We have to send her a lot of wheat and the like but whether there are any particular items of food she exports, I would doubt it seriously.

Mr. PASSMAN. The rupees you propose to use in 1963 are coming down, but the dollar amount is increasing by $900,000?

Mr. GAUD. The question is what you need money for. We cannot——

THE LOCAL CURRENCIES

Mr. PASSMAN. Do you have any other arrangement such as this in your area?

Mr. GAUD. Where we use the currency of one country in another country?

Mr. PASSMAN. Yes, sir.

Mr. GAUD. No, sir.

Mr. PASSMAN. This is the only one?

Mr. GAUD. Yes, sir.

Mr. PASSMAN. When did you start this program?

Mr. GAUD. I think it was in fiscal year 1960.

Mr. PASSMAN. Would it appear that this could spread to other sections, that we could use the local currency of those countries and reduce the number of dollars?

Mr. GAUD. We would like that and if we could get a sort of common market arrangement in some of these countries, then we could do

that. We do not believe that India will let us use her rupees in any other country than Nepal.

Mr. PASSMAN. There is not a great deal of real value to them at this time?

Mr. GAUD. Except to the extent we can use them in India and Nepal, that is true, Mr. Chairman.

Mr. PASSMAN. Are there many countries in your region in which we have local currencies in excess of our needs?

Mr. GAUD. We have several.

Mr. PASSMAN. Do you have any program whereby, in the future, you will be able to utilize these local currencies and relieve the demand for dollars?

Mr. GAUD. No, sir. As I understand it, we are unable to do this without the consent of the host country.

Mr. PASSMAN. We are pretty well tied down on the use of them?

Mr. GAUD. That is true.

REFORM MEASURES IN NEPAL

Mr. PASSMAN. I quote:

> While promised reforms were not put into effect in the past, we have reason to believe that the present government views such promises more seriously.

Is this just an expression of optimism or do we have anything on which to base such a statement?

Mr. GAUD. Well, the Nepalese Government has recently appointed a planning organization. It has taken steps toward increasing taxes. It is taking steps toward trying to improve its collection of taxes. It is taking steps in the direction which we would like to see it go. The progress in Nepal in these directions, I am sure, will be slow. It is a very underdeveloped country.

TERMINATED PROJECTS

Mr. PASSMAN. You have terminated 18 projects in Nepal, I believe?

Mr. GAUD. I would like to check that figure.

Mr. PASSMAN. Go to page 236 and you will find it.

Mr. GAUD. I see the statement there. Some of those projects were terminated in 1961 and others are still to be terminated.

Mr. PASSMAN. I am going by what is in the book here.

Mr. GAUD. That is not tied down by date.

Mr. PASSMAN. It says that you are in the process of terminating 23 projects, 5 of which have reached their planned goal. I suppose the planned goals for those five would cover a wide range. Could you tell us about the 18 you discontinued?

Mr. GAUD. Do you have a list of those?

Mr. PASSMAN. Without their reaching their planned goals.

Mr. GAUD. We do not have the complete list.

(Additional information follows:)

TERMINATING PROJECTS—NEPAL

The 23 terminating projects referred to on page 236 of the congressional presentation actually refer to 6 complete projects, and 17 portions of projects, which were phased out during fiscal year 1962, or are to be phased out in fiscal year

1963. During fiscal year 1962 the United States AID-Nepal reevaluated its total program, cutback the number of activities, and concentrated the remaining activities or projects under selected priority goals and sectors. The fiscal year 1961–62 ongoing projects were regrouped and split as required to fall within these newly established priority goals. Some of the activities were considered to be outside of the established goals; others were considered to be useful but marginal; and still others were regarded as adequately covered by assistance available to Nepal from other free world sources.

The six complete projects referred to above are: Telecommunications, ropeway, Bir Hospital, village development, communications media, and water supply, all of which will be terminated in fiscal year 1963, except for Bir Hospital which was terminated in fiscal year 1962. The remaining which are activities or parts of former complete projects which no longer meet AID objectives in Nepal, are: Crop improvement; livestock improvement; poultry improvement; fisheries development; plant protection; soil survey, laboratory and field feasibility investigation; agricultural development center; resettlement plowing, Rapti Valley; mineral resources development; tourism; basic survey; technical institute; library development; assistance to public health services; post office development; construction of public buildings and local self-government, all of which will be terminated both in funding and operations in fiscal year 1963, except for crop improvement and livestock improvement which were terminated in fiscal year 1962.

INCREASE IN DEVELOPMENT PROGRAM

Mr. PASSMAN. You are terminating 23 projects, and you say 5 have reached their planned goals. Then you say:

The personnel whose services are no longer required in the redirected program are in the process of being terminated or reassigned within U.S. AID.

If we go to page 697, we see that you had 60 in fiscal year 1962 and you plan to have 60 in 1963. There is no change there. Then, if you go to the cost of the projects, even with those you discontinued, the 18 of the 23, you require the same amount of money to continue them. In fact, me might just better show that the total project assistance is actually going up to $4.6 million.

Mr. GAUD. The increase in the development program is due primarily, really, to one item; that is the final payment on the cost of building the road in Nepal which we are financing.

Mr. PASSMAN. You have not reduced the number of technicians, even though you say you will do so?

Mr. GAUD. That is true.

Mr. Rooney?

IMPORTS FROM UNITED STATES

Mr. ROONEY. At page 237 of this justification book, you indicate that imports from the United States in calendar year 1960 came to $695,000, as compared with $27,000 in exports from Nepal to the United States.

PUBLIC LAW 480 SHIPMENTS

Can you tell us how much of the $695,000 was in Public Law 480 program or programs, if any?

Mr. TENNANT. There was $16.8 million in the Public Law 480 program made available in fiscal year 1960 for use through fiscal year 1962.

Mr. ROONEY. Does that have anything to do with the figures to which I have made reference, $695,000 in imports from the United States to Nepal as compared with $27,000 in exports to the United States?

Mr. GAUD. It certainly cannot be included in there, can it?

Mr. ROONEY. I realize it cannot be included, but is it any part of it?

Mr. GAUD. I have no idea.

It is $16 million of Public Law 480, and imports of only $695,000.

Mr. ROONEY. Could I coax you to say that the $695,000 has nothing at all to do with Public Law 480 programs?

Mr. GAUD. That is certainly my impression.

Mr. ROONEY. Will you confirm your impression at this point in the record and let us have the advantage of your confirmation?

Mr. GAUD. Yes, Mr. Rooney, we will.

(The information follows:)

U.S. IMPORTS INTO NEPAL, 1960

The trade data on Nepalese imports from the United States and U.S. exports to Nepal are derived from the same source as all other trade data printed in the congressional presentation—U.S. customs data as reported by the Department of Commerce. The slight differences between the country sheets as to the source of trade data were differences in language only.

As the chairman noted, U.S. exports data do include shipments under Public Law 480. However, the $695,000 U.S. exports to Nepal in 1960 bears no relation to the $16.8 million figure, since the $16.8 million shown as the Public Law 480 program for Nepal represents the allocation of $16.8 million worth of Indian rupees to Nepal. These rupees were generated by sales of Public Law 480 commodities to India, and the rupees were transferred by agreement with the Indian Government. These Indian rupees have been used to finance portions of joint United States-Nepalese development grant projects.

Mr. ROONEY. Thank you, Mr. Chairman.

Mr. PASSMAN. I think I would have to say we have had an abundance of testimony that we do include Public Law 480 in our total exports.

Mr. ROONEY. He is going to verify that at this point in the record, Mr. Chairman. I do not know whether he is right or wrong, but I am very curious.

Mr. PASSMAN. I, too, am curious, providing the previous testimony is accurate.

It has been stated many times that they did include the exports for Public Law 480 in the total exports.

Mr. ROONEY. I may approach this with a different thought in mind, having the thought that with this percentage of exports, as compared with imports, it might be to our advantage to develop this country.

Mr. RHODES. Would the gentleman yield?

Mr. ROONEY. Yes.

Mr. RHODES. I wonder if the fact that after the words, "trade with the United States" in parentheses, you have "U.S. customs data," would have any significance?

I noticed in at least one other instance where this figure is set forth, those words do not appear. Public Law 480, I presume, has nothing to do with the customs service. Perhaps that would be the reason.

Mr. ROONEY. I am inclined to figure that that may be the answer; these may be usual commercial exports as compared with usual commercial imports. But we should have this verified for the record.

Mr. RHODES. That is correct.

PUBLIC LAW 480 SHIPMENTS TO NEPAL

Mr. PASSMAN. Mr. Comptroller, could you tell us the amount of Public Law 480 shipments to Nepal since the inception of the aid program? We would like to have it by those 3 specific years, but if you can, give us the total.

Mr. TENNANT. I get $20.5 million through 1961.

Mr. PASSMAN. Through 1961 our Public Law 480 grants to Nepal were $20.5 million, and this is what is included in exports.

I shall read into the record a compilation that was given to me by the Department.

(The compilation was read as 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. It covers the entire waterfront.

Mr. ROONEY. I would still like a direct answer at this point in the record. We are talking of millions of dollars in the Public Law 480 Nepal program, whereas this amount is only $695,000.

Mr. PASSMAN. That is true. This is just another discrepancy in the book perhaps.

Mr. ROONEY. If it is, we should know it.

Mr. PASSMAN. I thought we should show for the record again that everything that leaves the United States, regardless of its nature, is included in the compilation of our exports. We include everything that goes out of the country, whether it is gifts, grants, loans, as exports.

Mr. MILLER. I know you did not mean to include shipments to our Armed Forces overseas. When they leave the United States, they are not included in our export statistics.

Mr. PASSMAN. I did not read that into the record. That goes to our own people. If we ship a case of Scotch to an embassy, I did not include that. We are talking about shipments to foreign nations. An embassy is a part of the United States on foreign soil.

Mr. ROONEY. When we get this insertion on Nepal we will have the answer. Going back over these justifications, I find on page 229 with regard to Jordan that the amount is $16,980,000 in imports from the United States as compared with $93,000 in exports to the United States. But that page indicates that of the $16,980,000, there is included agricultural imports under Public Law 480, titles II and III, and so on.

I do not know why differentiation should be made as between one country and another in setting up these justifications. They should be all the same under one standard.

Mr. PASSMAN. Off the record.
(Off the record.)

HEALTH AND SANITATION PROJECTS

Mr. NATCHER. Mr. Chairman, I have a question on Nepal.
The average age seems to be 40 years for the life expectancy in Nepal.
Do you have any projects for fiscal year 1963 in this program pertaining to health and sanitation?
Mr. GAUD. Yes, we do.
Mr. NATCHER. Projects such as what?
Mr. GAUD. We have one on malaria eradication, and one on a water supply project which includes environmental sanitation.
Mr. NATCHER. They are the two you have in this area?
Mr. GAUD. That is correct.

PAKISTAN

Mr. PASSMAN. In fiscal 1962 you had a program of $240,854,000 for Pakistan. Did that hold firm?
Mr. GAUD. The total program for 1962, Mr. Chairman, came to $240.8 million.
Mr. PASSMAN. In 1961, you had a program of only $130,317,000?
Mr. GAUD. That is true.
Mr. PASSMAN. And for 1963, you have a program estimate of $———?
Mr. GAUD. Yes, sir.
Mr. PASSMAN. Again, this is in just the mutual security category.

LOAN COMMITMENTS

You have a commitment to provide Pakistan with $475 million in development credits in fiscal year 1962 and 1963, and that is a section 202(b) commitment, is it not?
Mr. GAUD. I want to check my recollection. It does not accord with the figure you gave.
The commitment made was under 202(b) for $500 million, but it is not limited only to development loans. It includes loans from the Export-Import Bank and it also includes $25 million of supporting assistance. The estimate is, and it is only an estimate, that $50 million of the $500 million would come from the Export-Import Bank, so the figure for the development loans over the 2-year period would be $425 million.
Mr. PASSMAN. We were only going by what the book says.
I quote from page 240:

The United States, within the context of a consortium organized by the IBRD and International Development Association, has made a commitment to provide Pakistan with loans of up to $475 million.

Mr. GAUD. That is true. And that is not in conflict with what I said. It says the United States has made that commitment. The United States includes the Export-Import Bank.

Mr. PASSMAN. I thought my question said $475 million in development credits. Loans, you would say. Part of it is grants, is it not?

Mr. GAUD. Part of that will be from the Export-Import Bank.

Mr. PASSMAN. I said under mutual security, some of the $475 million.

Mr. GAUD. $425 million will come by way of development loans, $25 million will come by way of supporting assistance and then, in addition, there is the $50 million from the Export-Import Bank, making up a total of $500 million.

Mr. PASSMAN. You have in the mutual security program alone $475,800,000 for fiscal years 1962 and 1963?

Mr. GAUD. No, sir. The commitment is $500 million.

Mr. PASSMAN. I have moved away from the commitment.

Mr. GAUD. The statement here says:

> The United States has made a commitment to provide Pakistan with loans up to $475 million, plus $25 million in supporting assistance.

That term "the United States" there includes both the Export-Import Bank and AID.

FISCAL YEAR 1962 PROGRAM

Mr. PASSMAN. I had moved away from that category back to the program that I asked questions on a moment ago, and that is the fiscal year 1962 program of $240,800,000, with an estimate of $——— for fiscal year 1963.

Mr. GAUD. Yes, that is true.

Mr. PASSMAN. Which gives you a total of $475 million.

Mr. GAUD. For the 2 years, that is true.

Mr. PASSMAN. And that is without the Export-Import Bank?

Mr. GAUD. That is true.

Mr. PASSMAN. What part of this would be subtracted from the $475 million we are talking about?

Mr. GAUD. The fiscal year 1962 and fiscal year 1963 levels of development grants, which are not included in the commitment.

The development grant figure for 1962 was $7.9 million. The development grant figure estimated for 1963 is $——— so a total of $——— of that total is not within the commitment.

Mr. PASSMAN. The $24,800,000, that has already been obligated out of 1962 funds?

Mr. GAUD. That is true.

Mr. PASSMAN. You have $425 million for development credits, and you have $25 million supporting assistance, for a total of $450 million?

Mr. GAUD. Which is under this commitment.

FISCAL YEAR 1962 OBLIGATIONS IN AID CATEGORIES

Mr. PASSMAN. How much of the commitment did you obligate funds for in fiscal year 1962, all categories?

Mr. GAUD. In fiscal year 1962, we obligated $25 million of supporting assistance and $207.9 million of development loans, making a total of $232.9 million.

Mr. PASSMAN. So, in reality, we have discharged already our commitment, and over 50 percent of this comitment you made out of section 202(b)?

Mr. GAUD. Yes, we have.

ESTIMATED COMPLETION OF DEVELOPMENT PLAN

Mr. PASSMAN. Could you give us, as this is aid to a plan, an idea as to the beginning and termination of the projects that would be encompassed in the plan?

(Off the record.)

Mr. PASSMAN. Under the section 202(b) commitment which is to a plan, you have many projects within the country that would come under this plan?

Mr. GAUD. Yes.

Mr. PASSMAN. Could you give us a general idea as to the time required to begin and complete the projects that would be financed under the plan?

Mr. GAUD. That will vary a good deal depending on the individual instance. Some of this money was lent for the importation of commodities, or what we have spoken of before as program loans. That will be implemented fairly promptly.

On the other hand, we are providing railway cars, rails for the State railways, we are lending money to build plants and the like, and this of course will take 3, 4, or 5 years. It is hard to guess.

Some of this money will not be spent for several years.

Mr. PASSMAN. But you have already obligated in excess of 50 percent of the planned commitment?

Mr. GAUD. We have; that is true.

Mr. PASSMAN. Which really means that if you did not have any new appropriation this year, the projects started could be carried on with previously obligated funds?

SECTION 202(b) COMMITMENT FOR 2-YEAR PERIOD

Mr. GAUD. Those projects which have been started; yes. Our commitment was to commit a total for the United States of $500 million against the first 2 years of the plan. The plan's fiscal years are coterminus with our fiscal years.

Mr. PASSMAN. You have a plan that would require more than this $450 million commitment?

Mr. GAUD. I do not mean that at all.

The section 202(b) commitment commits the United States to provide $500 million to the second and third years of the Pakistan plan. Of the $500 million, $450 million it is estimated will come from AID.

Mr. PASSMAN. It would appear you are funding many projects under the plan to completion.

Mr. GAUD. We are, in accordance with normal AID practice.

Mr. PASSMAN. There are a lot of projects under the AID program which you have not financed to completion?

Mr. GAUD. In the development loan line, Mr. Chairman, in my region at least, I cannot think of any.

COMMODITY IMPORTS

Mr. PASSMAN. We are discussing funds for imports of commodities?

Mr. GAUD. Yes. But those imports, to the extent we finance imports for Pakistan under this plan, they are to meet fiscal year 1962 and 1963 Pakistan plan requirements, and they are being drawn down constantly.

RAILWAY LOAN TO PAKISTAN

Mr. PASSMAN. Would you give us an example of one large project that you have planned for Pakistan?

Mr. GAUD. Well——

Mr. PASSMAN. This is a commitment to a plan, and we want you now to talk about a project.

Mr. GAUD. All right.

Suppose we take what we call the fourth railway loan to Pakistan in the amount of $31 million. The purpose of this loan is to finance the foreign exchange costs of acquiring diesel locomotives, railway track material, and material for other railway engineering works, which is required to help modernize the Pakistan Railway System in accordance with a program laid out in the Pakistan second 5-year plan.

Mr. PASSMAN. We do not have that in our book.

Mr. GAUD. Let's see if I can find one you have.

THERMOELECTRIC POWERPLANT LOAN

I have the loan papers here, Mr. Chairman, on a loan for the Karachi Electric Supply Corp., Ltd., to assist in financing the foreign exchange cost of a thermoelectric power generating station at Karachi. I have the complete papers on that loan if you would like to see them in the form in which they go through my office to the Development Loan Committee.

Mr. PASSMAN. It would take at least 3 weeks to go into detail on the multitude of projects in Pakistan. As it is presented to the committee covering fiscal 1963, it only means the programs are illustrative. You do not know whether they will be carried out as presently planned?

Mr. GAUD. If you are speaking of the money we are asking for 1963; that is correct.

LOAN APPLICATIONS UNDER STUDY

We have in hand a great many applications for loans on projects or programs which are within the Pakistan third-year plan. We have not yet made a decision beyond those which we have already made obligations on as to which of these projects we will lend on. We are studying them. It is impossible for me to tell you at this time on what precise projects we will make the loans.

COMMITMENTS TO COUNTRY PLANS

Mr. PASSMAN. For fiscal year 1963, you obligated money to the plan for Pakistan?

Mr. GAUD. We did that in fiscal year 1962 for projects and programs within the Pakistan plan.

Mr. PASSMAN. Under the old system, if you were dealing with a project under a form of grant aid—and that is certainly what this is—you might take one slice in fiscal year 1962 and you could take another slice in fiscal year 1963, and another in fiscal year 1964. We went around and around on this last year, that we did not want to get into a position so the countries would feel this aid would be forthcoming once this project had been started.

But we are no longer appropriating money specifically to a project, or a series of projects but to a country plan, and we have no idea what the plan will encompass until after the money is appropriated. We are appropriating to plans rather than projects.

COMMITMENT AUTHORITY UNDER SECTION 202(b)

Mr. GAUD. I would like to describe the process by which we operate under section 202(b).

That section of the statute, Mr. Chairman, as I think you know, authorizes us to make commitments, subject to the appropriation of funds, in connection with the orderly and effective execution of long-term plans and programs.

Now, what we did in January 1962 was to enter into a Presidential commitment under section 202(b) that in the course of the next 2 fiscal years we would commit a total on behalf of the U.S. Government, including the Export-Import Bank, of $500 million to projects included within the Pakistan 5-year plan, the second and third years. This is a commitment that we will obligate that much money on projects which we approve subsequently.

The money is not allocated to any particular project. We have not approved any project. We go through exactly the same process thereafter as thought we were acting on individual loan applications which are presented to us, which in fact are presented to us.

As the year goes on, the Pakistanis come to us with projects and proposals which are part of their plan and ask us if we will finance them. We treat these just as we treat any other loan application—engineer them and all the rest of it.

USE TO BE MADE OF LONG-TERM FUNDS REQUESTED

Mr. PASSMAN. Of the $235 million estimate, what part would be under development credits, which you call loans?

Mr. GAUD. The whole amount.

Mr. PASSMAN. All of it?

Mr. GAUD. I beg your pardon?

Mr. PASSMAN. Just give us the amount.

Mr. GAUD. You are speaking of next year?

Mr. PASSMAN. Fiscal year 1963.

Mr. GAUD. Yes; $225 million.

Mr. PASSMAN. $225 million. You are asking Congress to appropriate $225 million in cash for fiscal year 1963?

Mr. GAUD. Correct.

Mr. PASSMAN. Tell us what projects you are going to spend the money on in fiscal year 1963, out of this $225 million.

Mr. GAUD. I cannot tell you that any more than I can tell you what projects we are going to spend any of this development loan money on in 1963.

Mr. PASSMAN. You have no firm projects for the $225 million?

Mr. GAUD. We have a great many we are studying. We have not made commitments to any.

Mr. PASSMAN. So, if we appropriate the $225 million for Pakistan, in reality we do not know for what projects it is going to be spent?

Mr. GAUD. That is true.

Mr. PASSMAN. That is what I said earlier.

Mr. GAUD. And that is true for every appropriation for every development loan fund that has ever been made by the Congress.

Mr. PASSMAN. They used to list them.

In reality, this simply means when we turn over to you the $225 million under this so-called loan business, which is 40 years, no interest, 10-year grace period, and the Congress does not know what the money is going to be obligated for until after you get it.

Mr. GAUD. With one qualification. They know it will be spent on projects or programs included in Pakistan's published plan, which we determine meet the criteria of the act as to engineering, and so on.

Mr. PASSMAN. We were told earlier that when the money was made available you could alter these plans, you could make adjustments either up or down, depending on the amount of money you got, and switch from country to country.

Mr. GAUD. If we have made a commitment of $225 million to Pakistan, as we have, the only thing to which that is subject is the appropriation of the Congress. We cannot at this point say, "OK, Pakistan, we will only give you $200 million."

Mr. PASSMAN. If they do not come up with plans and programs that meet the criteria, are you still going to give them the money?

Mr. GAUD. We are not.

Mr. PASSMAN. Then, you would have that money available to obligate elsewhere?

Mr. GAUD. We would.

Mr. PASSMAN. That is the point I was trying to make.

Witnesses have certainly testified directly that you are making an appropriation to a plan, and not to projects.

Mr. GAUD. I would have to be shown that, Mr. Chairman.

Mr. PASSMAN. You read the hearings.

Mr. GAUD. I will.

NOTIFICATION OF CONGRESS OF AGREEMENTS UNDER SECTION 202(b)

Mr. RHODES. Did you say this is a 202(b) project?

Mr. GAUD. Yes.

Mr. RHODES. Refresh my memory.

In section 202(b), is it not required that the plan be reported to the Congress?

Mr. GAUD. I believe it requires, upon conclusion of each such agreement, the President shall notify the Foreign Relations and Appropriations Committees of the Senate, and the Speaker of the House of

Representatives, of the provisions of the agreement, including the amount of funds involved, and undertakings of the parties thereto; that is true.

Mr. RHODES. Has such notification been made?

Mr. GAUD. No, sir.

Mr. RHODES. Well, then this is not a 202(b) program.

Mr. GAUD. Mr. Rhodes, the President signed the authorization for this agreement in January 1962. We had our meeting of the consortium late in January 1962. We then prepared the agreement referred to in the statute. We sent it to Pakistan. That agreement was signed on July 25, 1962, about a week ago.

It gave rise to the newspaper article that the chairman mentioned on Monday. We have cabled our AID mission, twice to my knowledge, asking for a copy of the agreement so we can submit it to Congress pursuant to this statute. It has not yet arrived.

SWITCH FROM DEVELOPMENT GRANT TO LOANS

Mr. PASSMAN. Do you have any instances where your outright grant aid could have been the development credit aid?

Mr. GAUD. At the present time?

Mr. PASSMAN. Under your fiscal year 1962 or fiscal year 1963 program.

Mr. GAUD. I would say not.

There are instances where we are contemplating switching types of projects which have formerly been under development grants, switching them to development loans. We are thinking of doing it in one or two other places.

Mr. PASSMAN. There are people in high places in your own agency who know that these transactions are not loans, that they are disguised grants, and that you have no real basis for approving a credit of this magnitude for any of these nations out there.

The purpose was to get the control away from the Congress.

SECTION 202(b) FUNDS COMMITTED TO COUNTRY PLANS

Now, I am going to read this into the record:

Mr. PASSMAN. Funds are no longer committed to a program or to a project but to a plan, such as a 5-year plan. Did you say that?

Mr. HAMILTON. Yes.

This is from a colloquy with Mr. Fowler Hamilton, the AID Administrator.

He understood this matter the way I did.

Even though it is subject to an appropriation, you have those who would argue that we have made the commitment and now the appropriation must be forthcoming or the United States would have violated its commitment.

UNLIQUIDATED OBLIGATIONS IN PAKISTAN

Would you tell me, sir, what you have to the credit of Pakistan in unliquidated funds from all categories?

Mr. TENNANT. $368,244,000.

Mr. PASSMAN. That is out of the mutual security category alone?
Mr. TENNANT. Economic.
Mr. PASSMAN. It does not include military assistance?
Mr. TENNANT. No, sir.
Mr. PASSMAN. What sum do you have to the credit of the military in the pipeline?
Mr. TENNANT. $98.6 million, making a total of $466.8 million.
Mr. PASSMAN. That is out of the two mutual security spigots, and you could have also the international organization commitments.
How about the IDA; are they in on that?
Mr. TENNANT. I think they are in IDA, but I don't have that figure.
Mr. PASSMAN. $21 million.
This does not pick up any long-range development under the Export-Import Bank that may be available out there, does it?
Mr. TENNANT. No, sir.
Mr. PASSMAN. And we close the books June 30, 1962, with $500 million in the pipeline to the credit of Pakistan; is that right?
Mr. TENNANT. That is correct.

DISTINCTION BETWEEN LONG-TERM COMMITMENTS TO INDIA AND PAKISTAN

Mr. GAUD. I would like to say something if I may.
Mr. PASSMAN. Go right ahead.
Mr. GAUD. I am sorry Mr. Ford isn't here but he asked me questions yesterday on the Indian commitment and I am not sure he got the full force of my statement that I made yesterday as to the distinction between the two commitments with respect to the aid recipient fiscal years. The Paks have the same fiscal year that we do, so that the portion of the commitment for the second year of the plan is for a period coterminous with our own fiscal year 1963. The Indian fiscal year, on the other hand, is not the same as ours. It runs from April 1 to March 31, so that the request for an appropriation that we have for India this year includes not only the current year of their plan, but also one quarter of the following year. In that respect it is different from the Pakistan situation where we have the coterminal fiscal years, with the result that $225 million we are talking about for fiscal year 1963 will be obligated for specific projects which we approve within the fiscal year only. Some of our requests for an appropriation in the Indian situtaion will go to the third year of the Indian plan. I wanted to make sure that that was clear.
Mr. PASSMAN. Thank you.

SYRIA

Syria is a country which for years and years would not accept an aid program?
Mr. GAUD. Yes.
Mr. PASSMAN. I believe Syria possesses more gold reserves on a per capita basis than any other country in your region; does it not?
Mr. GAUD. I do not know, sir, whether it does or not. I would doubt that very seriously. The foreign exchange holdings have been dissipated a good deal in the last 2 years, I am afraid, sir.
Mr. ROONEY. Mr. Chairman, would you kindly ask what the gold holdings are now?
Mr. PASSMAN. I am going to do so in just a moment, when I get to what they have bought from us.

GOLD RESERVES

I find in the record that in the last quarter of 1960 Syria purchased from us $2.1 million in gold.

Could you tell us the amount of gold holdings of Syria at this time?

Mr. GAUD. Have we that figure here?

Mr. TENNANT. No, sir.

Mr. MILLER. The gold holdings in Syria at the present time?

Mr. GAUD. Yes.

Mr. MILLER. The latest figure which I have here in the International Monetary Fund statistics shows gold holdings of $19 million in the third quarter of 1961.

Mr. PASSMAN. What is the population of Syria?

Mr. GAUD. 4.7 million in 1961.

Mr. MILLER. The same publication shows gold holdings of its neighbor, Lebanon, as being $140 million.

Mr. PASSMAN. What is the population of Syria, again?

Mr. GAUD. 4.7 million.

Mr. PASSMAN. That would be considered substantial, or would it?

Mr. GAUD. The population?

Mr. PASSMAN. No, the amount of gold per capita.

Mr. GAUD. That is a matter of opinion, I think.

AID PROGRAM IN SYRIA

Mr. PASSMAN. When did you have your first program of aid in Syria?

Mr. TENNANT. For Syria there was a Public Law 480, title III, program in 1952, 1954, 1956, and so forth.

Mr. PASSMAN. What is included under title III?

Mr. TENNANT. Title III is the program of donations under the food-for-peace program.

Mr. GAUD. Private voluntary agencies.

Mr. TENNANT. But from the Department of Agriculture.

Mr. PASSMAN. This is not the aid program, as such?

Mr. TENNANT. This is not under the Foreign Assistance Act.

Mr. PASSMAN. For all practical purposes you had no aid program in Syria until 1960, did you?

Mr. TENNANT. There was a development loan in 1959.

Mr. PASSMAN. In what amount?

Mr. TENNANT. $1 million, and $7.2 million in 1960.

LOAN DISBURSEMENTS

Mr. PASSMAN. Was that out of fiscal year 1960 funds?

Mr. TENNANT. Some out of fiscal year 1960, some out of fiscal year 1961. We do have an unliquidated amount in Syria. Based on the new program figures for the final accounting, the final figures I would estimate that unliquidated at June 30 to be $19 million.

Mr. PASSMAN. Out of that same loan?

Mr. TENNANT. Out of all transactions.

Mr. PASSMAN. I said the aid program was started in 1960. That is when you started disbursing on that loan, is it not?

Mr. TENNANT. The loan is recorded here in 1959.

Mr. PASSMAN. When did you disburse it?

Mr. TENNANT. I can only give you cumulative disbursements at the moment——

Mr. PASSMAN. You do not know whether this loan has been disbursed or not, do you?

What amount did you have in Syria for fiscal year 1961?

Mr. GAUD. Syria was a part of the United Arab Republic at that time, so we had no separate program.

Mr. PASSMAN. I was there, and we had no program. They were eligible for a program as Syria, though not as a member of the UAR, but they wanted no program.

Your program actually started, other than that loan, in fiscal 1962?

Mr. GAUD. We did have a program in 1962, that is very true, after the breakoff from the UAR.

Mr. PASSMAN. And you had one of $23,866,000?

Mr. GAUD. That is true.

ALLOCATION FROM CONTINGENCY FUND FOR BUDGET SUPPORT

Mr. PASSMAN. Did you have anything out of the contingency fund to the credit of Syria?

Mr. GAUD. Yes, we did. We had—on March 22, 1962, we entered into an agreement to make a loan of $9 million to Syria for budget support and that was charged to the contingency fund on the 5th of June.

Mr. PASSMAN. The 5th of June this year?

Mr. GAUD. Yes. The commitment having been made March 22, this year.

Mr. PASSMAN. Is it customary to extend budget support to a nation with substantial gold reserves?

Mr. GAUD. No, and this loan was made after the representatives of Syria came to this country, approached the International Monetary Fund and worked out a stabilization program with them to restore the free convertibility of their currency and to liberalize their foreign trade. The IMF made certain funds available to the Syrian Government. In connection with this the Export-Import Bank made a loan of $5 million, we made a loan of $9 million, Germany made a loan of $16 million and Italy made a loan of $5 million to bail Syria out of its financial difficulties.

Mr. PASSMAN. Even during that period as a part of the United Arab Republic, they held onto their gold reserves. When did they break off from the United Arab Republic?

Mr. LEE. Late in 1961.

Mr. ROONEY. That is on page 245.

UNLIQUIDATED OBLIGATIONS

Mr. PASSMAN. What sum do you have unliquidated——

Mr. TENNANT. On the total economic program we had $9,110,000. With that increased loan, we would estimate the increased program at about $19,110,000.

Mr. GAUD. In 1962 we also entered into a development loan which had been under negotiation during the period when Syria was a part

of the Arab Republic and it came to fruition after the split. This was a loan for grain storage facilities.

Mr. PASSMAN. They were actually eligible while they were a part of the UAR to do business with us as Syria in these aid programs?

Mr. GAUD. They were not only eligible but were trying to get loans out of us.

RELUCTANCE OF SYRIA TO ACCEPT AID PROGRAM

Mr. PASSMAN. We were there November 3, 1961?

Mr. GAUD. Yes, sir.

Mr. PASSMAN. At that time they had no aid program, and they said they did not want any aid program, and the consul general, as I said, said that they had gold reserves.

Mr. Rooney?

Mr. ROONEY. Did the Syrian Government come looking for us or did we go looking for them?

Mr. GAUD. They came to us.

Mr. ROONEY. That is all, Mr. Chairman.

Mr. PASSMAN. I do not know whether it would add anything to what has been said but I was in Damascus in the office of the consul general, and he will verify this. We had no aid program. They did not want an aid program, and our AID people were then trying to show them the advantages of having some type of aid program, if it was nothing but technicians. It would appear to me that we went looking for them, and it appears that we succeeded.

Mr. ROONEY. Haven't you ever been on an official trip and been misinformed by our people abroad in the Foreign Service with regard to many things?

Mr. PASSMAN. Well, I have never been as badly misinformed by the people out in the field as I have by these justification books with which we are trying to consider this bill. But I will say, yes, I am sure that some of the information I get could be either worse or better. I have no way of evaluating it, when you take into account the irregularities we are confronted with here.

Mr. ROONEY. When I make a trip abroad very often I am followed around the circuit by wires and communications changing the statements made to me at the previous post.

Mr. PASSMAN. I want to say to the gentleman that if the State Department is still doing such things, with the experience they have had in 185 years, you can imagine what the aid people might do.

SAUDI ARABIA

Did you have any money for Saudi Arabia in fiscal year 1962?

Mr. GAUD. Yes; we provided a supporting assistance grant of $150,000.

Mr. PASSMAN. Have you anything unliquidated to Saudi Arabia as of June 30?

Mr. TENNANT. $150,000 unliquidated and the military figure is $———. That would be a total of $———.

Mr. PASSMAN. This is the country for which I believe we were told they actually no longer needed that aid.

Mr. GAUD. I said that. I said they had no need for economic development assistance, Mr. Chairman. I was not talking to the military. On that I don't know.

Mr. PASSMAN. But you did have to their credit——

Mr. TENNANT. $——— on the military side.

Mr. PASSMAN. They need no economic aid?

Mr. GAUD. That is true, in my judgment.

Mr. PASSMAN. We gave them $150,000 economic aid in fiscal year 1962?

Mr. GAUD. That was not economic development aid.

Mr. PASSMAN. What was that?

Mr. GAUD. (Off the record.)

This was charged as you will see, to supporting assistance. This was not done in any sense as an economic development program.

Mr. PASSMAN. We took out of the contingency fund $150,000 to make these gifts available?

Mr. GAUD. That is true.

TURKEY

Mr. PASSMAN. You had a $72,854,000 program for fiscal year 1962 in Turkey?

Mr. GAUD. Yes, sir.

Mr. PASSMAN. You are requesting $——— for fiscal year 1963?

Mr. GAUD. Yes, sir.

Mr. PASSMAN. Could you give us the total of aid to Turkey since the inception of the program?

Mr. TENNANT. Total aid through fiscal year 1962 including economic, military, Public Law 480, Export-Import, $3,843,400,000.

Mr. PASSMAN. Could you get all the other spigots together and total it for us?

Mr. TENNANT. Yes, sir.

TOTAL ECONOMIC AND MILITARY UNLIQUIDATED OBLIGATIONS

Mr. PASSMAN. What amount do you have unliquidated to the credit of——

Mr. TENNANT. Unliquidated on the economic side, plus the military side, $482,525,000.

That includes the military; the economic part is approximately $215 million.

Mr. PASSMAN. If you pick up the other spigots that may be available, then could we say that $500 million or more is available?

You do not have Public Law 480 in this; do you?

Mr. TENNANT. No, sir.

Mr. PASSMAN. Is that unliquidated?

Mr. TENNANT. Public Law 480 I would have to supply. I would say it is slightly over half a billion.

Mr. PASSMAN. More than half a billion dollars?

Mr. TENNANT. I say, including Public Law 480. I agree with your figures.

PER CAPITA GNP IN TURKEY

Mr. PASSMAN. What has been the growth in the per capita gross national product, by year, since we started our aid program?

Mr. GAUD. I do not think we have any figures before 1959 here.

Mr. PASSMAN. Let us take the last 3 years; 1959, 1960, and 1961.

Mr. GAUD. The per capita GNP in 1959?

Mr. PASSMAN. Yes, sir.

Mr. GAUD. In 1959 it was $195; 1960 it was the same; 1961, it was $187.

Mr. PASSMAN. I think our aid program reached an alltime high during these 3 years; did it not?

Mr. GAUD. Yes, sir.

Mr. PASSMAN. We realize the necessity for having Turkey friendly, but the GNP figures would indicate that, from the standpoint of their economic growth and per capita gross national product, they have gone in reverse.

Mr. GAUD. I am sure that you will remember the statement made by Mr. Talbot on Turkey the other day in which Turkey has gone into an economic decline in the past 2 years. Her present Government, the hope and expectation is that Turkey has turned the corner and things will start turning brighter again.

Mr. PASSMAN. There was no growth; and then you had a decline in 1961, and we have no information here other than this encouraging statement?

Mr. GAUD. That is correct, Mr. Chairman.

PIPELINE FOR TECHNICAL SUPPORT PROJECT

Mr. PASSMAN. How many vehicles are in the pipeline under the technical support project for fiscal year 1963?

Mr. GAUD. I do not have that information here in the hearing room, Mr. Chairman. I will be happy to supply it.

Mr. PASSMAN. It says here, on page 79, that their unliquidated amount is $96,000 under "Technical support," and then says:

The pipeline consists of vehicles and office supplies which have not yet been delivered.

Mr. GAUD. That is right.

Mr. PASSMAN. What is the general project for which $41,000 is requested, on page 791?

Mr. GAUD. This $41,000 covers two items, Mr. Chairman; one is $15,000 for an export promotion center and the other is to cover a project to set up a standards institution laboratory.

UNITED ARAB REPUBLIC

Mr. PASSMAN. The United Arab Republic.

I think we went many years without an aid program there, did we not?

Mr. GAUD. I think we did. We cut new obligational authority off altogether from mid-fiscal year 1957 through fiscal year 1958.

Mr. PASSMAN. But we never did deobligate funds we had credited to the country. Is that correct?

Mr. GAUD. Can you help on that?

Mr. TENNANT. I think we did hold some funds in that country.

Mr. PASSMAN. In case we could talk them into the notion of being friendly, and if we could not, we are still going to give it to them anyway?

In fiscal year 1962 you had a program of $41,950,000?

Mr. GAUD. That is correct.

ALLOCATION FROM CONTINGENCY FUND FOR BUDGET SUPPORT

Mr. PASSMAN. How much of that was out of the contingency fund?

Mr. GAUD. Of that amount, $15 million out of the contingency fund on June 30, pursuant to an agreement reached with the Government of Egypt on April 26. That was $15 million, Mr. Chairman, of the $20 million loan made in connection with the stabilization agreement to which I referred in my opening statement and to which Mr. Talbot addressed some remarks.

Mr. PASSMAN. Does that mean budgetary support?

Mr. GAUD. It does, in a sense. It was support for the balance of payments.

This was the result of a specific foreign exchange crisis. This was not for general budgetary support.

Mr. PASSMAN. This thing moved along as rapidly as you could complete the deal?

Mr. GAUD. What did?

Mr. PASSMAN. This agreement. You say it was an emergency?

Mr. GAUD. That is correct.

Mr. PASSMAN. If it had been just a few hours later, you would not have had it in on 1962 funds?

Mr. GAUD. No; the agreement was made on April 26.

Mr. PASSMAN. Did you have in mind funding it out of some other program or some other project?

Mr. GAUD. Frankly, sir, the particular fund is not my problem.

This agreement was entered into on April 26 after discussions within AID. I then requested an allocation of funds to cover it. By that time I had no regional supporting assistance funds to cover this requirement.

Mr. Coffin will testify on the uses of the contingency fund.

UNLIQUIDATED OBLIGATIONS

Mr. PASSMAN. What sum do you have unliquidated to the credit of this country?

Mr. TENNANT. The original estimates were $38,555,000 based on the increased program and I would say $48,555,000.

TERMS OF LOAN FROM CONTINGENCY FUND

Mr. PASSMAN. What are the terms of this development credit or loan?

Mr. GAUD. The $20-million one I have been referring to?

Mr. PASSMAN. Yes.

Mr. GAUD. The terms of that are 10 years at 2.5 percent interest, with a 3-year grace period.

Mr. PASSMAN. When that loan is repaid, where does it go, into the U.S. Treasury or the pipeline of the program?

Mr. GAUD. This is not a development loan.

This comes out of the contingency fund and I will have to yield to Judge Miller on that. I do not know the answer.

Mr. PASSMAN. Does the Comptroller know?

Mr. TENNANT. It goes into the U.S. Treasury. It is not available to us, sir.

Mr. PASSMAN. This type of transaction would be the exception and not the rule under the contingency fund, would it not?

Mr. GAUD. We considered this as a supporting assistance loan. Any supporting assistance loan would go into the U.S. Treasury. This was not a development loan.

Mr. TENNANT. We did make a number of loans out of the contingency account, Mr. Chairman.

EDUCATION PROGRAM

Mr. PASSMAN. Give us the total amount of what you have scheduled for education.

Mr. GAUD. In the UAR?

Mr. PASSMAN. Yes.

Mr. GAUD. The total planned for fiscal 1963 is $145,000. I would like to say that within the last few weeks we have received a request from the mission to study the possibility of getting an American university or a group of American universities interested in a university in Egypt. We are just beginning to look into that and if we decide to go into it, that means in 1963 the obligation in education will be greater than this $145,000.

Mr. PASSMAN. This is a country we were out of for many years?

Mr. GAUD. That is right.

Mr. PASSMAN. During Nasser's regime?

Mr. GAUD. Yes, sir.

Mr. PASSMAN. Nasser attended the Belgrade Conference, did he not?

Mr. GAUD. He did.

Mr. PASSMAN. The majority of fiscal 1962 funds were obligated subsequent to the Belgrade Conference?

Mr. GAUD. Yes, sir.

Mr. LEE. Mr. Chairman?

Mr. PASSMAN. Yes.

Mr. LEE. Is there a statement in the record about the Cairo Conference to indicate the situation?

Mr. GAUD. Mr. Talbot covered that.

ASSISTANCE TO BELGRADE CONFERENCE PARTICIPANT

Mr. PASSMAN. It looks as if some of the people who slapped us the hardest received the largest increases. Did you see this document showing the amount of money to the Belgrade Conference members and what we propose in 1963?

Mr. GAUD. You quoted those figures in the record earlier; I had not seen those.

Mr. LEE. Those of them who were in the Cairo Conference which was called at the behest of the Belgrade Conference——

Mr. PASSMAN. Is Nasser's attitude toward the United States about the same as always?

Mr. LEE. No; I do not think it is.

Mr. PASSMAN. Is his attitude toward the other side changing, or has it changed?

Mr. LEE. Yes; I think it has.

Mr. PASSMAN. Would you also include all the spigots under Public Law 480 when you give us this information recapitulating aid to Egypt?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. Mr. Rooney?

Mr. ROONEY. I have no questions at this point, Mr. Chairman.

YEMEN

Mr. PASSMAN. When did you start the aid program in Yemen?

Mr. GAUD. We started our aid program in Yemen in 1959.

Mr. PASSMAN. That is another nation which for years declined our aid; is that a statement of fact?

Mr. GAUD. I have no information on that, sir.

Mr. PASSMAN. Are you familiar with it?

Mr. TENNANT. I do not know that point, sir.

I know we started in 1959.

Mr. PASSMAN. There was no aid program until 1959?

Mr. GAUD. That is true.

Mr. PASSMAN. Could you tell us the first year you justified the aid program to Congress for Yemen?

Mr. GAUD. According to the book, the first year we had a program was in 1959.

Mr. PASSMAN. Do you know the first year a Yemen aid program was justified to Congress?

Mr. GAUD. Other than what is shown in this exhibit, I have no information on that, Mr. Chairman.

Mr. PASSMAN. Would you supplement that information?

Mr. TENNANT. I would have to file this for the record, but I do not believe it was in the 1959 presentation, sir.

Mr. PASSMAN. It was not in the 1959 presentation book.

When we got started, we really started a good one. What is the population of Yemen?

Mr. GAUD. The population——

Mr. ROONEY. Mr. Chairman, unless page 259 refers to a calendar year, this language must be wrong:

> * * * The efforts of the Communist bloc to achieve political influence led to the initiation of the U.S. aid program in 1959.

Mr. GAUD. That is our information.

Mr. TENNANT. I agree that the program started in 1959. I thought the question was directed as to whether we had included a proposed program in the 1959 presentation.

Mr. PASSMAN. That is correct. When did you include it in your presentation, in your justifications?

PROGRAM INITIATED FROM CONTINGENCY FUND

Mr. TENNANT. I think it was initially funded from the contingency fund.

Mr. PASSMAN. That is right.

Mr. TENNANT. If I remember correctly.

Mr. PASSMAN. You did not justify a program for Yemen?

Mr. TENNANT. That is right, sir.

Mr. PASSMAN. For fiscal 1960, you had a program for Yemen of $6.8 million?

Mr. GAUD. That is true.

Mr. PASSMAN. The original figure of $5 million did not hold firm?

Mr. GAUD. That is true. We have appropriated an additional $1.8 million to expedite the building of a road.

Mr. PASSMAN. Since this is a new program in Yemen, we are just getting underway, you would have had a reasonable program for this new aid-recipient country if you had stuck with the original $5 million?

Mr. GAUD. This $1.8 million was not for a new project. It was what you might call a stepping up of the funding of an existing project.

Mr. PASSMAN. You would have had a going program, and a satisfactory program, had you remained with the original $5 million?

Mr. GAUD. We do not think so.

Mr. PASSMAN. Whoever printed up these books and made up these programs originally thought so?

Mr. GAUD. That is true.

That seemed so at the time but subsequently it appeared if we funded another $1.8 million on the road, which merely means a saving of $1.8 million either next year or the year after, we would get on with the project faster and do a better job.

Mr. PASSMAN. It is not reflected in the justifications, is it? I refer to the $1.8 million.

Mr. GAUD. This did not happen until after the justification was submitted. You are quite right.

Mr. PASSMAN. They are not in the justifications on which we are considering this money bill?

Mr. GAUD. You are quite right.

Mr. PASSMAN. Did you take it out of the contingency fund?

Mr. GAUD. We did.

Mr. PASSMAN. Was that for advance funding?

Mr. GAUD. No; it was to be obligated at once.

It is for a highway, to hurry up the building of the highway.

Mr. PASSMAN. When do you expect the highway to be completed?

Mr. GAUD. We do not expect it to be completed until 1964. This is to procure additional supplies to go into the construction of the highway in fiscal year 1963.

Mr. PASSMAN. It was advance planning, because you are spending it on a project which will not be completed until 1964?

Mr. GAUD. That is right.

Mr. PASSMAN. Even if you meet the target date then?

Mr. GAUD. That is right.

Mr. PASSMAN. Mr. Rooney?

Mr. ROONEY. I do not believe I have any questions at this point, Mr. Chairman.

FISCAL YEAR 1963 PROGRAM

Mr. PASSMAN. Let us go back to page 825 on Yemen.

It would appear that your plans call in fiscal year 1963 for an additional program of $4,485,000, and the reasons you gave for the increase are in your own books. I quote:

In fiscal 1963 funding the increased cost is caused by stepped-up procurement of heavy equipment and other commodities.

Mr. GAUD. That is right.

Mr. PASSMAN. There is a slight increase in the number of technicians and increased training activities?

Is that the purpose for which you used the $1.8 million?

Mr. GAUD. That is right as far as the first question is concerned. However, the $1.8 million was obligated for equipment and material essential to increase the pace of the road construstion.

Mr. PASSMAN. Have you reduced your request in this category?

Mr. GAUD. You mean for the next year?

Mr. PASSMAN. Yes.

Mr. GAUD. It could be.

Mr. PASSMAN. If I had not proceeded into this line of examination, we would never have known, would we?

Mr. GAUD. That is quite likely.

Mr. PASSMAN. Thank you.

CENTO

You had a 1962 program of $2,308,000 for CENTO?

Mr. GAUD. Yes, sir.

Mr. PASSMAN. You are requesting ———

Mr. GAUD. For CENTO; yes, sir.

Mr. PASSMAN. Are we dealing with the same project the book estimated at $1,750,000? You increased that in 1962 to $2,380,000?

Mr. TENNANT. That is correct.

Mr. GAUD. Right.

Mr. PASSMAN. For what purpose was the increase?

Mr. GAUD. The increase is in a project shown on page 833 of the project book, the Regional Civil Airway System.

Mr. PASSMAN. Is that the project where you are going back to fiscal 1961 and fiscal 1962, and for which you had $1.5 million in each of those years?

Mr. GAUD. Yes, sir.

Mr. PASSMAN. At the end of fiscal 1962 you had unliquidated $2,150,000?

Mr. GAUD. Yes, sir.

We have had a great deal of trouble entering into a contract for that equipment. We finally did it, getting a satisfactory contractor.

Mr. PASSMAN. You would have had a going project, and a satisfactory project, if you had not increased the allocation in fiscal 1962, would you not?

Mr. GAUD. That I am not so sure of.

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Mr. PASSMAN. You said in your book, and I am going to quote again:

* * * It is proceeding at a satisfactory rate for target completion in 1964.

All that was put down before you increased the allocation.

Am I reading correctly?

Mr. GAUD. You certainly are.

The additional money obligated in fiscal year 1962 was to purchase some radar equipment for the airport at Ankara which was done on the recommendation of the technicians from the FAA who are in charge of the project.

Mr. PASSMAN. Supplementary to the answer you gave us a while ago?

Mr. GAUD. I did not say this a minute ago.

Mr. PASSMAN. You did not?

Mr. GAUD. I beg your pardon. I said the reason we had been so slow in getting along with the project was that we had a great deal of trouble in getting a satisfactory contractor.

In response to the next question, as to why we added this money, I am saying the reason we obligated this particular money was on the recommendation of the FAA that we needed some additional radar equipment for the project.

Mr. PASSMAN. You have not spent it but obligated it?

Mr. GAUD. Yes, sir.

Mr. PASSMAN What amount did you have unliquidated on this CENTO project?

UNLIQUIDATED OBLIGATIONS

Mr. TENNANT. The unliquidated total on June 30 is $17,223,000, but this includes other projects as well.

NESA REGIONAL PROJECTS

Mr. PASSMAN. Regional projects: In the 1962 program you had $3,451,000?

Mr. GAUD. Yes, sir.

Mr. PASSMAN. The figure for fiscal year 1963 is ———?

Mr. GAUD. Yes, sir.

Mr. PASSMAN. What is the amount of unliquidated funds to the credit of the regional projects?

Mr TENNANT. For all regional projects——

Mr. ROONEY. Mr. Chairman, this is just part of the regional projects. This is the Near East and South Asian regional projects.

Mr. GAUD. That is right.

Mr. ROONEY. CENTO is an entirely different item.

Mr. PASSMAN. We left CENTO altogether. I intended to yield to you on CENTO.

Mr. ROONEY. That is all right.

Mr. Chairman, I wondered why you skipped page 263 and then went on to CENTO.

Mr. PASSMAN. Where is page 263?

I am sorry. That is the last one on my list.

Mr. ROONEY. It is the next project following Yemen, the one that you are on now, whereas you have already gone on to CENTO.

Mr. PASSMAN. I thought I was taking them in order.

I had gone through the list country by country and then picked up CENTO.

I am sorry I did not yield.

Mr. ROONEY. It is not too important.

Mr. PASSMAN. I want the gentleman from New York to see this. When we picked up the pages to be typed, they were put on there out of order.

Mr. ROONEY. I assume we are on the last one.

Mr. PASSMAN. I do not know about that. We might go a little further.

I want to say that the taxpayers are not getting a fair shake because, of necessity, we are jumping over projects that may require years and years and billions of dollars to bring to conclusion.

UNLIQUIDATED BALANCE UNDER REGIONAL PROJECTS

Now, regional projects. What is the unliquidated amount?

Mr. TENNANT. Near East Regional, $31,788,000.

Mr. GAUD. What?

Mr. PASSMAN. That is right.

Mr. GAUD. This could not be. We have not obligated this much.

Mr. PASSMAN. I asked what sum you had on hand unliquidated.

Mr. TENNANT. These are transactions going back into the past.

Mr. PASSMAN. From previous years, unliquidated.

Mr. TENNANT. There is some question about this figure. We will have to make an analysis of it, sir.

I think there may be some development assistance money in there.

Mr. GAUD. We will supply the figure.

Mr. PASSMAN. What figure did you give us, subject to any revisions?

Mr. TENNANT. $31,788,000.

Mr. PASSMAN. That does not include CENTO?

Mr. TENNANT. That is right.

Mr. PASSMAN. You are giving that figure from the totals that you have available now from your record?

Mr. TENNANT. Yes.

Mr. PASSMAN. May I see that if it is not a classified document?

Mr. TENNANT. Yes.

Mr. PASSMAN. Because I have some figures too.

(Off the record.)

Mr. PASSMAN. Subject to revision, if there is an error, but as of this time you have to the credit of the regional projects $31,788,000. Does that satisfy you for the record, when I say "subject to revision"?

Mr. TENNANT. Yes.

Mr. PASSMAN. Regional projects could be for your entire 19 countries?

Mr. TENNANT. Yes. The projects could be most anywhere in the region.

Mr. PASSMAN. You do not pin it down for countries.

(The information follows:)

UNLIQUIDATED OBLIGATIONS FOR NEAR EAST AND SOUTH ASIA REGIONAL PROJECS

The figure of $31,788,000 is correct; it represents the current estimate of unliquidated obligations for Near East and South Asia regional projects, as of June 30, 1962.

AMERICAN UNIVERSITY AT BEIRUT

Mr. PASSMAN. You have the American University at Beirut?

Mr. GAUD. Yes, sir.

Mr. PASSMAN. Do you know anything about this new medical school and whether it has been completed and staffed?

Mr. GAUD. I do not know about the medical school.

Mr. PASSMAN. Are you familiar with it, Mr. Secretary? They are building a new medical school.

Mr. LEE. Yes. I have heard discussions of that. I do not know the details.

Mr. PASSMAN. It is my understanding they have students from 61 nations of the world in attendance at the university. Are you familiar with that matter?

Mr. LEE. I know this is a university system that provides training for a wide area. I have heard it well spoken of as a training program.

Mr. PASSMAN. It enjoys a great reputation in that part of the world?

Mr. LEE. I think that is right.

Mr. PASSMAN. Is it not true many of the leaders of that part of the world are graduates of the American University at Beirut?

Mr. LEE. I believe a lot of the leaders have gone there.

Mr. PASSMAN. I think that one of the prerequisites of gaining entrance is, you must be able to speak English.

Mr. LEE. The instruction is mostly in English.

Mr. PASSMAN. I think it is a good show window of what higher learning means. I have never heard anything uncomplimentary about this university.

It is nonsectarian?

Mr. LEE. Yes.

Mr. PASSMAN. You do not disagree with me in my estimate of the university?

Mr. GAUD. I certainly do not.

Mr. PASSMAN. It is my understanding that they are having to dig into their reserves to be able to finance the institution. Are you familiar with that situation?

Mr. GAUD. I have heard that.

Mr. PASSMAN. If the university is what we believe it is, and what the records indicate, then I certainly wish you would have a good close look at it. I want you to know I have no personal interest, no selfish interest.

(Off the record.)

Mr. ROONEY. I was on an official trip one time some 8 years ago, and the Associate Commissioner of Immigration was in our group. His name was Al Devaney, and he suffered a heart attack while we were in Beirut. We had to put him in the hospital at the American University there. This was at the time of President Eisenhower's heart attack, and it so happened that the doctor who was on the staff of the hospital there studied in Boston for 3 years under Dr. Dudley White. Al Devaney had very, very good attention there. Unfortunately, it was a very severe attack and he passed away 4 or 5 months after his return to the United States.

Mr. PASSMAN. The fact that they are establishing this medical school there to take care of the students in that part of the world, to me looks very encouraging.

I do not want to overstate the case, or to understate it. I think it is a great institution, and entitled to your careful consideration.

Mr. LEE. This is, relatively speaking, an old American experiment in educating foreign leaders. I think this is a place we can see the results. We cannot do it all in this university. I think it is only fair to say the AID program in many of these countries is attempting in somewhat varying methods to duplicate this job of getting at the future leaders of the various countries concerned. So I would not say the whole thing is parallel, but is relevant to what some of the other programs are trying to do.

Mr. PASSMAN. I think the record should show that the percentage of aid to the university, as compared to the investment, is a very small part of the total. I would say that the grants you have made to their budget is a very small percentage of the total cost of meeting the expenses of running the university.

Mr. LEE. I would assume that is so.

Mr. PASSMAN. Thank you.

ASSISTANCE TO NESA COUNTRIES FROM NONAID FREE WORLD SOURCES

The information previously requested on assistance to countries in this region from nonaid free world countries has been received and will be made a part of the record at this point.

(The matter referred to follows:)

Assistance to NESA countries from non-AID free world sources, fiscal year 1963

[In millions of dollars]

	Unliquidated, June 30, 1962	Estimated obligations fiscal year 1963	Total availability, fiscal year 1963
Afghanistan:			
Public Law 480: Title II	11.8	----	11.8
Ex-Im	----	----	----
Military assistance	----	(1)	----
UNTA	----	1.0	----
Other free world:			
West Germany	.5	[2] 5.0	----
Yugoslavia	.2	[3] 1.5	----
Asia Foundation (U.S. private)	----	.1	----
Ceylon:			
Public Law 480:			
Title I	8.3	5.0	13.3
Title II	1.1	----	----
Title III	----	2.5	----
IBRD	16.6	----	----
UNTA	(4)	----	----
U.N. Special Fund	(4)	----	----
Other free world:			
Canada	(4)	----	----
United Kingdom	(4)	----	----
West Germany	5.0	----	----
Cyprus:			
Public Law 480: Title II	5.5	----	5.5
IBRD	14.0	.7	14.7
U.N. Special fund	1.4	----	1.4
Other free world:			
United Kingdom	16.8	10.0	26.8
West Germany	3.0	5.0	8.0
Greece:			
Public Law 480:			
Title I	3.9	10.0	13.9
Title III	----	10.0	10.0
Ex-Im	3.7	5.0	8.7
MAP	----	(1)	----
European Economic Committee Development Fund	125.0	----	125.0
OECD consortium (other than U.S.)	----	40.0	40.0
Other free world:			
West Germany	4.0	50.0	54.0
Italian reparations	4.0	----	4.0
India:			
Public Law 480:			
Title I	769.6	350.0	1,119.6
Title II	2.7	2.0	4.7
Title III	----	19.4	----
Ex-Im	122.7	50.0	172.7
IBRD	[5] 170.1	19.5	----
IDA	18.8	----	----
Other free world: [6]			
Netherlands	11.0	----	11.0
France	60.0	----	60.0
Belgium	10.0	----	10.0
United Kingdom	266.0	----	266.0
Canada	61.0	----	61.0
Germany	364.0	----	364.0
Japan	105.0	----	105.0
Italy	53.0	----	53.0
Austria	5.0	----	5.0
Iran:			
Public Law 480:			
Title I	9.1	3.0	12.1
Title II	4.9	5.0	9.9
Title III	----	1.8	1.8
Ex-Im	16.4	10.0	26.4
MAP	----	(1)	----
IBRD	36.0	----	36.0
IFC	----	----	----
UNTA	----	----	----
UN Special Fund	----	----	----
Other free world	----	----	----
Iraq:			
MAP (less than $50,000)	----	----	----

See footnotes at end of table.

Assistance to NESA countries from non-AID free world sources, fiscal year 1963—Continued

[In millions of dollars]

	Unliquidated, June 30, 1962	Estimated obligations fiscal year 1963	Total availability, fiscal year 1963
Israel:			
Public Law 480:			
Title I	40.9	28.0	68.9
Title II		1.8	1.8
Title III		35.0	42.1
Ex-Im	7.1	20.0	68.6
IBRD	48.6	1.0	1.0
UNTA	(4)		
U.N. Special Fund			
Other free world:			
West Germany reparations		35.0	35.0
West Germany restitution payments		80.0	80.0
World Jewry		70.0	70.0
Jordan:			
Public Law 480:			
Title II		7.2	7.2
Title III		1.5	1.5
Ex-Im	1.6		1.6
MAP	7.1	(1)	7.1
IDA	2.0		
UNTA	(4)	3.0	3.0
U.N. Special Fund	(4)		
UNRWA (Palestine refugees)		15.0	15.0
Other free world:			
United Kingdom		6.3	6.3
West Germany		.8	.8
Kuwait	21.0		21.0
Lebanon:			
Ex-Im	.8		.8
MAP		(1)	
IBRD	12.6		12.6
UNTA	(4)	1.0	1.0
U.N. Special Fund			
Other free world:			
France		.5	.5
West Germany		.1	.1
Nepal:			
Public Law 480: Title II	.4		.4
U.N.—General	(4)	.5	.5
U.N. Special Fund	.9		.9
Other free world:			
India	38.0	20.0	58.0
United Kingdom	2.0	2.0	4.0
West Germany	(4)	1.0	1.0
Ford Foundation	(4)	.1	.1
Pakistan:			
Public Law 480:			
Title I	145.7	150.0	295.7
Title II	.9	3.1	4.0
Title III			
Ex-Im	10.9	25.0	35.9
MAP		(1)	
IBRD	122.7		122.7
IFC	4.0		4.0
IDA	21.0	[7] 173.4	194.4
[Note: The following are commitments under the aid consortium for the 2-year period 1961–62, 1962–63, for which no annual breakdown is presently available:]			
Canada	38.0		38.0
France	25.0		25.0
Germany	80.0		80.0
Japan	45.0		45.0
United Kingdom	47.6		47.6
Syria:			
Public Law 480:			
Title I	14.2		14.2
Title II	7.0		7.0
Ex-Im	5.0		5.0

See footnotes at end of table.

Assistance to NESA countries from non-AID free world sources, fiscal year 1963—Continued

[In millions of dollars]

	Unliquidated, June 30, 1962	Estimated obligations fiscal year 1963	Total availability, fiscal year 1963
Turkey:			
Public Law 480:			
Title I	42.5	70.0	112.5
Title II	4.1	2.5	6.6
Title III		1.4	1.4
Ex-Im	30.9		30.9
MAP		[1]	
IBRD		20.0	20.0
IMF	31.0		31.0
European Monetary Agreement	20.0		20.0
UNTA	}	.112	.112
U.N. Special Fund	}		
OECD consortium countries other than United States (public capital only)	25.0	100.00	125.00
United Arab Republic:			
Public Law 480:			
Title I	78.6	84.0	162.6
Title II	12.3		12.3
Title III		27.5	27.5
Ex-Im	2.2		2.2
IBRD	6.8		6.8
Yemen:			
Public Law 480: Title II	2.1	3.5	5.6

[1] Classified.
[2] 5-year plan commitment is $50,000,000.
[3] 5-year plan commitment is $80,000,000.
[4] Not available.
[5] Does not include consortium commitment of $200,000,000 as of July 1962.
[6] Figures are aid consortium commitments as of May 1961 for 1961–62 and 1962–63, plus additional commitments as of July 1962 for the same period.
[7] Figure represents uncommitted remainder of IBRD/IDA share of consortium total; larger part of this expected to come from IDA

Mr. PASSMAN. I have profound respect and high regard for each of you.

It has been a pleasure to work with you.

Mr. GAUD. Thank you, Mr. Chairman.

Mr. PASSMAN. The subcommittee will adjourn until 10 a.m., tomorrow.

FRIDAY, AUGUST 3, 1962.

FAR EAST

WITNESSES

HON. W. AVERELL HARRIMAN, ASSISTANT SECRETARY OF STATE FOR FAR EASTERN AFFAIRS
HON. SEYMOUR J. JANOW, ASSISTANT ADMINISTRATOR, BUREAU FOR FAR EAST, AID
AVERY F. PETERSON, DEPUTY ASSISTANT SECRETARY OF STATE, FAR EASTERN ECONOMIC AFFAIRS
EDWARD F. TENNANT, ACTING CONTROLLER, AID
LEIGH M. MILLER, LEGISLATIVE PROGRAMS COORDINATOR, AID
RUTHERFORD M. POATS, SPECIAL ASSISTANT, BUREAU FOR FAR EAST, AID
CHARLES R. HARKINS, OFFICE OF DEVELOPMENT PLANNING, BUREAU FOR FAR EAST, AID
HENRY J. SANDRI, FOREIGN AID ADVISER, BUREAU OF FAR EASTERN AFFAIRS, STATE

Mr. PASSMAN. The committee will come to order.

We have with us this morning the Honorable W. Averell Harriman, Assistant Secretary of State for Far Eastern Affairs, and the Honorable Seymour J. Janow, Assistant Administrator, Bureau for Far East, AID, accompanied by their supporting witnesses.

Before proceeding with the examination of the requests to operate the foreign-aid program for the Far Eastern Section for fiscal 1963, I think it is probably not inappropriate for me to mention a telegram which was handed to me just before I left the office—a message that is typical of very many that have been coming to me.

I quote portions of the text:

Hon. OTTO PASSMAN,
Chairman, House Appropriations Subcommittee,
Washington, D.C.:

Following our conversation of last night, I salute you * * *. The hitherto fiscal fiasco in permitting the denigration of our marginal gold guarantee is ample proof that this spendthrift spree must cease instanter, lest we all become legal paupers. I shall strive to do everything in my power to assist you in preventing at least 2 billions of bullion of aid, so-called, from being dissipated to the four winds of the world.

Very sincerely yours,

I. VERA VINCENT,
President, R. W. Publishing Co., and Slogan House, Seville Hotel, New York City.

Mr. HARRIMAN. I shall be glad to get you some from New York approving of foreign aid if you wish telegrams sent in.

Mr. PASSMAN. I am sure—with all the money the administration has spent, and all the "pie in the sky" that has been floating around, along with the hundreds of millions of dollars spent to get propaganda to the American people—you could do it, sir.

Mr. HARRIMAN. These would be my own friends and not public money.

Mr. PASSMAN. You would not have to use public money.

I am familiar with the money dissipated in the 50 States to promote this program. I shall not quarrel with you, however.

TREASURY RECEIPTS AND WITHDRAWALS

Last year we reached an alltime high in tax collections and budgetary receipts.

We also established another record in fiscal 1962, and that was for expenditures.

For the first 30 days of July, to run this Government, we had withdrawn from the U.S. Treasury $9,190,346,879.91.

Contrast that, if you will, with the withdrawals last year, a peak year, for the corresponding 30 days, of $7,598,354,888.89.

We have simply been running wild with expenditures during the first 30 days of this fiscal year, or else a lot of invoices became mixed up downtown and did not get through for payment in June, so as to make some persons' estimate of the deficit pinpoint the prediction. It is one or the other.

I submit for the record the Treasury statement for July 30, 1962:

(The statement referred to follows:)

Daily Statement of the United States Treasury

JULY 30, 1962

The deposits and withdrawals shown in this statement are those that affect the account of the Treasurer of the United States. Operations on a budgetary basis, showing the budget surplus or deficit, are published in the Monthly Statement of Receipts and Expenditures of the United States Government.

ACCOUNT OF TREASURER OF THE UNITED STATES

ASSETS	
Gold (oz. 461,937,338.1)	$16,167,806,831.82
(Amount on July 28, 1961 was $17,526,643,741.91)	
Total	16,167,806,831.82
Silver (oz.1,686,494,335.5)	2,180,517,927.10
Silver dollars (oz. 87,957,581.8)	113,722,934.00
Total	2,294,240,861.10
Gold balance (as above)	120,538,315.51
Silver balance (as above)	39,070,976.10
Subsidiary coin (oz. 3,614,367.3)	4,996,533.32
Other silver bullion (oz. 37,301,548.6)	31,506,714.83
Other coin and currency	95,374,243.54
Unclassified-collections, etc.	62,725,980.33
Deposits in:	
Federal Reserve banks:	
Available funds	448,954,748.72
In process of collection, etc.	199,495,593.19
Special depositaries, Treasury Tax and Loan Accounts	5,092,848,284.88
Other depositaries	377,246,190.15
Total	6,472,757,580.57

LIABILITIES	
Gold certificates (Series of 1934), etc	$16,047,268,516.31
Balance of gold	120,538,315.51
Total	16,167,806,831.82
Silver certificates (issued after June 30, 1929)	2,255,169,885.00
Balance of silver	39,070,976.10
Total	2,294,240,861.10
Board of trustees, Postal Savings System:	
5-percent reserve, lawful money	29,500,000.00
Other deposits	10,801,248.64
Uncollected items, exchanges, etc.	27,878,905.71
Balance	6,404,577,426.22
(Balance corresponding day last year was $6,678,283,088.25)	
Total	6,472,757,580.57

CASH DEPOSITS AND WITHDRAWALS

Classification	This month to date	Corresponding period last year [a]	Fiscal year 1963 to date (Beginning July 1, 1962)	Corresponding period fiscal year 1962 [1] (Beginning July 1, 1961)
DEPOSITS				
Internal revenue:				
Individual income taxes and Federal Insurance Contributions Act taxes withheld [2]	$1,311,743,935.66	[a] $1,062,414,573.68	$1,311,743,935.66	[a] $1,062,414,573.68
Individual income taxes other and Self-Employment Contributions Act taxes [2]	328,203,618.87	247,914,004.16	328,203,618.87	247,914,004.16
Corporation income taxes	570,971,335.61	511,812,273.76	570,971,335.61	511,812,273.76
Excise taxes	1,055,840,933.02	1,024,369,043.56	1,055,840,933.02	1,024,369,043.56
Railroad Retirement Tax Act taxes [3]	18,275,411.62	6,369,633.62	18,275,411.62	6,369,633.62
Federal Unemployment Tax Act taxes [4]	1,344,676.83	801,851.18	1,344,676.83	801,851.18
Estate and gift taxes	165,660,128.59	139,662,971.04	165,660,128.59	139,662,971.04
Customs	92,167,866.27	74,496,639.56	92,167,866.27	74,496,639.56
Deposits by States and Railroad Retirement Board in unemployment trust fund	61,425,697.12	55,754,681.11	61,425,697.12	55,754,681.11
Veterans' life insurance funds	39,501,064.24	48,178,417.77	39,501,064.24	48,178,417.77
All other	1,084,361,521.21	507,117,865.17	1,084,361,521.21	507,117,865.17
Total	4,729,496,189.04	3,678,891,954.61	4,729,496,189.04	3,678,891,954.61
Deduct: Refunds of receipts	170,614,963.31	184,811,734.67	170,614,963.31	184,811,734.67
Net deposits	4,558,881,225.73	3,494,080,219.94	4,558,881,225.73	3,494,080,219.94
WITHDRAWALS				
Defense Department:				
Military (including military assistance)	4,058,653,792.19	3,281,624,165.48	4,058,653,792.19	3,281,624,165.48
Civil	89,334,699.38	123,572,486.44	89,334,699.38	123,572,486.44
Foreign assistance - economic	158,594,007.75	118,899,183.94	158,594,007.75	118,899,183.94
Atomic Energy Commission	208,693,352.22	216,129,126.27	208,693,352.22	216,129,126.27
National Aeronautics and Space Administration	138,535,601.88	[a] 117,390,638.85	138,535,601.88	[a] 117,390,638.85
Veterans' Administration	391,993,594.02	443,775,734.29	391,993,594.02	443,775,734.29
Commodity Credit Corporation [5]	346,443,301.54	268,497,958.74	346,443,301.54	268,497,958.74
Health, Education, and Welfare Department	394,299,215.85	[a] 343,100,238.76	394,299,215.85	[a] 343,100,238.76
Interest on the public debt	233,528,919.89	211,617,090.48	233,528,919.89	211,617,090.48
Federal employees' retirement funds	92,478,928.60	84,419,729.61	92,478,928.60	84,419,729.61
Federal old-age and disability insurance trust funds	1,239,993,060.67	[a] 1,063,459,604.77	1,239,993,060.67	[a] 1,063,459,604.77
Highway trust fund	264,149,515.84	[a] 233,558,144.27	264,149,515.84	[a] 233,558,144.27
Railroad retirement account	88,322,216.85	84,842,853.99	88,322,216.85	84,842,853.99
Unemployment trust fund	196,118,166.29	232,031,363.18	196,118,166.29	232,031,363.18
Veterans' life insurance funds	57,081,299.34	210,499,712.86	57,081,299.34	210,499,712.86
All other	1,061,810,357.11	[a] 990,608,839.62	1,061,810,357.11	[a] 990,608,839.62
Clearing account	170,316,850.49	-425,671,982.66	170,316,850.49	-425,671,982.66
Total withdrawals	9,190,346,879.91	7,598,354,888.89	9,190,346,879.91	7,598,354,888.89

[1] Covers period through July 28, 1961.

[2] Distribution in accordance with provisions of sec. 201 of the Social Security Act, as amended, will be shown in the Monthly Statement of Receipts and Expenditures of the United States Government.

[3] Amounts equal to taxes on carriers and their employees (minus refunds) are appropriated to the Railroad retirement account.

[4] Amounts equal to the tax received under the Federal Unemployment Tax Act are transferred to the Unemployment Trust Fund.

[5] Includes expenditures for the soil bank and special export programs.

[a] Revised on account of reclassification.

CHANGES IN THE PUBLIC DEBT[1] -- JULY 30, 1962

Classification	This month to date	Corresponding period last year[2]	Fiscal year 1963 to date (Beginning July 1, 1962)	Corresponding period fiscal year 1962[2] (Beginning July 1, 1961)
Increase (+) or decrease (-) in the gross public debt:				
Public issues:				
Marketable obligations:				
Treasury bills	+$762,738,000.00	+$4,085,332,000.00	+$762,738,000.00	+$4,085,332,000.00
Certificates of indebtedness	-257,000.00	-1,320,000.00	-257,000.00	-1,320,000.00
Treasury notes	+6,638,000.00	+32,695,000.00	+6,638,000.00	+32,695,000.00
Treasury bonds	-60,411,125.00	-14,146,950.00	-60,411,125.00	-14,146,950.00
Other	-62,783.50	-2,202,203.00	-62,783.50	-2,202,203.00
Total marketable obligations	+708,645,091.50	+4,100,357,847.00	+708,645,091.50	+4,100,357,847.00
Non-marketable obligations:				
United States savings bonds	-97,273,874.26	-79,703,781.94	-97,273,874.26	-79,703,781.94
Treasury bonds, investment series	-10,229,000.00	-34,767,000.00	-10,229,000.00	-34,767,000.00
Other	+36,939,247.60	+66,700,186.92	+36,939,247.60	+66,700,186.92
Total non-marketable obligations	-70,563,626.66	-47,770,595.02	-70,563,626.66	-47,770,595.02
Total public issues	+638,081,464.84	+4,052,587,251.98	+638,081,464.84	+4,052,587,251.98
Special issues	+19,094,000.00	+164,995,000.00	+19,094,000.00	+164,995,000.00
Other obligations	-614,186.00	+97,002,469.00	-614,186.00	+97,002,469.00
Change in gross public debt	+656,561,278.84	+4,314,584,720.98	+656,561,278.84	+4,314,584,720.98
Gross public debt at beginning of month or year	298,200,822,720.87	288,970,938,610.05	298,200,822,720.87	288,970,938,610.05
Gross public debt this date	298,857,383,999.71	293,285,523,331.03	298,857,383,999.71	293,285,523,331.03
Guaranteed obligations not owned by Treasury	447,174,500.00	238,770,425.00	447,174,500.00	238,770,425.00
Total gross public debt and guaranteed obligations	299,304,558,499.71	293,524,293,756.03	299,304,558,499.71	293,524,293,756.03
Deduct debt not subject to statutory limitation	432,602,513.15	444,093,945.83	432,602,513.15	444,093,945.83
Total debt subject to limitation[3]	298,871,955,986.56	293,080,199,810.20	298,871,955,986.56	293,080,199,810.20

EFFECT OF OPERATIONS ON PUBLIC DEBT

Deposits (-)	-$4,558,881,225.73	-$3,494,080,219.94	-$4,558,881,225.73	-$3,494,080,219.94
Withdrawals (+)	+9,190,346,879.91	+7,598,354,888.89	+9,190,346,879.91	+7,598,354,888.89
Investment of Government agencies in public debt securities (net), excess of investments (+) or redemptions (-)	+245,428,500.00	+150,188,497.43	+245,428,500.00	+150,188,497.43
Sales and redemptions of obligations of Government agencies in market (net), excess of sales (-) or redemptions (+)	-171,896,865.14	+15,426,087.50	-171,896,865.14	+15,426,087.50
Accrual of disc. on sav. bonds and Treasury bills (+)	+148,584,244.72	+167,231,537.94	+148,584,244.72	+167,231,537.94
Public debt red. incl. as cash withdrawals (-)	-171,204,132.36	-106,699,205.33	-171,204,132.36	-106,699,205.33
Total	+4,682,377,401.40	+4,330,421,586.49	+4,682,377,401.40	+4,330,421,586.49
Increase (+) or decrease (-) in balance of the Treasurer of the United States	-4,025,816,122.56	-15,836,865.51	-4,025,816,122.56	-15,836,865.51
Increase (+) or decrease (-) in public debt	+656,561,278.84	+4,314,584,720.98	+656,561,278.84	+4,314,584,720.98

MEMORANDUM ON INTER-FUND TRANSACTIONS

Non-cash Items Omitted from Both Deposits and Withdrawals on Page 1:				
Interest on investments in Federal securities held by trust funds, etc.	$280,616.37	$338,223.33	$280,616.37	$338,223.33
Transfers between trust funds	20,756.63	9,600,000.00	20,756.63	9,600,000.00
Transfers from general fund to trust funds[4]	33,151,060.20	66,194,584.06	33,151,060.20	66,194,584.06
Transfers between general funds	.....	2,823,420.01	.....	2,823,420.01
Reimbursements to general fund from trust funds	4,970.38	4,186,946.29	4,970.38	4,186,946.29
Transfers to employees' retirement funds	140,764,956.99	117,093,652.86	140,764,956.99	117,093,652.86
Interest paid to Treasury by Government agencies	61,771,223.03	62,205,318.72	61,771,223.03	62,205,318.72
Payment of capital funds by Government agencies to Treasury	.....	.....	.....	.....
Total	235,993,583.60	262,442,145.27	235,993,583.60	262,442,145.27
Non-cash Items Omitted from Withdrawals on Page 1 and Added to Public Debt:	.....	.....	.....	.....
Discount accrued on savings bonds	148,584,244.72	167,231,537.94	148,584,244.72	167,231,537.94
Discount accrued on Treasury bills	.....	.....	.....	.....
Total	148,584,244.72	167,231,537.94	148,584,244.72	167,231,537.94
Public Debt Redemptions Included in Withdrawals on Page 1:[5]				
Discount included in savings bond redemptions	42,851,119.24	52,066,610.28	42,851,119.24	52,066,610.28
Discount included in Treasury bill redemptions	128,266,842.02	99,521,201.67	128,266,842.02	99,521,201.67
Armed Forces leave bonds	63,475.00	94,025.00	63,475.00	94,025.00
Inter-American Development Bank notes (net)	.....	.....	.....	.....
International Monetary Fund notes (net)	.....	-45,000,000.00	.....	-45,000,000.00
International Development Association notes (net)	.....	.....	.....	.....
Excess profits tax refund bonds[6]	3,446.10	968.38	3,446.10	968.38
Adjusted service bonds	19,250.00	16,400.00	19,250.00	16,400.00
Total	171,204,132.36	106,699,205.33	171,204,132.36	106,699,205.33

U. S. SAVINGS BONDS -- SERIES E AND H

Sales--cash issue price	$339,926,004.80	$333,345,894.80	$339,926,004.80	$333,345,894.80
Accrued discount on Series E	.....	.....	.....	.....
Total	339,926,004.80	333,345,894.80	339,926,004.80	333,345,894.80
Redemptions--for cash, at current redemption value[7]	383,537,559.82	349,337,831.89	383,537,559.82	349,337,831.89
Exchanges - Series H for Series E, F and J	17,114,500.00	16,891,500.00	17,114,500.00	16,891,500.00

[1] Includes exchanges.
[2] Covers period through July 28, 1961.
[3] Statutory debt limit, established at $285 billion by the Act approved June 30, 1959, has been temporarily increased from July 1, 1962, to March 31, 1963, to $308 billion; from April 1, 1963, to June 24, 1963, to $305 billion and from June 25, 1963, to June 30, 1963, to $300 billion.
[4] Does not include appropriations of receipts to Federal old-age and survivors insurance trust fund, Federal disability insurance trust fund, Highway trust fund, Railroad retirement account, and Unemployment trust fund.
[5] Minus figures represent net issues of public debt obligations. Redemptions of Armed Forces leave bonds, etc., and discount earned on savings bonds and Treasury bills are included in cash withdrawals when the securities are redeemed.
[6] Reported as refunds of receipts.
[7] Includes minor amounts of Series A through D, the last bonds of which matured in April 1951.

For sale by the Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C.
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Mr. PASSMAN. I think we should also indicate the fact that the mutual security category of the foreign aid program, which has 19 spigots from which funds can be drawn, would indicate, I believe, these facts:

Development grants, for the Far East only, $75 million; supporting assistance, $349,100,000; development credits, $200 million—for a total of $624,100,000.

At this time we shall be very pleased to hear from the distinguished Assistant Secretary of State for Far Eastern Affairs, Governor Harriman.

STATEMENT OF THE ASSISTANT SECRETARY OF STATE FOR FAR EASTERN AFFAIRS

Mr. HARRIMAN. Thank you, Mr. Chairman and members of the committee.

I have a prepared statement here. It consists of about 25 pages. I shall be very glad to read it or to brief it extemporaneously and put the total statement in the record, whichever would be your preference, sir.

Mr. PASSMAN. It is not a question of my preference but a question of the rules of the committee, that all statements be read into the record. So, please take your time and read the statement, sir.

Mr. HARRIMAN. I am very appreciative of the time you take. There are other committees which prefer it the other way.

Mr. PASSMAN. We find it is preferable to have the statements read into the record, and while you are reading we shall pay particular attention and make notes of a pertinent nature.

Mr. HARRIMAN. Mr. Chairman, it is a privilege to appear before the Subcommittee on Appropriations to ask your support of the undertaking by the United States to provide defensive and economic support in areas of the world where people seek to maintain their freedom and to improve their lot and their opportunity. Like myself, several members of this committee have been identified with this undertaking since the prospect of a reconstructed Europe was first pictured in the report to the Congress 16 years ago, in which I participated.

As you know, I was involved in the Marshall plan that was successful in helping Western Europe to rebuild its vitality from the devastation and dislocation left by the war. Perhaps you have noticed the European countries are repaying some of the loans now which were made at the time of the Marshall plan.

Mr. PASSMAN. That is encouraging to the committee, Governor, and thanks for whatever part you had to do with it, and I am sure it was a lot.

However, it has been our understanding that we are collecting loans up to some 35 years or more in advance, by pleading with these people, so as to improve our balance-of-payments position.

Mr. HARRIMAN. In this program which we are putting before you, I shall be glad to give details, a very large part of the program consists of expenditures in the United States and does not mean a gold drain.

PERCENT OF AID FUNDS SPENT IN THE UNITED STATES

Mr. PASSMAN. We have been told that 80 percent of the funds we appropriate are spent in America. Is that correct?

Mr. JANOW. Approximately that.

Mr. PASSMAN. We were told yesterday by your counterpart for another area that for his region 93 percent of all the funds were spent here in America.

But, the point that must be kept in mind is that when the manufacturers ship out goods to recipient countries against this foreign aid program, the invoices are not mailed to the recipient countries to be paid from their foreign exchange earnings and dollars, but are sent for payment to the U.S. Treasury.

I think that when we are pointing out what is being spent in America we should also, as far as possible, indicate that all dollars, 100 percent, eventually are spent in America, either for goods we produce or for gold or for our securities. But, even though the dollars are spent here, the invoices are paid by the U.S. Treasury, and not by the recipient nations.

Have I stated the situation correctly?

Mr. HARRIMAN. I wouldn't put it in that context.

Mr. PASSMAN. I would not think that you would. But, is my statement not accurate?

Mr. HARRIMAN. The facts are not wrong. We are spending money because we think it is in the best interest of the American people.

There has been a general impression, sir, that foreign aid is the total of the outflow of gold whereas the overwhelming majority of funds are spent here so we are giving American material and labor, rather than gold.

Mr. PASSMAN. Governor, I have a very high respect for your knowledge, because I do know you are one of America's outstanding businessmen. I want to get all the information I can, and I hope you so understand it.

Even though some of the world's nations are new and primitive, and some are very small, they earn certain foreign exchange and certain dollar credits from their exports; do they not?

Mr. HARRIMAN. That is correct.

Mr. PASSMAN. Under normal conditions those earned dollars would enter into the channels of commerce and would eventually purchase something that is produced in America?

Mr. HARRIMAN. Foreign exchange is either used in the United States or for purchases in other countries.

Mr. PASSMAN. It eventually works its way home to some extent?

Mr. HARRIMAN. Yes.

FOREIGN AID RELEASES DOLLARS OWNED BY RECIPIENTS

Mr. PASSMAN. If we credit to these nations dollars by which they could requisition their requirements from America, and ship out to them what they requisition against these dollar credits, would that procedure not release their dollar earnings for them to do as they might see fit?

Mr. HARRIMAN. I am not sure I understand what you are referring to. We take into account in estimated requirements of these countries in terms of achieving our objectives the amount of foreign exchange which they have and the purchases which they make for other needs rather than those we supply.

Of course, as you pointed out, of the $624 million, $200 million out of development loans we hope some day will be repaid just as they were in the Marshall plan.

Very few people thought the Marshall plan countries would repay these loans.

Mr. PASSMAN. They have repaid about 1½ percent, have they not, of the total aid that went in?

Mr. HARRIMAN. I haven't the figures with me but they have repaid a very large percentage of the loans that were made in connection with the Marshall plan.

Mr. PASSMAN. Yes, perhaps, for the loans; but loans have been but a very small percentage of all the aid given.

Mr. HARRIMAN. Not the Marshall plan itself.

Mr. PASSMAN. I refer to aid given European nations.

We are considering billions of dollars.

If you credit dollars to these aid-recipient nations, either grants, or under the disguise of loans, then whatever these people need—trucks, tractors, automobiles, pharmaceuticals, insecticides—they can requisition, and you charge against this nation when the U.S. Treasury pays the invoice against this credit. We have no control over the internal operations of the governments of those nations.

When you credit them with dollars and they requisition what they need against those dollars, that releases to them their dollars and other foreign exchange earnings to buy whatever they wish, whether it be gold or securities or goods or services.

Mr. HARRIMAN. They couldn't afford to buy these products which we are planning to furnish them from their own foreign exchange, anyway.

Mr. PASSMAN. Let us consider one example.

In the last quarter of last year we gave Iran $15 million out of the President's contingency fund. This was direct budgetary support. During the same month they bought $16,100,000 worth of our gold, even though we discouraged it. We gave them dollars and they bought our gold.

We find similar situations all over the world.

Mr. HARRIMAN. I am sure these matters have been carefully considered in each case.

Mr. PASSMAN. We hope that is true in your area. It has not been true with regard to others.

Mr. HARRIMAN. All right, sir.

EFFECT OF MARSHALL PLAN ON EUROPE

I want to point out that I recommended when I was in Moscow in 1945 that Europe would be in a difficult position, that she would need capital to reestablish her industry——

Mr. PASSMAN. What page are you on?

Mr. HARRIMAN. I am interjecting. I am still on page 1. Not only her factories but she would also need working capital to get her trade going again.

I said it was my judgment—this was in March of 1945—that Stalin and Communist Russia believed they could take over all of Europe.

The fact of the matter is that the Marshall plan helped to stop Stalin's ambitions to take over a war-torn Western Europe which he had thought would fall an easy prey to communism. As a result of the initiative of the United States and the genius and hard work of the European people, the Marshall plan succeeded beyond anyone's hopes. It was a bipartisan program. As Senator Vandenberg used to say, it was unpartisan.

I am sorry Mr. Taber is not here because he participated in the discussion in the very early part of the program.

Today, we have in Europe strong and vigorous allies who are willing and able to join with us in assisting the developing countries. With the same energy and determination the free nations of the world, working together, can now stop Khrushchev and Red China in their ambition to take over the underdeveloped nations of the world, just as we stopped Stalin.

In my present position as Assistant Secretary of State for Far Eastern Affairs, I welcome this opportunity to testify before this subcommittee in support of the foreign aid program for the fiscal year 1963 for the Far Eastern area. My observations in support of the military aid and international development programs will be in general nature. Other representatives of the Department of State and the Agency for International Development will discuss the specific outlines of these programs.

IMPORTANCE OF FAR EAST

Geographically, my area of responsibility—the Far East—extends from Korea and Japan in northeast Asia through China and southeast Asia, westward to Burma and south through Indonesia to Australia and New Zealand.

Altogether, the Asian Far East comprises approximately one-third of the entire population of the earth. The majority of these people are living under the control of communism and the remainder are directly under the shadow of the Chinese Communist threat. The free nations of this area, lying along the periphery of Red China, share many characteristics other than this common danger arising from their proximity to Communist China. They are largely new nations. With the exception of Japan, Australia, and New Zealand, they are economically only on the threshold of development. Besides the economic poverty and low standard of living that accompanies this stage of development, these countries share other problems. Lack of developmental capital, lack of skilled labor, lack of administrative experience and persons trained to administer, lack of adequate public health systems, illiteracy—these are but a few of the long catalog of problems that beset these countries.

These, then, are the two key problems in the Asian Far East— the Communist threat of aggression and subversion against the free nations of the area, and the overriding poverty and lack of development of the manifold human and natural resources of these new nations.

GNP OF COUNTRIES IN FAR EAST

Average income is less than $100 per capita in the Asian countries, leaving out Australia and New Zealand.

Mr. PASSMAN. We are talking about the gross national product of these nations. I have always tried to understand it.

I have a shirt on for which I paid $8.95. I was in Japan and bought a comparable shirt for $2.30.

This shirt moves into our GNP at $8.95. The shirt of comparable quality in Japan moves into the GNP there at $2.30. Is that about how it operates?

Mr. HARRIMAN. I don't know the exact figures.

Mr. PASSMAN. You take their totals according to their price index. Is that correct?

Mr. HARRIMAN. That is right.

Mr. PASSMAN. Does it not follow that in America, where we had a $500 billion GNP last year, if we should go back and pick up the 1939 price tags and put them over into the 1961 unit production, instead of having a $500 billion GNP we would have a GNP of about $233 billion?

It was explained to me by some of the economists out in those countries that a GNP there of $100 billion might possibly be as high as a $657 billion GNP in America if you put the American price tag on their unit production.

Mr. HARRIMAN. I think if they were able to buy the things they should, yes. But if you saw the way most of them live it is different.

Japan is moving ahead and I shall mention it later, but Japan has gone ahead extraordinarily well and their average income is way up. As a matter of fact, her industrial wages are beginning to approach some of the industrial wages of Europe.

Of course, that is not true of the rest of the area where people are living——

Mr. PASSMAN. But the GNP as a measurement would throw you off?

Mr. HARRIMAN. You are quite right. It is not necessarily the accurate yardstick but it is an indication of how little they have even with difference in prices. Food by and large is short, particularly since food is shipped to these countries, many items are of absolute necessity. Medication and that sort of thing are sometimes higher priced in these areas.

They don't have to live in a house of the kind we have here. They live under primitive conditions, shacks, and so on. Their whole standard of living is completely different.

Mr. PASSMAN. Off the record.

(Discussion held off the record.)

Mr. PASSMAN. Please proceed, Governor.

OBJECTIVES OF AID PROGRAM

Mr. HARRIMAN. These are the twin and closely related problems which the foreign aid program seeks to meet. Stated most simply this program is the expression of this Nation's willingness to assist our friends and allies, the free nations of the Far East, to keep their

freedom and independence and to achieve a standard of living which will make this freedom meaningful.

As President Kennedy said in his special message on urgent national needs last year:

> * * * the adversaries of freedom plan to consolidate their territory—to exploit, to control, and finally to destroy the hopes of the world's newest nations; and they have ambitions to do it before the end of this decade. It is a contest of will and purpose as well as force and violence—a battle for minds and souls as well as lives and territory. And in that contest, we cannot stand aside.
>
> We stand, as we have always stood from our earliest beginnings, for the independence and equality of nations. This Nation was born of revolution and raised in freedom. And we do not intend to leave an open road for despotism * * *.

MILITARY THREAT IN FAR EAST

The military threat to the integrity of the free nations of the Far East is clear. Three million under arms in Communist China, 300,000 in North Korea, and 350,000 in North Vietnam are all responsive to the Communist ideological and nationalistic objectives.

An expression of the aggressive and subversive nature of this threat is to be found today in Vietnam, which I will discuss more fully later. The urgency of the economic and technical assistance is equally clear. The difficulties facing these countries in their task of development and satisfaction of the needs of their people are tremendous. They are compounded by the need to maintain large military defense forces in the face of the Communist military threat. But without tangible progress in achieving development and raising the standard of living, these countries cannot hope to achieve the stability needed to withstand the pressures and probing of communism. Vietnam again furnishes an illustration of the Communist fear of economic progress and the bettering of the life of the people. Land and economic reforms, malaria eradication, road building to give the farmers access to a market, schoolhouses, all of these have been and are today primary targets of Viet-Cong terrorism.

BASIS OF U.S. ASSISTANCE EFFORT

The effort of the United States to assist these countries is based on a broad foundation of national interest. First, there is the simple fact that these countries are free and seek to remain so. Our aid is the direct expression of our own tradition and our natural sympathy and identity with new nations seeking to survive. We would not be the country we are if this were not so. But equally, the struggle of each nation to maintain its freedom is an integral part of the struggle to keep freedom alive in the world. In the fact of the Communist determination to extend its sway throughout the world, our encouragement, economic help, and military assistance are clearly in our enlightened self-interest.

The dimensions of the responsibility of the United States in the Far East are provided by the reaction of the Chinese Communists to the effectiveness of our role. The hostility and frustrations of the Red Chinese are focused on the United States because they realize that we are the principal obstacle to the fulfillment of their plans of conquest for Asia. Consequently, their overriding objective is to eliminate the presence of the United States in the Western Pacific.

I would like to reiterate today what I stated to the Congress in previous testimony in a broader context a decade ago:

> I am firmly convinced that another world war can be prevented, providing, and only providing, we give the essential inspiration and leadership to the free world, and that we can act with wisdom and above all, consistency of purpose. As the threat of Communist imperialism has unfolded, our country has supported unprecedented policies and programs which have been successful in thwarting in many areas the Kremlin's aggressive designs.

I am happy to be able to say that that has proved to be the case so far as Europe is concerned.

During the period when I made this statement I was primarily concerned, as U.S. representative in Europe under the Economic Cooperation Administration, with the pressing problems of Europe and later as Director of the Mutual Security Administration on a worldwide basis. The economic progress and stability that had been achieved in Western Europe are beyond what any of us could have projected 14 years ago. From a recipient of our assistance Western Europe has recovered to the point where it supports a substantial share of mutual defense costs, cooperates in economic and technical assistance to underdeveloped nations and has become, as an area, a vital trading partner of the United States buying more than $6 billion worth of our products annually.

RECOVERY OF JAPAN

Today I am concerned with our relations in the Far East. I find that Japan has performed a miracle as striking as that which has occurred in Europe. We gave Japan assistance in the immediate post-war years primarily in the form of emergency relief supplies. Later, on the basis of its own efforts and relying on trade rather than aid, Japan mobilized its resources and achieved unprecedented economic success. Over the past decade, Japan has averaged more than a 9-percent increase in its annual rate of economic growth. It is now embarked on a plan, within the context of the democratic principles and the free enterprise system which has made its present achievements possible, of doubling the national income within the next 10 years.

Today Japan is the largest importer of American agricultural products in the world, and next to Canada, our largest single customer. As Japan's economy has grown, so has our trade with Japan. Our export sales to Japan has risen from $600 million in 1955 to $1.7 billion in 1961. And Japan buys more from the United States, more than she sells to us. During the last 5 years the United States sold to Japan some $1.7 billion more merchandise than we bought from Japan. This example proves again that our exports grow as other countries expand their industrial production.

The disparity between the underdeveloped nations of the Far East and the solid base for economic reconstruction and progress which existed in Western Europe and Japan 10 years ago is great. One cannot draw a precise analogy between what has happened in Western Europe and Japan and what may happen with hard work, wisdom, and perseverence in southeast Asia. At the same time, the experience of Western Europe and Japan has taught us that while economic assistance at the appropirate time is essential, proper use of this aid

requires the presence of other factors. These include a Government policy of adequate education and technical training, of encouragement to investment and trade, rational planning by Government and the private sector, a dedication to free enterprise and—most importantly—an ample supply of initiative and self-reliance. To assist Japan to continue her progress, she must have trade opportunities in the United States and the rest of the world.

EVIDENCES OF COMMUNISTS' FAILURES

Happily, the Far East provides other evidence, besides the economic success of Japan, that this formula works. For example, the Republic of China has a high potential for self-sustaining growth and our program there is based on the desire to make the maximum use of this potential. Malaya has defeated the Communist guerrillas, achieved a harmonious basis for racial cooexistence and moved into full sovereign status with dignity and prosperity. Heartening progress has been achieved in the Philippines, where the new administration, dedicated to probity in government, has been able to remove controls on foreign exchange.

The failure of the Communist system in the most essential and fundamental of all production, that of food, contrasts dramatically with the success in the Far East of the free enterprise system in fostering agriculture. Food production has been a failure in every country which has adopted Communist methods. Even in the Soviet Union Khrushchev has had to admit that Soviet agriculture has failed to produce an adequate diet for the Soviet people. In 1957 Khrushchev boasted that he would overtake the United States by 1961 in butter and meat production. Most recently, however, the Soviets have had to increase the prices they charge the Soviet people for these products by 25 to 30 percent, bringing the price of butter, for example, to almost $2 a pound. In Communist China food production has failed and the commune system collapsed, not simply because of bad weather but because of communism's failure to understand that agricultural production must be based on incentives to free men.

Last May over 60,000 Chinese people fled across the border from the so-called "People's China" into Hong Kong. The Chinese Communist authorities for reasons which are not clear had relaxed the stringent border controls they normally maintain. Thousands of Chinese farmers and displaced city workers promptly joined in a mass exodus in search of a better life. The reason these people wanted to leave is clear. They were simply fed up with a regime that has failed in its primary responsibility of providing for even the minimum needs of its people. The collapse of the Communist economic system imposed on the mainland of China has ended the high-touted "great leap forward." Industrial development has ground to a halt, and industrial production has declined substantially. Per capita output of food on mainland China is lower than the 1950 level, when communism was fastened on that wartorn land. In spite of 6 million tons of grain purchases from abroad, the food ration is too low to meet the human energy requirements for a day's work. The estimated average per capita consumption is 1,900 calories per day.

PROGRESS IN FREE FAR EAST

In sharp contrast to the failures on the mainland is the progress that has been achieved by free China on Taiwan. Proving what the skills and hard work of the Chinese people can accomplish in freedom is the 55-percent increase in agricultural production which has been achieved on Taiwan during the last decade. A land reform program, which we helped to stimulate, has made it possible for 86 percent of the farmers to own their own land. Industrial production in Taiwan has increased by 175 percent during the same period. Overall economic growth has been at the rate of 7 percent annually.

Similarly, Japan has done remarkably well. Following on a land reform program which practically eliminated tenancy, the Japanese have increased agricultural production by almost 50 percent over the 1952–54 average. I have already mentioned the striking achievements of Japan under a democratic government with free enterprise in overall economic progress.

Beginning with individual countries of the area, I should now like to review briefly some of the major events in the Far East during the past year, with emphasis on those that are of particular significance to our foreign policy objectives and the most effective utilization of our foreign assistance.

Three of the countries which account for the largest part of the aid program are artificially divided, with borders on Communist-controlled territories and Communist forces in position across the demarcation lines. The combined effect of a fracturing of economic ties and the poised security threat is to cause gross disbalance in military budget requirements in relation to resources. As a consequence, material support from outside sources is essential.

KOREA

As long as there still exists in Korea a state of suspended war, it is evident that the United States has little alternative but to support Korea. Korea stands as a symbol of hope for freedom-loving peoples of Asia, and serves as evidence of the United Nations supported by a determined America in its posture against militant communism. The United States has supported the Korean Government in comprehensive measures to strengthen its military capabilities and stabilize its economy. In addition to the modern military weapons being furnished to the ROK, the United States provides sufficient funds for commodity imports, sales proceeds of which provide budgetary support to assist in the maintenance of the large military force required to counter the Communist threat from the north and strengthen the free world position in the Far East. The United States also provides economic aid in the form of development assistance to expand power, coal, and iron production; provide industrial as well as transport and communication development; and extends assistance in economic development planning. The aid program in Korea is keyed to reconstruction, control of any dangerous inflation, and the expansion of Korea's economic base.

The Supreme Council (SCNR) now governing the country seems to understand the challenge it faces and appears determined to produce results. The Ministry of Reconstruction has been reconstituted as

the Economic Planning Board and made a function of the Prime Minister's Office.

VIETNAM

The Republic of Vietnam is under attack by Communist guerrillas who are directed, trained, supplied, and reinforced by North Vietnam—all in gross violation of the 1954 Geneva accords. In the first 6 months of this year more than 2,000 free Vietnamese died in the Vietnam war. This day, if the averages hold, Government forces will suffer 36 casualties and inflict 68 on the Viet Cong; and there will be about 100 armed attacks by the VC this week.

The victims are not limited to the military and GVN officials. Over 250 schoolteachers have been kidnaped by the VC; of these, 100 are still missing and 30 are known to have been killed. Between 70,000 and 80,000 children have been deprived of schooling as a result of VC actions. The Viet Cong are the Communist guerrillas. More than 100 village dispensaries have been closed by the VC attacks. Last year 4 antimalaria workers were killed, 4 wounded, and 25 missing and presumed dead. The VC are continuing their attack on the malaria program this year. In the first 3 months of this year, two more malaria workers were killed and six teams were attacked.

These figures testify eloquently to the determination of the Vietnamese people to resist Communist terror. Our aid has been directed in the past toward providing them with a stake in a free Vietnam. For this reason, nearly three-quarters of the $2 billion we have provided Vietnam between fiscal 1955 and fiscal 1961 went into economic aid. Economic aid in fiscal 1961 amounted to $128 million. As the Communists stepped up the tempo of their attack, we have increased our military assistance to Vietnam.

I should like to call to your attention that on June 25 the report of the International Control Commission (ICC) for Vietnam was released for worldwide publication.

The Commission's report concludes that the Communist regime of North Vietnam has been engaged in a systematic effort to subvert the independence and freedom of Vietnam. The Commission, by majority vote of the Indian and Canadian members, carefully evaluated the facts presented to it and concluded that the evidence showed "beyond a reasonable doubt" that the Hanoi—that is the capital of North Vietnam—authorities have broken the cease-fire and violated the territorial integrity of Vietnam.

As pointed out by the British, one of the cochairmen appointed by the 1954 Geneva Conference on Indochina, the present ICC report has confirmed that the activities of the Hanoi authorities were the "root cause" of the present troubles in Vietnam and that the U.S. role has been responsive, namely, that we became involved at the request of the Vietnamese Government after the aggression had started for the sole purpose of helping Vietnam defend itself.

Last December, in responding to President Diem's request for assistance, President Kennedy reaffirmed the American position clearly:

> * * * our primary purpose is to help your people maintain their independence. If the Communist authorities in North Vietnam will stop their campaign to destroy the Republic of Vietnam, the measures we are taking to assist your defense efforts will no longer be necessary.

We are determined to assist the South Vietnamese to resist this Communist attempt to take their country. For this objective, we have recently undertaken to accelerate and expand our economic aid program and a coordinated, joint effort was announced in the U.S.-GVN communique early in 1962. We are not alone, however, as Vietnam also received aid during 1961 from Japan, Malaya, France, Great Britain, Australia, New Zealand, Germany, Canada, and the Republic of China.

I mentioned an increase in military assistance. This includes more American advisers and logistic and training support. It means the provision of U.S. airlift capacity to speed Vietnamese forces to areas under attack before the Communist guerrillas can fade back into the jungle. In the generally accepted sense of the term, no American combat troops have been sent to Vietnam. The Vietnamese want to win their own war against the Communists but they need our material help and our advice. We are trying to give them the means to win.

The GVN has undertaken a counterinsurgency effort based on "strategic hamlets." These are fortified hamlets along the lines of the Malayan "new villages" which played such an important part in the defeat of the Communist guerrillas in Malaya. In addition to fortifications, communications—to call for help when attacked—weapons and training in their use, these hamlets are being provided with basic social services such as schools, first-aid stations, and agricultural extension and credit programs. The aim is fourfold: (1) To protect all of the people from Communist terror, (2) to cut off the Communists from contact with the people, thus depriving them of sources of information, supplies, and recruits, (3) to give the average villager a stake in the fighting, and (4) to involve all of the people in their own defense. This effort is just getting underway, and as it is essentially a long-range program, results cannot really be evaluated yet. The reports we have received to date, however, are most encouraging, and we are giving the program our full support.

American assistance to Vietnam has been and will be expensive. I must emphasize that we are in for a long struggle in Vietnam. We cannot expect quick, dramatic victories. But the price we are paying to help the Vietnamese defend themselves is a necessity. We can ill afford to let the Communists prove the "inevitability" of their "revolution" in Asia by completing the conquest of Vietnam. The Vietnamese have the will to defend their freedom and they are fighting for the free world as well as themselves.

The Vietnamese are a strong and active people. In the years since independence, they have made important economic and social progress in spite of Communist threats and attacks. One index of this progress is education. In the fall of 1956, primary schools in South Vietnam had an enrollment of only 400,000; there are today more than 1,500,000 Vietnamese children in primary schools. Since the Geneva armistice of 1954, agricultural production in South Vietnam has been generally restored to prewar levels. Some light industries have been started, particularly around Saigon, and power and coal production have been increased; the transportation network has been restored and, in some instances, improved. U.S. aid has played a major role in all these advances.

During the period 1956–60, North Vietnam led South Vietnam in one overall category—industrial production—which increased 150 percent during the 5 years in the north and 100 percent in the south (in both areas industrial production represents less than 15 percent of the total production). South Vietnam led in fields which affect more closely the average man. The per capita gross national production was higher, e.g., $110 in the south for 1960 and $70 for the north. Per capita food crops increased 32 percent in the south, while it declined in the north. Production of rice increased 31 percent in the south to 5.4 million tons, as compared to 4.2 million tons for a larger population and representing an increase of only 2 percent for the north during 1960.

These gains are threatened, however, by insecurity and by the measures required to suppress it. Insecurity and a disastrous flood forced suspension last year of rice exports and the importation early this year of about 50,000 metric tons of rice from the United States in order to maintain security stocks. Rice deliveries are near normal in Saigon now, however, and a small surplus for export is anticipated soon.

LAOS

On July 23, President Kennedy described the signing of the Laos agreements in Geneva as "a significant milestone in our efforts to maintain and further world peace. It is a heartening indication that difficult, and at times seemingly insoluble international problems can in fact be solved by patient diplomacy." He said the agreements represented a solemn commitment not only by the United States but also by other signatories to insure a free, neutral and independent Laos.

The President said this could be accomplished only by full and continued observance of the agreement by all the signatories. He added that Laos, torn for so long by fratricidal strife, now has the opportunity to become united and independent, free to pursue her chosen course of neutrality. But, he cautioned, the success of that policy ultimately must depend not only on the efforts of Lao themselves but also on the moral and material support it receives from the rest of the world.

For its part, the United States assures Laos of such support as that country enters into this new phase of its history.

The signing of the Geneva Agreement culminated a long period of political and social conflict. Communist, right-wing and centrist elements have been engaged in a seesaw struggle for power since the Geneva Conference of 1954. Between 1955 and early 1961 the United States sought to assist the Lao establish a firm anti-Communist government. In August 1960 the uneasy situation erupted into civil war, which quickly became a focal point in the cold war. By spring of 1961 the insurgents, reinforced by North Vietnamese units, had scored major military victories over the right wing forces of General Phoumi and appeared to be in position to seize the entire country.

The United States was faced with three choices: accept total loss of Laos to the Communists; commit itself to a war in a landlocked jungle-covered country; or seek to settle the crisis by peaceful negotiations. The latter course was chosen.

Our objectives were set forth by the President on March 23, 1961; namely, that the United States strongly supports the goal of a neutral and independent Laos, tied to no outside power, threatening no one, and free from any domination. He also declared in favor of constructive negotiations among the nations concerned and among the leaders of Laos which would help Laos back to the pathway of independence and genuine neutrality.

An international conference was convened at Geneva on May 16, 1961, for the settlement of the Lao question. Participating were representatives of the United States, the United Kingdom, the U.S.S.R., the Republic of Vietnam, North Vietnam, Laos, Cambodia, Burma, Thailand, France, Communist China, and the three members of the ICC in Laos (India, Canada, and Poland).

After many months of negotiations and a long adjournment to permit the Lao to agree on a government of national union, the conferees approved texts of a declaration on the neutrality of Laos, and of a protocol thereto. The declaration provides that the countries concerned would "recognize, respect, and observe in every way the sovereignty, independence, neutrality, unity, and territorial integrity of the Kingdom of Laos." The protocol provides inter alia for the withdrawal from Laos of all foreign troops and military personnel, and for prohibition of the introduction of war materiel and military personnel, plus the prohibition against using the territory of Laos for interference in the internal affairs of its neighbors.

I believe that these provisions now in effect are consonant with the policy objectives of the United States. As long as the newly formed Government of Laos is dedicated to maintaining the neutrality, independence, and freedom of Laos we are prepared to give it our full support.

The United States is prepared to offer economic assistance to the new Government of national union headed by Prince Souvanna Phouma in order to assist it to maintain independent foreign and domestic policies. This aid would be designed to assist the Lao Government to meet its appropriate financial requirements and to promote the development of the Lao economy. As in the past, U.S. economic project assistance would be concentrated primarily in three crucial fields: national development, which includes rural and provincial development and refugee relief; teacher training; and road construction.

REPUBLIC OF CHINA

U.S. policy is based on the full recognition of the Government of the Republic of China as the rightful Government of China. In the face of the repeated declarations by the Communists of their intention to seize Taiwan, our assistance to the GRC is a vital deterrent to further aggression by the Chinese Communists and to the preservation of Taiwan as a symbol of freedom to all Chinese. Withdrawal of our aid would cause an economic and political crisis which would encourage a Communist takeover and endanger U.S. political and security positions in the western Pacific. Taiwan is one of the key links in the free world's chain of defenses in the western Pacific.

Today Taiwan, of the underdeveloped areas, has one of the highest potentials for self-sustaining growth. Its most valuable assets are

human resources, primarily the leaders in science, medicine, business, engineering, government, and education who came from the mainland. Education, health and government institutions, communications and transport are among the best in the Far East. Although agricultural technique is relatively at a high level, there is a tendency for the high rate of population growth, 3½ percent, to outrun food production. Progress in the already highly developed agricultural sector cannot be expanded as it can in industry, and if self-sustaining growth is to be achieved as rapidly as possible emphasis must be placed on accelerated industrialization in Taiwan. The GRC armed forces represent the strongest anti-Communist military force in Asia, outside of Korea. Assistance to this force is a good investment, which contributes to the defense of the free world and to the security of the United States.

STRATEGICALLY PLACED ALLIES

Two nations which are recipients of both economic and military support are strategically placed allies which contribute importantly to the "forward defense" of the free world in Asia.

THAILAND

Thailand is essential to the free world security position in southeast Asia. It is the headquarters of SEATO, and has consistently followed a policy of close alinement with the West. Thailand cooperates stanchly with the United States in various joint security efforts, and provides important support for free world positions in the United Nations and other international organizations.

The Thai economy is basically agricultural and rests primarily on rice production. In the past few years, however, Thailand has made substantial progress both in the diversification of agriculture and in the growth of light industry. Thai fiscal policy is responsible, and has resulted in a convertible and stable currency, substantial foreign exchange reserves, and a consistently balanced budget. Thailand has an excellent credit rating with the Wold Bank, the Export-Import Bank, and other international financial institutions, and a World Bank team is working directly with the Thai Government in drawing up economic development plans. The Thai Government is convinced that security from Communist subversion can be obtained only through economic and social progress. This conviction has renewed urgency in view of recent developments in Laos and elsewhere in southeast Asia. In sum, Thailand is an unusual example of an economically underdeveloped, fiscally responsible, cooperative country in need of external assistance. It is able and anxious to put such assistance to good use.

Militarily, Thailand's armed forces have contributed significantly to strengthening the defense of the area. The materiel and training provided by the United States has assisted the country to maintain order and resist the Communist subversive pressures at work in Laos and Vietnam. The defense of Thailand is of paramount importance to the United States.

It was in recognition of that fact, and in order to be prepared to fulfill promptly our obligations under the Manila Pact, that the

President, last May, ordered U.S. combat forces into Thailand. This move was made necessary by the Communist violations of the cease-fire in Laos, and by the movement of Communist troops toward the Thai border. The U.S. forces in Thailand include combat elements of the U.S. Army, Air Force, and Marine Corps.

I am very glad to be able to report to you that these Americans have been extremely well received by the Thai people, who seem fully to understand that the American forces are in Thailand at the desire of the Thai Government and for the protection of Thai freedom. In view of the exemplary attitude of the Thai Government and people, we have high hopes that the presence of these U.S. forces will lead to an even deeper understanding and closer friendship between our peoples and our Governments. I am also happy to be able to report that three other SEATO member states, Australia, New Zealand, and the United Kingdom, have responded to the increased threat to Thai security by stationing elements of their military forces in Thailand.

PHILIPPINES

The Republic of the Philippines is an integral part of the U.S. defense system in the Pacific. Because of its strategic location and the provision of its bases and other military installations to the United States, the defense of the Philippines must be considered within the context of the Pacific area. The Philippine people can be counted upon to defend their country and contribute to the defense of the free world. The Philippine armed forces have been progressively strengthened and brought into close association and cooperation with the United States and its Far Eastern allies. Continuing progress has been made in the training and modernization of its forces.

The United States is continuing to help the Philippines attain a self-sustaining economy. The new administration has embarked on an attack upon the country's long-range problems, is pledged to reform and to an energetic program of accelerated economic and social development. It plans to concentrate on land reform, increased agricultural production, the decentralization of many governmental functions and the encouragement of private investment. The rate of population growth continues to be a formidable obstacle to improvement in the standard of living. However, in terms of health and education, the Philippines is ahead of many of its neighbors in the Far East. More than 70 percent of the population is literate.

The Philippines has reason to be proud of its poltical and cultural development but it is also highly aware of its many economic and social problems. The new administration of President Macapagal is embarked on improvement in Government administration and to a vigorous approach to economic problems. As an example of U.S. dedication to anticolonialism, the Philippine's importance to the United States transcends our normal interest in newly emerging countries. It is essential that the Philippines continue to reflect the advantages accruing from close association with the United States, both to its own citizens and to its Asian neighbors.

CAMBODIA, BURMA, AND INDONESIA

Three other nations within my area of responsibility are dedicated to preserving their freedom and independence and achieving the social and material progress necessary to make this freedom meaningful. Cambodia, Burma, and Indonesia seek aid in this endeavor from all available sources. In addition to assistance from the United States these countries accept assistance from Communist nations.

Sino-Soviet bloc credits and grants to Burma total $93.4 million, entirely economic aid; to Cambodia, $65 million, also all economic; and to Indonesia, $1.4 billion of which one-half is military.

Communist propaganda has bitterly attacked United States and free world economic and military aid as degrading, aggressive, and imperialist in design. The Communist objective is to create friction between the United States and recipients of its aid by purporting to provide aid on more favorable terms. In the case of its military aid, the objective of the bloc is mainly to create or exploit situations disadvantageous to the free world. In the case of these three countries, these Communist tactics have been most apparent in Indonesia.

Our aid to these countries, as is our assistance to all freedom-loving countries, is based on the belief that by helping those who seek to remain free we are helping our own security and our own efforts to preserve our freedom. As Secretary of State Rusk has said:

> Whenever an underdeveloped country makes economic, social, and political progress it expands the frontier of freedom. Wherever we cooperate in breaking down the barriers of ignorance, poverty, disease and despair, we further not only the well-being of mankind but our own security.

Mr. Chairman, I think we have good news in regard to the critical situation as far as West New Guinea is concerned. The differences between the Dutch and Indonesia appear to have been resolved, and this is a very important element.

(Off the record.)

TREND IN U.S. ECONOMIC SUPPORT

Mr. HARRIMAN. In recent years the Congress has urged that economic aid be phased out of grant aid into aid on a loan basis. This has not proved practicable in the case of Vietnam, Korea, and Laos where the confrontation with Communist aggression is direct, requiring disproportionate military budgets for which internal fiscal and other resources are inadequate. It has proved possible, however, in the case of one of the former large recipients of grant aid—the Republic of China—to eliminate grants and substitute development loans.

Projections of loans cannot of course be precise. Using the higher of a range of development loan figures, however, the proposals for 1963 envisage a substantial increase in the percentage of aid going to Far Eastern countries in the form of dollar loans, repayable in dollars.

INTERNATIONAL TRADE

In order for the United States to achieve its objective of assisting the development of newly emergent countries of the Far East, we must support these countries in their participation in international trade. Only in this way can their standards of living be improved

and their economies developed. Development grants and development loans are important in the promotion of international trade. Equally important is the availability of markets. These countries recognize the need to diversify their primary and agricultural production for export and to industrialize if they are to progress, raise their standards of living and over the long run become self-sustaining.

As the industrialization of these countries develops and their products are exported to pay for badly needed imports, the advanced countries must not hinder their efforts by erecting trade barriers. Experience shows that our commerce expands greatly as countries expand their own industrial production.

I give you the case of Japan, where it has expanded threefold in the past 6 years. In this connection it is a cause for satisfaction that the long-term cotton textile agreement reached at the international conference at Geneva provides for a growth factor in imports of textiles, traditionally one of the initial exports of countries commencing industrialization. The President's trade expansion program should, through the most-favored-nation principle, widen market opportunities for industries of the free Far East. If the needs of these countries for enlarged and diversified export are to be met, the underdeveloped countries must develop trade in other than the traditional products of rice, rubber, or tin.

RECAPITULATION

Last year the Congress was informed of the administration's intentions regarding the "Decade of Development", the intent of the United States regarding the nature of future aid, and the belief that this is a "decade of decision" which will determine whether most of the peoples of underdeveloped countries will live in freedom or under Communist dictatorship. The developments of the last year underline this vital issue. The desire for modernization and industrialization is active and intense among the underdeveloped nations. In our world, shrunken by rapid communication, the irresistible yearning for a better way of life and the demand for progress is intensified. The Communists know this, and by their tactics in the Far East they are exploiting every possible means to subvert and subjugate the free countries of Asia. By providing long-term assistance for the lesser developed nations, the United States can, over the coming decade, act decisively in helping peoples preserve their independence whose well-being and freedom is important to us.

Fifteen years ago we took the initiative to block Stalin's plan to take over Western Europe.

I may say, it is my firm belief if it had not been for the Marshall plan, Western Europe would be under Communist domination today, instead of a vigorous and determined part of the free world.

With the same determination, we can now help frustrate Khrushchev's and Mao's designs on freedom in the Far East.

Mr. PASSMAN. Thank you very much, Governor Harriman.

Will you be able to be with us this afternoon, sir?

Mr. HARRIMAN. If you wish it, sir.

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ORIGIN OF DEVELOPMENT LOANS REPAYABLE IN LOCAL CURRENCY

Mr. PASSMAN. I believe it is a foregone conclusion, and we are in accord, that from time immemorial, nations have been making loans to other nations. There have been loan arrangements and barter arrangements.

Several years ago the aid people decided they had better devise some plan to try to get around this giveaway program, as we know it in America, so they came up with the Development Loan Fund. It hit the Nation that we would go over to a loan system for aid to the underdeveloped countries. Some people seemed to be encouraged that we should make loans, rather than gifts.

But, we were making dollar loans, and they were repaying in local currency, the currency of their countries. However, we were told that we would not get foreign currencies in excess of our ability to utilize them, because, they said, these loans, when repaid, would be paid back to the credit of the country. We might use some part of the local currency for our embassy expenses, but about 90 percent or more would be spent back in the countries, on projects agreed upon by the two nations, donor and recipient; furthermore, that we could not use the currency to export anything out of the country into this country, we could not spend it in any other country, but it must be spent in the nation where it was originated. To have any other system, it was said, would be the same as demanding dollars in repayment, and would destroy the purpose of the program. So, the local currency went back into the country.

Later, it was acknowledged, and I paraphrase, "We know it is a gift, but this makes it easier, and we spare those people their loss of pride."

Some of the great bankers of America, Mr. Black, Mr. Dillon, and others, said, in effect, "It can't be any other way. If you change it, you will wreck the program. We must let it be in local currency, because it will be many years before they will have dollars."

Finally, the American people clearly realized that this was a disguised grant, because even if it was repaid, it went back into the countries.

CHANGEOVER TO DOLLAR REPAYABLE LOANS

So, they came up with another program that the development loans would switch over to a dollar basis for repayment, rather than local currency, and the record is clear that it still is a disguised grant.

At page 140 of our hearings for fiscal year 1962, I asked the Secretary of the Treasury about these transactions. I quote the colloquy:

Mr. PASSMAN. In your professional position as a banker, Mr. Secretary, would you actually call these things loans, if there is no interest? Would they come under the category of hard loans?

Secretary DILLON. No.

Later on, in the same statement, quoting him again:

They call them development credits, and I think that is a good name for them.

When we refer to these items as loans, that are to be paid 40 or 50 years hence—depending on whether it is IDA or this so-called development loan—with no interest, with a 10-year grace period, and so forth, we know we are misleading the American people

COMPARATIVE TERMS OF CONSORTIUM LOANS

They come up now with what is called a consortium, and I believe it has begun to be worked out in your region.

We looked into the consortium for India, and we found from West Germany a $157 million loan at 6.3 percent interest, payable in 3 years. We find other loans at 6, 6½, 5, and 5¾ percent interest, payable in 3, 20, 20, 15, 4, 20, and 20 years.

The United Kingdom charges the regular going Treasury rate plus a 1-percent bonus on some loans. In other instances they charge the going rate plus an additional one-fourth of 1 percent for handling the loans.

Then we get over to Uncle Sam's page, and it is loaded from top to bottom, 40 years, no interest, 10-year grace period, et cetera.

Mr. HARRIMAN. Could I make one comment?

Mr. PASSMAN. Please do so.

REPAYMENT OF MARSHALL PLAN LOANS

Mr. HARRIMAN. I think Congressman Gary will remember about 10 percent of the Marshall plan aid was given in loans, and we were very frank in saying we doubted very much whether they would be repaid. They are being repaid. I think it must give you a great deal of satisfaction to realize that that has happened. One cannot tell whether these loans will be repaid or not.

Mr. PASSMAN. That is right. But you made those on different terms. Nevertheless, let the record show they have repaid about 1 percent of the total aid; and that part which they are repaying, they are repaying many years in advance of due date, so as to help get the pressure off our balance-of-payments deficit. It was understood that certain parts of it would be paid back, while about 90 percent of that aid, I think, was in outright grants.

I shall request of the Controller, if he can, to get us a spread for the record on what parts of this program were to be paid back and what part was grants.

Regardless of that factor, however, you were dealing with advanced nations. You gave money to people who had the know-how to put it to use immediately. But today we are spreading that same program around the world, and putting it into primitive countries where they do not know anything about utilizing it effectively.

(The information requested follows:)

European recovery program—Comparison of grants and loans with total programs and loan repayments

[In millions of dollars]

Country	Total program	Total grants	Total loans	From inception through Mar. 31, 1962		
				Total repayments	Repayments as percent of loans	Repayments as percent of total program
Austria	676.8	676.8				
Belgium-Luxembourg	555.5	487.4	68.1	9.4	13.8	1.7
Denmark	271.4	238.1	33.3	1.9	5.7	.7
France	2,706.3	2,480.7	225.6	14.2	6.3	.5
Germany (Federal Republic)	1,389.0	1,372.1	16.9	.9	5.3	.4
Greece	693.9	693.9				
Iceland	29.2	23.9	5.3	1.0	18.9	3.4
Ireland	146.2	18.0	128.2	6.5	5.1	4.4
Italy	1,475.0	1,379.4	95.6	9.0	9.4	.6
Netherlands, excluding Indonesia	977.3	827.8	149.5	31.6	21.1	3.2
Indonesia	101.4	84.2	17.2	5.7	33.1	5.6
Norway	255.5	216.3	39.2	8.9	22.7	3.5
Portugal	50.5	13.8	36.7	5.8	15.8	11.5
Sweden	107.1	86.7	20.4	4.4	21.6	4.1
Trieste	32.6	32.6				
Turkey	222.5	138.5	84.0			
United Kingdom	3,175.9	2,791.1	348.8	18.0	4.7	.6
Yugoslavia	109.3	109.3				
General freight account	33.5	33.5				
European payments union	361.4	361.4				
Total	13,368.2	12,063.3	1,304.9	117.3	9.0	.9

AID TO TEXTILE MILLS ABROAD

Mr. PASSMAN. I am going to yield to Congressman Alexander. He is known in his own district, not as Hugh, but as "Textile" Alexander. He has a significant interest and has done outstanding work in behalf of the American textile industry.

Mr. ANDREWS. Mr. Chairman, I want to concur in the statements made with reference to the outstanding work done by Mr. Alexander in connection with the textile industry. Had it not been for Mr. Alexander's untiring efforts, I am sure that there would be many more textile mills in the world financed by American tax money. No Member of Congress has done more to protect the jobs of American textile workers than has Mr. Alexander.

Mr. ALEXANDER. Thank you, Mr. Chairman, and Mr. Andrews.

Mr. Secretary, I, of course, as you gather, come from a very heavily populated textile area. I not only understand the textile problem but I am very much concerned about it.

As you know, at the present time we have 3 international agreements, 1 a bilateral agreement with Japan for 1 calendar year; 1 multilateral agreement with Japan and other nations for the 1-year Geneva agreement; then, as you mentioned in the text of your statement, the 5-year multilateral agreement among the 19 nations, which has not been ratified by the individual countries as yet.

We find as of this date that both in the fiscal year agreement with Japan and also in the multilateral 1-year agreement, all of these countries are running ahead of the agreement. Some of the countries have even been cut off by the administration.

That leads to one thing, that we in this country are in real trouble with regard to the textile workers and the security of their jobs here.

The thing that concerns me is that I think it would be very bad for us as a country to be taking the taxpayers' money to promote throughout the world an industry that is already in serious trouble in our own country in regard to job security.

I would like to know from you, what is the overall policy of the administration in regard to making loans or to giving grants for the establishment of textile plants throughout the world, when textile products are overflowing our own country?

Mr. HARRIMAN. May I ask Mr. Janow to answer that question? I think I know it, but he is directly involved in implementing the policies.

Mr. JANOW. I shall be happy to answer that. We are not financing in the Far East region, the construction of any new cotton textile plants through any of our aid programs.

Mr. ALEXANDER. That is the overall policy of our Government at the present time.

Mr. JANOW. That is the situation in the Far East.

(The following was subsequently supplied for the record:)

AID POLICY ON ASSISTANCE TO TEXTILE PLANTS ABROAD

It is the general policy of AID not to provide assistance to textile plants abroad. In those few cases where assistance has been provided in the past, this was done only after a careful analysis of all factors concerned and including the following limiting provisions:

(1) That the plant would provide a needed industry to add to the country's economy and would contribute significantly to its developmental base;

(2) That its production would increase the country's internal consumption of textiles so that existing markets would not be changed;

(3) That its production would not compete with U.S. textile imports into the country;

(4) That its production would not be exported in competition with U.S. exports.

Mr. ALEXANDER. I am glad to hear you say that, because in the early parts of this program we spent throughout the world huge sums of money at the taxpayers' expense to set up industries which in effect were taking away the jobs of our own people who were paying the bill.

Mr. JANOW. That is correct, sir. We have a problem in this field, still unresolved. One of the countries has applied for loans in the textile field for a plant that will supply domestic consumption. This is a country that does not import textiles from us. We have not yet acted on this application.

FOREIGN TEXTILE COMPETITION

Mr. ALEXANDER. Let me say this to you. In your deliberations on that dilemma, of course, personally I am interested in the importation of textiles into this country, but every time you establish a mill in a country for their home consumption and to meet the demands of areas, eventually we get into this situation. I have been into the mills in Japan, Thailand, Formosa, all of the countries of the Far East, and I am familiar with the textile mills there. They are working 7 days a week. They are paying their labor in the textile mills in

many of your Far Eastern countries at the rate of a dollar to not more than $1.50 a day.

The importers and exporters of textile goods are very ingenious people. Even with our agreements, which have been set up in Geneva, we are finding right today that these importers are finding devious ways to get around the clear intent of the President, who has said on numerous occasions that he did not want to have brought into this country more than 6 percent of the consumption of textiles. That is, into America.

Almost every month they are finding that these countries are bringing problems to the administration, and it is going to continue and will get much worse if we continue on a policy of building up mills throughout the world. Eventually, even though it is built with the purpose of just home consumption and consumption where it would not come into the United States, eventually you will find you cannot prevent it from finding its level in the United States, and it is going to cause more and more headaches for the administration. It means the cutting off of jobs in this country.

Under this 5-year plan, if it is going to work, it is going to take some hard-boiled decisions on the part of the Executive to say to these people that this is it and no more can come in.

But the importers have been at this game a long time, and they find loopholes in the agreements, and it is months and months before the figures are available to the Commerce Department. We find right now under your 1-year agreement that there has been already introduced 101 percent of what we were supposed to have come in in the full year. I bring that to your attention because, frankly, this is an important decision. I hope you will stick by your guns a hundred percent, that you will not give our money to foreign nations to build up an industry that takes away our jobs if we know about it.

Mr. RHODES. Will the gentleman yield?

Mr. ALEXANDER. I will be delighted to.

Mr. RHODES. I want to say that I have personal knowledge of the interest of the gentleman from North Carolina in the textile industry, having been with him in textile plants throughout the world. Certainly, nobody is more solicitous in stopping the spending of the American dollar for purposes of competing with our own industries than he is. Nobody is more concerned than he is in protecting American jobs.

POSSIBLE APPLICATION FOR TEXTILE PLANT LOAN

You mentioned one plant, Mr. Janow. Where is that plant?

Mr. JANOW. It is not yet even an application. It is in ———. It is a troublesome problem potentially because the Chinese Communists have erected a plant there. This country does not import any important amounts of textiles from the United States, and it is not seen as an immediate exporter to the United States.

Mr. ALEXANDER. If the gentleman will yield a minute there, if you have ever been in Hong Kong——

Mr. JANOW. Many times.

Mr. ALEXANDER. And have seen the overflow of textile products that are coming from Red China and the mixing and mingling in Hong Kong of the products, it seems to me that it is almost an impossible

job for our people to stop. I know there is a lot of crooked signing of statements that this was produced not in Communist countries. Human nature being what it is, I think the more mills you get over there, you will find your problem is going to just become more and more complicated.

Mr. RHODES. You were talking only about your region?

Mr. JANOW. Yes, sir.

Mr. RHODES. Because there is one in the Sudan that is almost completed, I think. Thank you.

Mr. GARY. Will the gentleman yield?

Mr. ALEXANDER. I yield to Mr. Gary.

MARSHALL PLAN A FACTOR IN ANTICOMMUNISM IN EUROPE

Mr. GARY. Mr. Chairman, I was also in the Far East with our friend, Mr. Alexander. I know that throughout our travels he was investigating and working on this textile problem in the interest of his people, as he does in all other matters before the Congress. He is most diligent in serving his district and State and he serves them well.

I would like to make one observation. Mr. Secretary, you made the statement that, in your judgment, the Marshall plan saved Europe from communism. I had the privilege of serving as chairman of this committee during the Marshall plan program. You and I worked together very closely on it during that time.

You probably will be interested to know that the former President of the United States shares your views in that connection. I accompanied the Richards committee to Europe in 1952. General Eisenhower was then supreme allied commander in Europe. I remember very distinctly that on one occasion he was briefing our committee, and someone asked him the question: What, in your opinion, would have happened if we had not had the Marshall plan? Without any hesitation whatever, he said that in his judgment, with the possible exception of Spain, had it not been for the Marshall plan, every country of Europe would be under Communist control.

I think that is probably a very good appraisal of the situation. I certainly share your views in that connection.

Mr. NATCHER. Mr. Chairman.

Mr. PASSMAN. Mr. Natcher?

MEMBER'S INTEREST IN TEXTILE INDUSTRY

Mr. NATCHER. I would like to join with you in your commendation of our colleague, Mr. Alexander, for the splendid manner in which he has pursued this subject down through the years since he has been a member of this subcommittee. This is an important matter not only to North Carolina but to all States producing textiles.

Certainly, I agree with you that through the efforts of our colleague on this committee, Mr. Alexander, this matter has received close scrutiny down through the years, and I think the situation has been very much improved as a result of his membership on this committee. Mr. Chairman, I want to commend you for the fine statement you made as a matter of record at this time.

Mr. PASSMAN. It is almost unbelievable that a man as busy as Mr. Alexander, representing a great constituency, could find the time to familiarize himself to the extent he has with this proposition.

I discussed it with him many years ago. Coming from a district that produces a lot of cotton, certainly I have an interest in textiles and the textile industry.

About 5 or 6 years ago there were many textile mills planned. We were even encouraging people to go abroad, local people, to build textile mills. After many meetings with Mr. Alexander on this subject matter, I was able to understand more about the situation; that is, in many instances in the Far East, I think those people get about 55 cents a day. In many other sections they get $1 to $1.50 a day. If we continued building textile mills around the world, certainly we would lose our market for our exports, and at the same time they would be taking our domestic markets.

Mr. JANOW. The reason I mentioned the plant is to have the Congressman's reaction. I hope this is clear, it is not even yet an application, merely an inquiry.

Mr. ALEXANDER. I hope you do not promote it.

Mr. PASSMAN. I am going to discourage it, and I hope you will discuss it with the committee before you proceed, if you do plan to proceed.

BUILDUP AND TRADE WITH COMMUNIST COUNTRIES

Let me say now that it was largely through Mr. Gary's efforts, in my opinion, and as a result of his untiring work, that the Marshall plan was brought to a conclusion quicker than originally anticipated, and at much lower cost.

But, I believe there is another side of the picture which should be viewed objectively: That is, at the end of World War II Russia was about the lowest on the totem pole of the European nations, so far as its economy was concerned. The Marshall plan, of course, helped rebuild Europe. However, practically every European nation had numerous trade agreements with Russia and her satellites. So, when we credited those countries with these billions of dollars, they would enter into trade agreements with Russia and the satellites, and they were procuring hundreds of millions of dollars, if not billions of dollars, of their requirements from Russia and the satellites. As a result, they were building up the economies of the Soviet bloc just about as rapidly as we were building up the economies of the European countries, which were the recipients of our aid.

Mr. HARRIMAN. We had control. The legislation was changed, but we had controls from the very beginning. It is not a correct statement to say the development of Europe helped develop Russia or the Communist countries. It helped develop the anti-Communist countries, sir. I think in fairness to the record that should be said.

Mr. PASSMAN. Did the European nations have trade agreements with the satellite countries?

Mr. HARRIMAN. Yes.

Mr. PASSMAN. They were buying much equipment and supplies from them?

Mr. HARRIMAN. They were limited under agreements at that time which we worked on. I was participating in them. There was a difference of opinion as to what was strategic and what was not, but it was a cooperative attempt. We had NATO that began at that time. This was a cooperative attempt to work this out during the Marshall plan days. I have no idea what happened after 1952. That was after I was involuntarily discharged from government January 1953. I do not know what happened.

Mr. PASSMAN. The Congress did not approve the way it was being handled, so the laws were amended to place restrictions. I make that as a statement of fact. I am not trying to win an argument, just to let the record show that the outflow of capital and goods from the Marshall plan-recipient countries into the Soviet satellites was so substantial that Congress amended the law, because of dissatisfaction with the way it was being administered and the type of contracts which the European countries had gone into with some of the other countries.

Mr. HARRIMAN. They certainly traded, but during the period I had the Marshall plan I felt the trade was on balance in favor of Western Europe rather than in favor of Eastern Europe.

Mr. PASSMAN. It may have been, but the Congress disapproved and had to tighten up the law on the trading.

Mr. HARRIMAN. Congress was extremely cooperative in those days and added a great deal. Senator Vandenberg, a Republican, was one of the designers and architects, and I am happy to be here with Congressman Gary who, as I say, understood the program. I am very happy to hear him repeat what we all knew, that President Eisenhower felt that this was one of the great efforts of our country to block a Communist takeover.

Mr. PASSMAN. No man could be any more complimentary of Mr. Gary than I am. Nevertheless, I am familiar with those trade agreements. We had to amend the law to tighten it up. It was flowing in. Some people claim that Russia's economy came up through this channel at least as much as the economies of the recipient nations. I hope that it did not.

Mr. HARRIMAN. I think not. It was for other reasons. Principally, if I may say so, it was because the Communists exploited the people, kept them on a very low standard of living, and put all their efforts into development.

Mr. PASSMAN. I want, before we get into the examination today, to straighten out a prior part of the record.

COUNTRIES RECEIVING FOREIGN AID ASSISTANCE

I made the statement that out of 113 nations, 101, past, present, or planned, were getting some type of foreign aid. I would not blame the administration for trying to change those percentages. But in so doing, it was necessary to pick up five principalities and, I believe, the Vatican as nonrecipients of aid. You did put those on the list, five principalities?

Mr. TENNANT. And the Vatican.

Mr. PASSMAN. And the Vatican.

Mr. TENNANT. That is correct, sir.

Mr. PASSMAN. This is not too significant, other than to let us see who is accurate on the numbers.

Also, we find in the testimony that they do anticipate, or expect, they would have some small aid for these two new nations that were born on July 1; namely, Burundi and Rwanda. Am I stating it correctly, that they said there might be a small aid program for these two nations in fiscal year 1963?

Mr. TENNANT. Yes.

Mr. PASSMAN. Out of the contingency fund?

Mr. TENNANT. They indicated while nothing was programed there was a possibility of a small grant program in 1963. I would assume that it could be funded out of either development grants or contingency.

Mr. PASSMAN. On the first list you gave me you even included Algeria, which you later deleted.

Mr. TENNANT. That is correct, sir.

Mr. PASSMAN. Our apologies, Mr. Secretary, for taking this occasion to straighten out a previous record.

Our distinguished witness, the Honorable Seymour J. Janow, will have a statement to read into the record later. As Governor Harriman may have other appointments, I am going to yield to the other members of the committee to ask the Governor any questions they may have.

Mr. HARRIMAN. Could I finish my testimony?

Mr. PASSMAN. That will be fine.

Mr. HARRIMAN. I would like to have Mr. Janow stay with me.

Mr. PASSMAN. Yes, I was, through courtesy, yielding to the gentlemen to question you on your statement, so that you could go, and at 1:30 the gentleman would return and he can read his statement into the record.

Mr. HARRIMAN. That will be fine.

LIMIT ON EXTENT OF FOREIGN AID PROGRAM

Mr. PASSMAN. Governor, do you agree that there is a limit beyond which we cannot draw on our resources to help other nations of the world?

Mr. HARRIMAN. Obviously, there is, sir, but I think the net balance of our foreign aid has contributed not only to our security but, in the long run, to the prosperity of our Nation. I think the record shows that very clearly.

Mr. PASSMAN. According to the information we have, our public debt exceeds by $23,700 million the combined public debts of all the other nations of the world. Have you had an opportunity to check that matter?

Mr. HARRIMAN. No, I have not, sir.

BALANCE-OF-PAYMENTS DEFICIT

Mr. PASSMAN. During the past 10 years we have had a balance-of-payments deficit aggregating $19,600 million, and it has been very substantial every year with the exception of 1 year, and we had a credit of only a half billion dollars that year.

Mr. HARRIMAN. For many years prior to that we had a balance-of-payments surplus, and one of the problems, as Mr. Gary knows, was the dollar gap since that time. On the other hand, we had a lot of gold in the ground in Kentucky, and much of the deficit has gone into use of that gold to invest in foreign countries by private industry and private persons, and we have national assets abroad, both in loans and in properties, which are very substantial. I have not come prepared to discuss our balance of payments, but that figure I would be glad to supply the committee.

Mr. PASSMAN. So we did have a favorable balance until the aid program started?

Mr. HARRIMAN. We built up a very large surplus of gold.

Mr. PASSMAN. Shortly afterward we went into an annual balance of payments deficit?

Mr. HARRIMAN. That is correct.

We have made in that period of deficits some very large investments abroad by private industry, as well as loans, which are good and sound and will be repaid, and we are getting a substantial income from those investments abroad, and it is a national asset. As a matter of fact, transferring our gold buried in Kentucky and assets in other parts of the world is a useful thing.

REDUCTIONS IN GOLD RESERVES

Mr. PASSMAN. At the close of 1952 we had gold reserves of more than $23.2 billion. The so-called free world countries then held $13 billion in gold. During the period since then our gold reserves dropped to $16,947 million, as of the close of 1961, but the so-called free world countries built their gold up to $23,683 million.

Back in 1952 some of the great bankers of America expressed concern at our gold holdings of $23 billion in round figures, recognizing that it required about $12 billion in gold to support our own monetary system, which left us about $11 billion in free gold. Foreign governments held a possible claim of $10 billion against that amount. So, we just had enough gold then to met foreign claims, mathematically speaking, and support our own monetary system.

We find today that not only did foreign free world nations build their gold holdings to $23.6 billion, reducing our gold to $16 billion-plus, because they also bought other gold, but during that same period they pushed their short-term dollar assets up to $22.5 billion.

Gold is now leaving our country at the rate of about $5 million a day. The situation, on the face of it, is a seriously alarming one.

Off the record.

(Discussion off the record.)

INFLUENCE OF FOREIGN AID ON U.S. BALANCE OF PAYMENTS

Mr. HARRIMAN. The President is giving this question study. The question of foreign aid is one of the factors that relates to our balance of payments problem, but only one. You will get testimony, taking it as a whole, as the the amount of dollar drain there is in this program. It is relatively a small percentage.

Mr. JANOW. We have made a budget for the next year, which I will describe to the chairman later.

Mr. HARRIMAN. What is the percentage?

Mr. JANOW. The figure of 80 percent of the total expenditure in the United States is approximately correct.

Mr. HARRIMAN. So that this is goods and services which we are giving, not dollars.

This is a problem, yes, but I think you ought to balance against the gold drain on this country the investments we have made abroad, both by the Government, which are good ones, various agencies of the Government, Export-Import Bank and otherwise, that promoted our trade, also private investments which are profitable.

If you go through a bank's balance sheet, no bank in the world can pay out tomorrow all of its depositors. The total assets of the United States internationally would be a very formidable figure. If you also look forward, our prosperity is based on foreign investments by this country. Today we are the greatest industrial Nation in the world and have to be prepared to be bankers for the world, help them develop as Great Britain did before us. Unless we act as bankers and not as holders of gold, we will not be able to deal with the international situation.

I have myself obviously concern for this as a problem, but it can be solved. As far as I am concerned, it would be in my judgment a great mistake to confuse our overall balance-of-payments problem with the foreign aid program. I think the foreign aid program should go forward as part of the overall program of this administration. The President said on the international radio, the first one that bounced off the satellite—I happened to be in Switzerland and heard him say it—the dollar is sound as gold. At that moment the speculators, next day the speculators ran to cover, and the price of gold went down and the prices of gold shares went down.

Mr. PASSMAN. Then, you would not think our oversea military expenditures and foreign aid have substantially upset our balance-of-payments position?

Mr. HARRIMAN. The foreign military expenditures are different from foreign aid.

Mr. PASSMAN. Do you think the two together have upset it?

Mr. HARRIMAN. I am testifying here on foreign aid. As far as foreign military expenditures abroad are concerned, I am not testifying, and that is something which I would prefer you get Secretary McNamara to discuss.

PRESIDENT'S REMARK ON THE DOLLAR

Mr. PASSMAN. Let us see what the President said about this:

> The United States will not devalue its dollar. And the fact of the matter is the United States can balance its balance of payments any day it wants if it wishes to withdraw its support of our defense expenditures overseas and our foreign aid.

I assume he knew what he was talking about.

Mr. HARRIMAN. At the same time, he is recommending these expenditures to this committee, and I do not think this committee should confuse our balance-of-payments problem with the problem that we are faced with, the wisdom of this foreign aid program.

Mr. PASSMAN. Thank you, Governor. I was quoting the President.

Mr. HARRIMAN. May I say also what he said was this. I think his statement was that the dollar was sound as gold.

Mr. PASSMAN. That does not necessarily mean it is as sound as gold, because Mr. Kennedy says it.

STEEL IMPORTS

It is my understanding that only 61 percent of our capacity in our steelmills is being utilized. Of course, there are a lot of people who believe that it is all right that you could lose 70 percent of your trade, but as long as you let the Treasury pay the bills and manufacturers keep rolling, there would be prosperity.

This item points out that our steel imports exceeds our exports:

For the first 5 months of this year exports totaled 801,000 tons valued at $174,779,000, and imports 1,689,000 tons valued at $198,675,000.

We actually imported more than twice as much steel as we exported, in total tonnage. We were able to buy 1,689,000 tons of steel from abroad for $198 million, yet we had to charge $174 million for 801,000 tons of steel that we shipped abroad.

I found that you could buy certain types of steel from Sweden at $31 a ton cheaper than at Pittsburgh, and as much as $33 a ton cheaper out of Japan. You can go to nearly any steel warehouse, and you will find more foreign steel and steel products than American steel.

Mr. HARRIMAN. You read the figures so fast I did not keep in touch with it.

You have to keep in mind the value of the product. Steel is not steel. There are different types.

Mr. PASSMAN. I used every ounce according to that statement.

INCREASING TRADE WITH INDUSTRIALIZED NATIONS

Mr. HARRIMAN. All I want to say is that on balance I told you as nations become industrialized, our trade with them increases, and I gave you an example of Japan where in the last 6 years our trade increased from $600 million—we have sold to Japan from $600 million in 1955 to $1,700 million in 1961. That is during a period of rapid expansion, and we can profit by the expansion of other countries as we have in the case of Japan.

I also indicated that in 5 years we have sold to Japan $1,700 million more than we have imported. You would have to analyze the steel situation. As far as I am concerned, I regret that our economy has not expanded as rapidly as the President hoped it would, and I would hope it would.

INFLUENCE OF FOREIGN AID PROGRAM ON EMPLOYMENT

The problem of our steel production is not the export figures but the fact we are not consuming it and our economy is not expanding as fast as we had hoped and therefore the economy is not consuming steel domestically. There are many reasons for that. Certainly our foreign aid programs do not contribute to unemployment in this country. If anything, they contribute to employment.

Mr. PASSMAN. I think you are right there. I think we could triple the foreign aid program and triple employment, but our resources would soon be gone. This thing about 80 percent of it being spent in America is a myth. The bills are paid from the U.S. Treasury, and not from the recipient countries.

I am from a cotton-producing State.

AID TO JAPAN

Mr. HARRIMAN. Japan is one of the big importers of cotton from your State, and from Texas, and from California.

Mr. PASSMAN. We can get our cotton competitive on world markets only by having the Government subsidize it at 8½ cents a pound.

When we go into our exports, everything shipped out is taken into account, including Public Law 480 agricultural commodities and all shipments against foreign aid. I think the statistics would show that we have not only a balance-of-payments deficit but also a trade deficit if you take into account the subsidies and what we give away.

Mr. HARRIMAN. In the case of Japan there has been no aid given Japan in recent years. I use that country because there has been no aid given to them recently. They have paid cash on the barrel for whatever they have bought.

Mr. PASSMAN. With money that we had given them under various types of aid. You did have an aid program, because I have inspected many of them. You had the technical——

Mr. HARRIMAN. In the GARIOA period.

Mr. JANOW. Participant training program, a very small program.

Mr. PASSMAN. They had an aid program. We were there and inspected some of the projects going on, and we pleaded with them to discontinue them. It was a rather difficult job.

EFFECT OF FOREIGN AID PROGRAM ON U.S. ECONOMY

I shall not prolong this, because we cannot talk ourselves out of this mess. We are proceeding toward breaking America with this foreign aid program, and there is not enough expert evidence in the Nation to disprove it on facts.

Mr. HARRIMAN. We are making a prosperous America through the aid program. We are contributing to the prosperity of America.

AID TO JAPAN

Mr. PASSMAN. Governor, the record shows our mutual security program with Japan from its inception through 1961 was $22 million. That was just on mutual security economic assistance.

Mr. HARRIMAN. From what year?

Mr. PASSMAN. From 1954 to 1961. We had an aid program there.

Mr. HARRIMAN. Insignificant compared to the fact we sold $1.7 billion in 1 year.

Mr. PASSMAN. We made a lot of loans to Japan, too; did we not?

Mr. HARRIMAN. Not Government loans under the foreign assistance program.

Mr. JANOW. They are considered very good loans.

Mr. PASSMAN. Regardless of how good they are, we made loans to Japan to buy the cotton; did you not?

Mr. JANOW. These loans made through the Export-Import Bank are in a revolving fund and they are considered the safest and most profitable kinds of commercial——

Mr. PASSMAN. You had the long-range development section, too.

Mr. JANOW. Commercial banks participate in this, as you know.

Mr. PASSMAN. I know.

Mr. JANOW. This is sought-after business.

Mr. PASSMAN. If we can cure these ills by giving away our wealth, then it is a formula with which I would like to become familiar.

Governor, I shall yield to Mr. Gary.

EXPENDITURE OF AID FUNDS BY RECIPIENTS

Mr. GARY. Mr. Secretary, some matters have come before this committee which have disturbed me considerably. For example, on yesterday it was pointed out that in Iran, and I know this is not in your region but I cite this as an example, while we were giving them aid under this program, at the same time they were buying our gold with their money. That looks like a rather incongruous situation so far as I am concerned, that we should be giving aid to a country which is able to buy our gold, especially with our gold reserves dwindling. It would seem to me to produce a very serious situation.

REBUILDING OF VIETNAM PRESIDENTIAL PALACE

In addition to that I have a clipping here from a paper under date of July 3, headlined Saigon, which states that South Vietnam has raised nearly $75 million to rebuild the Presidential palace which was bombed and shot up by two renegade fighter pilots on February 27.

Mr. JANOW. I don't think that is correct. It could not possibly be correct.

Mr. GARY. I am citing this just to get the real facts.

Mr. JANOW. We would be happy to supply them. That cannot be correct.

Mr. GARY. I couldn't imagine South Vietnam in their present condition raising $75 million to rebuild the Presidential palace.

Mr. JANOW. If you saw the building you know the whole complex is nothing like that.

Mr. GARY. I couldn't see how that could be true.

Mr. HARRIMAN. We shall get you the facts.

(The information supplied follows:)

INFORMATION ON REBUILDING OF PRESIDENTIAL PALACE—VIETNAM

The Vietnamese Government plans to spend the equivalent of about $340,000 in rebuilding the Presidential palace, including both Government and public contributions to the reconstruction fund.

No U.S. funds will be used for this purpose.

Mr. JANOW. It might have been $75,000, sir.

Mr. GARY. Here is the clipping.

Mr. PASSMAN. Off the record.

(Discussion held off the record.)

Mr. HARRIMAN. This palace was built by the French during colonial days, I believe.

Mr. GARY. I think I asked yesterday for some explanation of the Iran situation.

Mr. HARRIMAN. I hope you will get the situation as to Iran. I cannot attempt to answer it.

Mr. GARY. I want the facts put in the record because they are matters disturbing me considerably.

As you know, I personally have favored the program from its inception. I have thought that it is a very vital part of our national defense.

At the same time, I do think it should be kept within proper bounds and that we should not put any more money into it than is absolutely necessary and is justified under our present situation.

VULNERABILITY OF THE FAR EAST TO COMMUNIST INFILTRATION

Mr. HARRIMAN. In 1948 when you first started with me in this program Europe was under direct Communist attack. I think the area of the world under the most Communist attack is the area of Asia, of which the Far East is part. It is directly next to the Soviet Union and Communist China, and I view this from Iran across. It is the most vulnerable and in my judgment, studying it more particularly in the last year, we can strengthen the forces of freedom in this area and save it from Communist domination if we tackle this problem with the same energy and persistence as we did the Marshall plan with your cooperation and the cooperation of this committee.

Mr. GARY. But I think we should tackle it with due regard for our own fiscal situation and with due regard for the necessities of the situation, and also as economically as it can possibly be done.

Off the record.

(Discussion held off the record.)

PURCHASES OF GOLD BY CAMBODIA

Mr. PASSMAN. Most of us are familiar with your region. There is a situation in Cambodia similar to the one in Iran, in that they said Iran has no budget. We do not know where this money goes.

Out in Cambodia in fiscal year 1961 we gave them $24 million, and before the cat could lick its tail they bought $12 million worth of our gold.

We shall discuss that matter in more detail later.

Mr. Natcher?

Mr. NATCHER. We want to thank you for your appearance before our committee at this time and for the fine statement you have made.

EFFECT OF FOREIGN AID ON NEWLY INDEPENDENT NATIONS

As you know, the underdeveloped countries are now in the majority on the General Assembly in the United Nations Organization, and the same situation applies in the International Monetary Fund.

From time to time we read in the paper of the new dictatorships which are building up in South America, in the Congo, and in other places.

I am very much concerned about some of the new nations of the world.

How do you feel generally about the mutual security program and the new nations, keeping in mind, Governor, the fact that these nations are underdeveloped nations and in need of many things to help them at this time?

Do you believe this program is working successfully so far as the underdeveloped nations of the world are concerned, and just how far should we go along this line?

Mr. HARRIMAN. Mr. Natcher, so far as the Far East is concerned I should like to limit my testimony to that.

I think the program we are following there is essential. We have a number of countries which are committed in terms of military alliances with us and a number of them which are uncommitted. They prefer to be neutral.

The President of the United States stated in his inaugural address that he was in sympathy, that he believed that the neutral nations had a place to play in the world.

I think from our national interest standpoint the countries which are ready to maintain their independence and to fight for their independence are important to us. There are countries undermined and taken over by communistic dictatorship through allegiance to the Communist capitals of Peking and Moscow. There has been a growth of democracy in the area.

EXAMPLES OF IMPROVING STABILITY

We have seen it in the Philippines. We have seen a recent election. No one questions its fairness. There is a vigorous new group of men who have taken over. They won the election largely on a national probity basis.

You can see democracy developing in Japan from an imperialistic regime, and it is very encouraging.

Australia and New Zealand, of course, come from the British tradition, as we do.

So far as some of the other countries are concerned they are in a less developed state politically and economically.

There are different types of governments in each of them and political difficulties in many of them.

We have in Malaya another country which has come out of colonialism and seems to be on a very sound basis.

INFLUENCE OF EDUCATION ON POLITICAL AND ECONOMIC STABILITY

I don't want to run down the list of the countries, but political institutions require development and one of the problems of the area of the Far East is education. You cannot have a democracy unless you have educated people. The literacy rate is low in a number of these countries, and part of the program we have engaged in is to encourage education and also encourage the technical skills, as well as the essential skills required in having administrative personnel who know how to operate a government.

These are all matters which I think work together. I think as the economy develops and as education develops these countries all in this area want to remain free, and basically they recognize the rights of individuals, and they are developing in a manner that as time goes on they can play an increasingly important role in the preservation of the ideals on which our country is founded.

That is a general statement but you asked a general question.

I must confess that I read in the paper all of the difficulties of this area since I have been studying it. I am very much gratified to find a growing strength of some of these countries, and therefore I made my statement to you on the basis of the progress which is being made.

I am confident that if we stay with this program we can hope for the same kind of results, although in a different manner, the same end results, make these countries impervious to communism, such as we achieved in Europe.

MALAYA FEDERATION

Mr. NATCHER. You know about the conferences held recently in Malaya concerning the confederation there?

Mr. HARRIMAN. Yes.

Mr. NATCHER. Do you feel this situation is in the best interest of that section of the world?

Mr. HARRIMAN. I think so. It will include Singapore, which is the great port directly south of Malaya, and then these areas in Borneo which are to be included are in relatively close proximity.

This Federation should add strength. The strongest of all of them is Malaya itself. The British have felt it was better to have the Asians develop these areas than to continue with a colonial system.

I think they are right in that. I would hope that out of this would come an increasingly important nation.

Mr. NATCHER. As you well know, we have had a number of new nations receiving their independence in the last few years. This concerns me from the standpoint of how far we can go at this time to help these countries with the many problems that they have. I am just wondering if some of the countries perhaps have not received their independence a little sooner, perhaps, than they should have.

How do you feel about that?

Mr. HARRIMAN. In this case we have no aid for this area. If there is some aid to be given it will be new business. This is a new area and they are all areas outside of our aid.

On the general question, one could argue that the United States insisted on getting its freedom before it was ready. Some people can argue we would have been better to remain in colonial tutelage for a considerable number of years and we might have been better off and might not have had all the struggles of our forefathers.

When people want to be free they want to be free, and that is an urge which exists in the world. I think we have to recognize we must support it.

FOREIGN ASSISTANCE ESSENTIAL DURING TRANSITION FROM COLONIAL STATUS TO INDEPENDENCE

There are certain parts of the world which need additional aid, but I think the kind of aid we are giving and European countries are giving to help them go through this transition from colonial status to independence is worthwhile.

You know, the French are giving very generously to their former colonies to help them through this period. I think they are very wise.

The British have done the same thing.

Mr. GARY. And we have done the same thing in the Philippines.

Mr. HARRIMAN. We have done the same thing in the Philippines and that is one of the reasons I mentioned the fact I think we should continue to help them through this period.

Mr. NATCHER. Governor, I hope that all of the new nations are able to take care of themselves before dictatorships take care of them. That is the part I am wondering about.

Until they learn to walk and take care of themselves I wonder just what the situation will be.

Mr. HARRIMAN. There are some dictatorships in the new nations, some quasi-dictatorships, and some leaderships which come from personality. It is very difficult to draw the distinction.

It depends, I think, on whether the countries have civil liberties, the right of fair trial and the right of habeas corpus, and that sort of thing.

IMPORTANCE OF EDUCATION PROGRAM

Mr. PASSMAN. Education is important; is it not?

Mr. HARRIMAN. It is vital to everything. In all these countries education is foremost, and I think as we found in this country education is very expensive.

Mr. PASSMAN. We found so yesterday, for example, when we examined a country in the Middle East. We had poured tens of millions of dollars there in the educational field. However, the literacy rate had remained static. This was in Iran.

Mr. HARRIMAN. We find that in New York State, particularly in growing communities. In suburban areas there are extraordinary heavy expenditures for education. It is not unnatural that these underdeveloped countries with limited resources find the cost staggering.

AID ASSISTANCE TO BRITISH POSSESSIONS

Mr. PASSMAN. As I pass to Mr. Rhodes, let the record show again that we are not satisfied to get into 101 of the 113 nations with this AID program. We also are in practically every British possession and territory.

SEATO ORGANIZATION

Mr. RHODES. Can the SEATO be compared in any way with NATO?

Mr. HARRIMAN. No.

I would like to put this off the record.

(Off the record.)

Mr. RHODES. Is not the magnitude of the task much greater in this part of the world than in Europe, even in establishing these nations as nations which have a reasonable chance of preserving their own independence, economically and politically?

Mr. HARRIMAN. The task in many ways is far greater than the Marshall plan, but in terms of money, it is of course less, because the economies are so relatively small that they cannot absorb. Even if we were generous enough to give them everything they required, they cannot absorb more than a limited amount of aid in their development, either as loans, technical assistance, or grants. The European countries were rebuilding what they had before as well as expanding and, therefore, they had all of the infrastructure, all of the functions of government, and the functions of business which made it possible for them to recover.

The programs in the underdeveloped countries of the East will take far longer. In Japan, of course, it did not. Japan is an industrial area. The development of an agricultural nation into an industrial nation is a very slow process, and until such time as the income of the countries can be built up from within, their opportunities for investment are relatively small.

Mr. RHODES. Governor, I certainly tend to agree with you on what you just said. Is it not actually true that the situation is further complicated by the existence of a very large Communist predatory nation on the flanks of these smaller nations in Asia, therefore giving rise to some doubt as to whether there really is time remaining to do the kind of things which the administration would like to do in that area—in other words, to build these nations into entities which can remain independent by their own force and by the strength of their own economies and national institutions and with a minimum of help from outside? Do you think there is time to do that, in the way we are trying to do it?

Mr. HARRIMAN. I think those who doubt that underestimate the religious forces in the area and the urge that exists for freedom and independence from what you call the predatory nation which has always been there. Also, there are those who think Communist China could go ahead faster than some of the rest of us do. I myself believe that there is no reason to believe these countries cannot retain their independence. They must have outside assistance in order to do it. If they are left without outside assistance, I think they would flounder, just as in the Marshall plan there is no doubt that Stalin thought he would take over Europe. I must confess that things are happening in Europe which are startling to me. I never thought we would find the time when northern Italy would be short of labor. Throughout my lifetime in business, Italy had a surplus of labor and a great unemployment problem, and now we have a great industrial complex developing, which shows what can be done, if there is the kind of united effort which we developed in Europe.

NEED FOR MORE COMMUNITY EFFORT IN FAR EAST

One of the problems in the East, which is different from Europe, is that in Europe we had a united effort with the countries working together, and in the East there has not been the same kind of relationship, and most of the countries have been tied to some European country rather than developing a community feeling. One of the things I hope we can do is to develop more of a community relationship than now exists in this area, and that will add to the strength. I would not be willing to be pessimistic about it. I think I understand the difficulties, and I join you, sir, in recognizing the difficulties.

COMMUNIST CHINA

Mr. RHODES. What is your prognosis for Communist China within, the foreseeable future?

Mr. HARRIMAN. I do not think anybody would want to make any firm projection. They are now entering their fourth year of crop conditions which are not good. The failure and the utter collapse of their economy, however, did not come, in my judgment, because of crop failures, but because of the inhuman and unworkable system which they tried to impose on the Chinese people. They will have to go through a real reorganization.

(Off the record.)

Mr. HARRIMAN. There are opinions all the way from that to the belief that the present regime will adjust itself to face the realities of their situation and will retain power. I would not want to project that. I want to say that we have time now, but 3 years ago it did not look as if we would have time. In 1959, I took a trip through there. China was moving ahead so rapidly I was gravely concerned. I think we can assume that China will be so preoccupied by her own difficulties which stem from her economic collapse that we have some time to help stabilize this area, including India. I think we ought to take advantage of that time. In other words, I think the fact that we have time time should lead us to have greater confidence in the program and lead us all to redouble our efforts and get the countries to redouble their efforts to make the kind of political and social progress which is necessary to achieve our objectives.

(Off the record.)

LAOS

Mr. RHODES. Governor, in Laos, as you mentioned before, there had been a cease-fire, and during that time negotiations were in progress for final settlement. The Communists broke the cease-fire and pretty effectively overran northern Laos and stopped resistance from the Phoumi forces. Later there was actually a settlement, as we know. Was there any difference in the final terms of the settlement than those terms upon which negotiations were being conducted prior to the time the cease-fire was broken?

Mr. HARRIMAN. No. The agreement was pretty much finalized last December or January. The international terms were finalized. The international conference waited until action and the establishment of the government of national union which the international agreement

was based on. That agreement between the three princes was negotiated between them, and we were not involved. Then when they came to Geneva with a united delegation and made the declaration of neutrality on which the international documents hung, the agreement was signed in a relatively few days.

Mr. RHODES. Did the Communists gain anything by breaking the cease-fire?

Mr. HARRIMAN. (Off the record.)

Mr. RHODES. How long prior to breaking the cease-fire did we quit giving aid to General Phoumi?

Mr. HARRIMAN. We did not stop giving relief. From February through May, we stopped giving budgetary support. They used up their reserves to some extent, about $20 million in foreign exchange. They used up those reserves, and they borrowed from the national bank to carry on their action.

(Off the record.)

Mr. RHODES. We help other nations that do not agree with us. We do not impose our will on Indonesia or many other nations that we help. It seems to me there is a bit of an inconsistency.

Mr. HARRIMAN. Off the record.

PAY FOR LAO TROOPS

Mr. RHODES. How were General Phoumi's forces paid?

Mr. HARRIMAN. They were paid by their Government, but we contributed to the budget of the Government.

Mr. RHODES. But you cut that off.

Mr. HARRIMAN. That was cut off.

Mr. RHODES. You said in February. There was not any money to pay the troops.

Mr. HARRIMAN. Oh, yes, there was. They were paid exactly as they were before and at exactly the same rate. For this brief period, they were able to use their foreign reserves, and also to borrow from their national bank in order to carry this budgetary assistance. If this had continued for a year, they would have gotten in great financial difficulties, but for the brief period in which our aid was cut off, it did not affect the fighting effectiveness of these troops.

Mr. RHODES. What was the value of the kip in February?

Mr. HARRIMAN. It was fixed at 80.

Mr. RHODES. Was it the same in May?

Mr. HARRIMAN. I think it went to about 110.

Mr. RHODES. Actually, then, the troops were not getting the same amount of purchasing power. Their purchasing power declined about 40 percent in 4 months.

Mr. HARRIMAN. You cannot tell. That is speculation.

Mr. RHODES. I agree that other elements may be pertinent, but, this looks like a real loss to the troops because we withdrew aid.

Mr. HARRIMAN. We kept our military advisers there. We gave them all the arms and ammunition. We continued our training program. We continued the relief of the war displaced people. All we stopped was the direct budgetary assistance. They were able to draw on their reserves and borrow from their national bank in such a manner that it did not affect the military effort. Of course, they

would have been in chaotic conditions if it continued for a longer period of time.

Mr. RHODES. Off the record.

(Off the record.)

Mr. HARRIMAN. This is the sort of thing in which the aid program should use its judgment when conditions in the world change. We should not pour money into situations that are ready to go down the drain.

Mr. PASSMAN. Are all the men here cleared for security?

Mr. TENNANT. Yes, sir.

(Off the record.)

Mr. HARRIMAN. I recognize your questions are very pertinent, and I appreciate having the opportunity to answer them.

KOREA

Mr. RHODES. May we compare the action of this government in Laos with the one in Korea. We had a takeover by a military junta there, upsetting a government which I believe was freely elected, but we did not stop aid. In fact, I think we recognized the military junta almost immediately. Is there any inconsistency here?

Mr. HARRIMAN. There is no connection whatsoever, sir. This military junta threw out a previous military junta which had taken over. There was a great deal of corruption in the country and a great deal of dissatisfaction.

Mr. RHODES. Am I wrong? Was there not an election between the two juntas?

Mr. HARRIMAN. Yes, you are right.

Mr. RHODES. Then of course we have the further comparison of the action in Peru, where we again withdrew recognition and suspended aid. Can we draw any picture here of a policy or lack of policy?

Mr. HARRIMAN. I do not think you can draw any picture. Each situation is different, sir.

Mr. RHODES. Either we like dictators or we do not. Is there a difference between dictators?

Mr. HARRIMAN. I do not think that is a fair statement. I think each situation has to be judged, sir, on the merits of the situation and on our national interest in the particular case in point. You know the attitude of the administration on the situation in Peru so far. What will happen as a result, I do not know. The same group of men made that decision who made the decision to recognize the junta in Korea. The problems are different and the manner in which it was taken over was different. I am afraid, sir, there is no connection between Korea and this Laos situation.

WEST NEW GUINEA AGREEMENT

Mr. RHODES. You talked about another dictator, Mr. Sukarno. You mentioned, when you first came in the room, that you were somewhat elated because we are apparently being successful in getting the Dutch to step out of West New Guinea so Sukarno can take over.

Mr. HARRIMAN. Could I change one word?

Mr. RHODES. Yes.

Mr. HARRIMAN. "Elated." I said I was encouraged.

Mr. RHODES. Very well. "Elated" was my word.

To me, this is a mistake. In the first place, as far as I know, there is no more reason for Indonesia to control West New Guinea than there is for the United States to control it—ethnically or any other way. In the second place, I wonder if, by putting a dictator who was at least somewhat oriented toward Communists in control in New Guinea, we do not create a brandnew Cuba for Australia right off the coast there. In other words, I wonder if this situation might not rise to haunt us.

Mr. HARRIMAN. (Off the record.)

PROVISIONS OF DUTCH-INDONESIAN AGREEMENT

Mr. RHODES. This settlement, as you understand it, is something similar to U.N. trusteeship?

Mr. HARRIMAN. Only for a brief period. The initial plan provided for 1 year for the United Nations to take over from the Dutch, and in the second year the United Nations to turn over administration to the Indonesians.

Mr. RHODES. Forever, then?

Mr. HARRIMAN. The final agreement provided 9 months, I think. In any event, it will be a very short period for the United Nations in the nature of a trusteeship.

Mr. RHODES. Is there any provision for a plebiscite later?

Mr. HARRIMAN. Yes; there is provision for a plebiscite. The Dutch are satisfied with that. The United Nations will participate in the plebiscite in order to assure a meaningful plebiscite. There are also provisions that the Indonesians should respect the human rights, civil rights, and civil liberties of the people, the right of education——

Mr. GARY. The plebiscite is to take place in 1969, is it not?

Mr. HARRIMAN. That is correct. Of course, we must confess that these people have a long way to come. There are 700,000 of them. A great many of them are living in the mountains and have very little contact with the outside world, and the literacy rate is very low. The plebiscite probably will mean the selection of some symbol which they can understand. In any event, the Dutch are satisfied that their obligations are being fulfilled.

INFLUENCE OF PROSPERITY ON COMMUNIST AGGRESSION

Mr. RHODES. Governor, I have heard it said that when we build up these nations in this area, we make them more attractive for a Communist takeover. In other words, the Communists feel two ways about it, apparently. One is that these nations we help have a better civilization than the Communist has, so he would like to acquire it to satisfy his predatory instincts. Another idea as to why he attacks these countries is that they are a sort of showplace of the free world, which the Communist cannot afford to have in close comparison with his own pigsty. Can you see any validity in this type of reasoning?

Mr. HARRISON. I think there are two ways Communists take over. One is by subversion and the other is by military action. If you are able to improve the situation, as your question indicates, to the point

where they are so successful that the nations become impervious to Communist subversion, they may become a richer target for military aggression.

But I think that is where the united or collective security comes in, and one of the reasons for our joining the United Nations was so that the United Nations could band together and stop aggression of that kind. If it were not for the moral force of international opinion and the military force of the free nations, of course, the Communists would march in.

Mr. RHODES. This would be aggression to acquire something?

Mr. HARRIMAN. They are more impervious as they develop, they become more impervious to subversion but more attractive as a military target.

Mr. RHODES. For the purpose of acquiring and satisfying the predatory desires?

Mr. HARRIMAN. Yes, sir. On the other hand, they become so strong that it becomes a real asset in terms of economic and military strength of the free world.

Mr. RHODES. But you see no danger that we might be creating a showplace which would unduly attract Communist aggression?

Mr. HARRIMAN. No; that did not happen in Europe. The only place it is happening is in West Berlin. There is no doubt that it is a showcase and probably is one of the reasons——

Mr. RHODES. You could not say South Vietnam would become such a great showcase as to attract aggression?

Mr. HARRIMAN. Not for a long time, but the fact that there was more progress in South Vietnam than in North Vietnam is one of the reasons for the North Vietnam support of aggression. I do not think they wanted to see South Vietnam improve her condition so rapidly. I say so rapidly—it is slowly according to our standards but relatively rapidly. In my statement I gave some figures as compared to North Vietnam. That may have been one of the reasons for her supporting these insurgents, which is causing all this difficulty.

The other side, of course, is that North Vietnam would like to have the rice bowl of South Vietnam in order to improve her economic condition. The curious thing is that industry was to the north before and a large part of the rice production was to the south.

Mr. RHODES. That certainly was not the reason the North Koreans attacked the South Koreans, though. There was no showcase there.

Mr. HARRIMAN. No, that was not the case there. I think that was Mr. Stalin believing that he could take over Korea and we would stand by and invoke the United Nations, and before anything happened all of Korea would be under Communist domination. I think it was a complete misconception by Stalin of the reaction of the United States.

Mr. GARY. He came very near to accomplishing it.

Mr. HARRIMAN. Yes, and if it had not been for a very determined U.S. support of the United Nations, it would have been done.

Mr. GARY. They had us right on the tip at one time, hanging on by our fingernails.

Mr. HARRIMAN. I was there at the time of the Pusan bridgehead, almost an insignificant area of land, but it was an extraordinary achievement of the United States in routing the forces that had been attacking, and I think we would have had a serious situation in Japan and elsewhere if Korea had fallen to communism.

The same way in South Vietnam. If you look at the map, it surrounds Cambodia, Laos, and Thailand, and would have an effect on all that area if it does fall into Communist hands. Off the record.

(Discussion off the record.)

EFFECTIVENESS OF NEUTRAL LAO GOVERNMENT

Mr. RHODES. Do you think that the neutralist government in Laos will be able to stop the Vietcong from infiltrating South Vietnam from North Vietnam through Laos?

Mr. HARRIMAN. There is a very interesting provision in this international agreement. There are two cochairmen of this meeting, Soviets and British. The Soviets undertook to police the agreement as far as the Communists were concerned. If it were not for that, I would have very little confidence.

Mr. RHODES. Do you really believe the Soviets will do this?

Mr. HARRIMAN. It is very hard for me to find a reason for Mr. Khrushchev to select Laos as the one place that he agreed with Mr. Kennedy, President Kennedy, in Vienna. They disagreed about everything. It would have been very easy to have disagreed about Laos, because it was under less pressure as far as the Soviet Union is concerned.

The other side of it is they voluntarily took this commitment of the cochairmen.

Mr. RHODES. With what other country?

Mr. HARRIMAN. United Kingdom.

Mr. RHODES. United Kingdom and U.S.S.R.

Mr. HARRIMAN. They made it plain in the discussions that that meant that they would be responsible for the Communist bloc, four Communist countries—China, Vietnam, and Poland—provided the United Kingdom would be responsible for the others.

Mr. RHODES. It will be interesting to see how it works.

Mr. HARRIMAN. It is hard to see what Mr. Khrushchev gains in personal reputation if he fails to carry out his agreement with President Kennedy and his agreement as signed in Geneva. Whether he will be able to do this or whether we will get into an argument about the facts, I do not know. But if it were not for the factors, I say I would be very much concerned about it.

There is no doubt that the other danger is within the country itself. Whether the non-Communists will work together or not depends upon the future to a great extent. If they do work together, they are in a majority and the Pathet Lao has been held off in the past, and they may be able to follow through and maintain their independence.

But in any event, we will have to watch the situation very carefully. A great deal depends upon the kind of assistance we are ready to give them, political and economic. It is not a relatively large sum, but I hope the committee will approve the aid that is being given. It will be much less than the military side, but we have to continue on the economic side. Economic collapse there would be, I think, playing into the hands of the Communists.

(Off the record.)

U.S. POSITION ON QUEMOY-MATSU COMPLEX

Mr. RHODES. Is this administration firm on retaining the Quemoy-Matsu complex in the hands of free China?

Mr. HARRIMAN. I do not know of any change. I have been over the record. I know of no change in the situation. In this administration, as in the past, this administration and the past administration conformed to the resolution of the Congress which committed us to defend Taiwan and the Pescadores, and these offshore islands were related to that defense. I know of no change.

CESSATION OF BUDGETARY SUPPORT TO TAIWAN

Mr. RHODES. Is the withdrawal of budgetary support to Taiwan meeting with the approval of the Chinese Nationalist Government?

Mr. HARRIMAN. This has been worked out with the Chinese Government, and they have agreed to this new program. We, of course, are continuing military assistance to keep the forces in Taiwan strong and to prevent aggression.

BALANCE-OF-PAYMENTS DEFICIT

Mr. RHODES. This was, I suppose, prompted by the discussion you had over the balance-of-payments situation.

After World War II, we were pretty much in the position of a man in a poker game who had won all the chips and either had to find some other way to play the game or had to find some way to redistribute the chips. So the question is this: Did we deliberately after World War II or at any time, as far as you know, set about to create an unfavorable balance of payments?

Mr. HARRIMAN. No, but it is very interesting. At the time—I think Congressman Gary will bear me out—at the time we were discussing this dollar gap there were people who said it could never be closed. Do you remember?

Mr. GARY. Yes, I do.

Mr. HARRIMAN. It was not 4 years from then—the Korean war was partly responsible—that the balance began to go in the other direction.

No, the attempt was to get these countries back on their feet so they could be self-sustaining, but there were many intelligent people that thought the dollar gap would never be closed. Therefore, I am not unduly alarmed by the present situation because the administration is taking some very definite steps to see that the gap in the other direction is closed.

I do not mean to—forgive me if I appear to be criticizing the Republican administration, because I criticize Democrats, too—but I think perhaps some steps, if they had been taken a few years ago, might have made it a little bit easier to deal with the situation now.

In other words, it was not recognized soon enough that there was a basic change, and it was expected it would only be temporary. If some of the things the President is now doing had been done some years ago, it would have been easier and we would have been out of the woods now.

STEPS TOWARD EASING BALANCE-OF-TRADE PROBLEM

Mr. RHODES. Can you think of anything specific being done now?

Mr. HARRIMAN. Yes. In our aid program, buy American, our de-

fense program, buying more in the United States rather than from abroad.

Mr. RHODES. I hate to dispute you, but I think you will find that the Buy American policy was instituted in 1959 under the development loan program.

Mr. HARRIMAN. I think it was really before then, but the margin is greater. In some cases it is 5 or 6 percent, in others 25. Now it has gone up more.

In addition to that, there is promoting the other way around, which I think is better, promoting trade abroad, promoting tourists coming to the United States, putting a drive on to put on some of the trade expansion programs that we are now becoming involved in.

I very much appreciated the opportunity to answer these extremely intelligent questions. They are the same questions I have asked myself. Perhaps you will not take that as much of a compliment, as much so as I meant it.

Mr. RHODES. That puts me in a higher class than I ever expected to be. Thank you, Governor, for your forthright answers.

Mr. HARRIMAN. I only meant to confirm a statement that I appreciated the opportunity to answer your questions.

U.S. ECONOMIC SITUATION

Mr. PASSMAN. I would not have brought this up if the Governor had not mentioned Italy. They have a shortage of labor in Italy?

Mr. HARRIMAN. Northern Italy. There is still unemployment in the south.

Mr. PASSMAN. If you go downtown into the finer stores, you will see many exports from Italy such as fine ties, fine shoes, many times shoes at $8 to $12 a pair, less cost than the comparable shoe manufactured here in America. You can go from store to store and you will find hundreds of such items. We have basically priced ourselves out of world markets as a result of our generosity.

Of the $500 billion gross national product, using round figures, that we bragged about in 1962, the politicians at all levels—State, municipal, and Federal—had stacked into that total $137 billion that had to be drawn off in taxes to meet our generous commitments to our own people and the people around the world.

We have Treasury obligations of borrowed money now of about $299 billion. We have staggering statutory obligations for services already committed. When you put the two together it is in excess of a trillion dollars.

In addition to our tax collections, we owe the equivalent of $20,185 per family, which must be paid or repudiated by generations yet unborn. So, regardless of all the discussions about how desirable it is to do these things, any person who studies the economics of our country knows very well there is a limit to how far we can go. As far as I am concerned, we have gone too far.

Governor, it has been a pleasure to have you with us.

We shall proceed next to Mr. Janow and it will not be necessary for the Governor to return.

We shall recess until 10 o'clock Saturday morning.

MONDAY, AUGUST 6, 1962.

Mr. PASSMAN. The committee will come to order.

Mr. Janow, we shall be pleased to hear your statement.

STATEMENT OF ASSISTANT ADMINISTRATOR, AID, FAR EAST REGION

Mr. JANOW. Mr. Chairman, I am honored by the opportunity to submit to this committee our fiscal 1963 proposals for economic assistance in the Far East and to consult with you on our current and proposed programs. I expect to learn a great deal from the experienced membership of this committee. I hope, in turn, I may be able to contribute something of value from my experience of nearly 18 years in Asia, largely as a private businessman.

This committee is well aware of the responsibilities and commitments that the United States has accepted in the Far East. You are familiar with the enormous risks and difficulties we face there. You have for many years supported U.S. policies there with appropriations for military and economic assistance.

Some Americans have become tired of this continuing effort, discouraged by evidence that it has not been entirely successful. They are disheartened by the continuing prospect of large risks and large expenditures in the Far East. Pessimism has been nurtured by a steady diet of black headlines from across the Pacific. Crises and short-run setbacks have obscured from popular view the less publicized accomplishments of our policies, including our aid program.

ENCOURAGEMENT IN FAR EAST

A longer and closer look at the Far East reveals a much more encouraging record and prospect. I bring this hopeful—but I believe it is realistic—view to my assignment. Yet I acknowledge that to me, as well, disaster sometimes has seemed just around one corner or another of the Far East. I sometimes was among the "realists" who over the past decade and a half wrote off as hopeless many of the now independent prospering countries of the Far East.

JAPAN

Japan was considered by some of my colleagues in General MacArthur's Occupation Headquarters to be a candidate for perpetual American dole. In 1946–47 it seemed permanently incapable of feeding its growing population. It was stripped of its empire, without friends or trade, its cities and much of its industry and merchant marine wrecked. We provided aid and inspired land and other reforms. Today Japan's spectacular economic success—with freedom and based on a private enterprise system—is an object lesson for all Asia. Japan has agreed to repay a substantial part of our postwar aid. It has become an important source of economic aid to its Asian neighbors, providing $380.7 million in reparations, loans, and technical assistance last year.

TAIWAN

Taiwan's days were numbered by the "realists" in 1950. Today its rapid economic growth—second to Japan in Asia—makes it another bright spot in the Far East. In the past 5 years, Taiwan's gross

national product has risen 40 percent, agricultural production 20 percent, industrial output 80 percent. More than 80 percent of the farmers own their land, and their living standards have been broadly improved. Our aid and inspiration have certainly contributed here to clear progress.

PHILIPPINES, BURMA, MALAYA

The Philippines, Burma, and Malaya went through dark years in their fights against Communist-led insurgents. In 1946–50, the Philippines was battling Hukbalahap Communists in numbers as great as the organized Viet Cong units operating in Vietnam today. It was not safe to drive outside Manila at night, or from Manila to Clark Air Force Base. In Burma, the red and white flag Communist bands and minority groups once seemed certain to destroy that new nation. The entire Burmese Cabinet was assassinated at a cabinet meeting in 1947. I recall visiting Burma in 1957 when terrorist raids prevented railroads from running at night and often by day. Malaya, supported by a heavy British investment in men and money, fought for a decade to defeat its Communist guerrillas. I remember on several visits to Malaya in the mid-1950's being met at airports by my clients in armored cars, riding in armored trains, avoiding any night driving, racing down highways at 70 miles an hour to avoid ambush, and sleeping in guarded compounds.

Personal security, political stability, and economic progress seemed a wishful dream in Malaya in the 1950's. Today it is stable, democratic and relatively prosperous—an achievement of the right mixture of Malayan and British effort.

SOUTH VIETNAM

South Vietnam's prospects looked worse in 1954–55 than they do today. The Cao Dai, Hoa Hao, and Binh Xyuen sects and remnants of the Vietminh forces seemed capable of blocking the establishment of a stable central government. By 1958–60, these early predictions had been refuted and the country was making substantial economic progress. In the period 1955–60, agricultural production in South Vietnam increased 32 percent, per capita food consumption 22 percent, while in Communist North Vietnam per capita food production actually declined. Industrial production doubled in the same period in South Vietnam; rubber, electricity, coal, rice, and fiber production increased sharply. Education was making great progress in South Vietnam. During this 5-year period, the number of elementary pupils doubled, while teachers and classrooms more than doubled. Enrollment in colleges increased from 2,907 to 11,472 students. This was the situation when the Viet Cong, directed and partially supplied by North Vietnam, intensified their guerrilla campaign to bring South Vietnam under Communist rule. The record has shown, however, that given a period of relative peace South Vietnam could develop rapidly.

THAILAND

Thailand is a recent addition to the list of Asian placenames that connote crisis to the Ameriacn public. However, the danger signals there should not obscure two facts: Thailand has become one of the

most promising areas of economic development in the Far East; and Thailand's will and capacity to resist Communist ambitions is stronger today as a consequence of our policies and our aid in past years.

I do not mean to gloss over the difficulties or setbacks we have had and can expect in the future in a region of mostly new nations, some truncated from former territory, whose handicaps of newness are compounded by the threat of Communist aggression or subversion. We have made some bad investments. Our aid has not guaranteed freedom, economic and social progress for every independent nation of the Far East. But it has demonstrably helped those nations that became organized to help themselves. It has sustained the independent existence of several defense-burdened nations. I submit that the record shows that our interests have been well served, in the main, by our aid investment in the Far East. There have been positive achievements beyond our expectations of a few years ago.

Our investment has been large, but so has been the challenge to us. I believe the annual cost has not been out of proportion with our capacity, our responsibilities or our vital interests in the Far East.

1963 ESTIMATES

For the year ahead we have estimated total requirements of about $600 to $700 million in AID funds for Far East programs. The total is imprecise, largely because the scale of our development lending program will depend upon the soundness of loan projects submitted, the self-help measures taken by applicant nations, and other considerations.

AID programs in Far East

[In millions of dollars]

	Fiscal year 1961 obligations	Fiscal year 1962	Fiscal year 1963 proposal
Development loans	46.2	61.5	200-280
Supporting assistance	414.3	270.4	349
Development grants	72.0	66.3	75
Total, AID funds	532.5	398.2	624-704
Public Law 480, title I (country uses portion)	87.3	199.1	178

You will note from the table that we have assumed the availability of Public Law 480 agricultural surpluses for sales under title I which would generate about $178 million in local currencies for AID loans and grants in the region—down about $20 million from this year. Sales agreements totaling $206.5 million are planned, compared with $228 million in the current fiscal year.

OTHER FREE WORLD ASSISTANCE

Other free world bilateral assistance to the Far East is expected to aggregate approximately $180 million in calendar 1962. United Nations assistance in calendar 1961 totaled approximately $10 million in the region, and we anticipate about the same level in 1962. World Bank and IDA assistance is expected to total approximately $100 million in fiscal year 1962.

SHIFT FROM SUPPORTING ASSISTANCE TO LOANS

We are shifting AID programs from supporting assistance grants to loans repayable in dollars to the extent feasible. Total supporting assistance in the region, including contingency fund uses in the field of supporting assistance, declined more than $100 million during the current fiscal year, as compared with fiscal year 1961. No supporting assistance was furnished Taiwan or the Philippines this year, and none is planned in fiscal year 1963. A similar shift from supporting assistance to loans had been scheduled until recently for Thailand after the current fiscal year; the security situation now appears likely to alter this plan. We also face increased requirements for supporting assistance in Korea, due to the restoration of industrial and business activity. In Burma we have programed supporting assistance funds to fulfill our 1959 commitment to help finance construction on the Rangoon-Mandalay Road. The war in Vietnam is imposing continuing heavy demands for supporting assistance. In Laos we expect grant aid requirements to remain large during the period of gradual military demobilization and reestablishment of nationwide government services. These are the major Far Eastern claimants for supporting assistance. Their special or continuing requirements have more than offset the savings and shifts to other funding which we have sought to make.

We have estimated the total fiscal year 1963 requirement for supporting assistance in the Far East to be $349 million. The reductions already made in the new authorizing legislation will have a severe impact on Far Eastern programs, which account for three-fourths of the total supporting assistance requests. I believe any further reduction in this category of funds would dangerously limit our capacity to help nations literally on the front lines of the conflict with aggressive communism.

DEOBLIGATION OF FUNDS

It has been suggested that we could reduce new appropriations if millions of dollars of so-called hoarded money were deobligated and put to work on current priorities. We are doing just that, but the extent of the "hoard" of funds has been considerably exaggerated. Uncontracted and unsubauthorized balances in the Far East programs have been critically analyzed. We have insisted that funds not clearly needed in the near future be deobligated and made available to higher priority requirements in the Far East or in other regions. This process has resulted in the deobligation of $40.6 million in the Far East and the release of $23.6 million for uses in other regions during fiscal year 1962.

DEVELOPMENT GRANTS

Development grants for technical assistance, institutional development, rural development, and malaria eradication are proposed at slightly above the current year's level. The increase is almost entirely due to requirements of the high priority program in Vietnam.

Development lending in dollar-repayable loans represents a substantially larger part of our total program for fiscal year 1963. Details of lending plans are described in the country sections of our pres-

entation books, and I will mention the highlights in connection with my remarks on each country program.

THAILAND

Thailand is a good place to begin. Like Japan, Thailand had a prewar history of independence. And like Japan it has the potential to become an economic strong point for the free world. Its level of development is second to Malaya on the mainland of southeast Asia. Its per capita income has moved up steadily, reflecting an economic growth rate of 4 to 5 percent annually. The Thai currency is practically convertible; its foreign reserves are steadily growing.

Further self-help measures are implicit in the shape of our proposed AID program for Thailand in fiscal year 1963: First, we are terminating grant assistance for major capital projects, such as highways, as of June 30, 1962. Long-term dollar loans will be offered, instead, for imports of goods and services essential to capital development projects. However, we will first make sure that AID does not compete with other potential sources of loans. Thailand's international creditworthiness is excellent, as evidenced by the credits extended by the World Bank, the Export-Import Bank, and recently by West Germany. I have every confidence that loans made to Thailand will be repaid in full and at interest rates approximating the cost of money to our Government.

Second, Thailand will pay the local currency costs of future loan-financed development projects, with the exception of two projects on which prior understandings exist, and will assume local cost responsibility on development grant projects over the course of the next year.

The technical assistance program funds by development grants will concentrate on increasing agricultural production, particularly in the impoverished upland areas of northeast Thailand; regional and community development to strengthen national unity, again with emphasis on the troubled areas near the Lao border; teacher training and other educational assistance; government administration in such fields as statistics and budgeting; and public health.

Thailand

[In millions of dollars]

	Fiscal year 1961	Fiscal year 1962
Development loans		11.1
Supporting assistance	18.4	13.2
Development grants	6.9	9.5
Total AID funds	25.3	33.8

LAOS

Laos has entered a period of transition toward reunification and establishment of a single, neutral regime. We have anticipated this development, of course, but it has been impossible to plan future aid relations with the coalition government until that government came into being. We had the first of these discussions with Prime Minister Souvanna Phouma July 27.

During an extended period of organization and military demobilization, the Lao Central Government will require substantial foreign assistance to meet military and civil budget expenses. The new government also is expected to seek assistance in measures to draw the long-divided country closer together and resume preparations for economic development. We propose to respond to reasonable requests for our assistance, recognizing that without our aid the new government would be forced into fatal dependence upon the Communist bloc.

We hope United Nations and bilateral assistance from other Free World countries will be expanded.

Laos

[In millions of dollars]

	Fiscal year 1961	Fiscal year 1962
Development loans		
Supporting assistance	30.8	[1] 27.5
Development grants	1.5	
Total AID funds	32.3	27.5
Public Law 480 title I (country uses portion).		

[1] Civil and military budget support suspended during 4 months of fiscal year 1962.

VIETNAM

Vietnam's struggle for survival against Communist undercover aggression and rebellion is well known to this committee.

A series of steps has been taken to meet this challenge. In the economic and social realm these include fiscal and exchange reforms and initiation or expansion of activities designed to demonstrate the advantages of a non-Communist system, especially among the rural population.

It is generally acknowledged that military efforts alone cannot defeat the Vietcong. As was demonstrated in Malaya, in order to win, the Government of South Vietnam must gain and hold the loyalty of the general populace at the village and hamlet level. It is from these rural folk that the Vietcong cajoles or extorts its sustenance, intelligence, and recruits. The Vietcong must be denied this support. Success in this requires greater security and the extension of more Government services and control to the countryside through programs of civic action, refugee relief, resettlement, and repair of war damage.

Most of these new counterinsurgency programs are just starting. They will be a major claimant for supporting assistance funds.

To discharge this new responsibility more effectively, AID has recently undertaken a major reorientation of its mission staffing and programing. As part of this reorientation, arrangements have been made to utilize about $10 million of supporting assistance funds in fiscal year 1962 for commodities needed for counterinsurgency. These include equipment and material for the construction of security roads, supplies for village health stations, equipment and supplies for the clearing, construction and supply of strategic hamlets, food and farm implements for the Montagnard (Highland) tribes in central Vietnam, radio receiving sets for the rural population, two-way radio sets, and ancillary equipment for a countrywide village communications system. This is in addition to about $5 million in counterinsurgency projects in fiscal year 1962.

Requirements in fiscal year 1962 for counterinsurgency programs were relatively small because they are just getting under way. During this year, the Vietnamese Government has accelerated its efforts, the U.S. military effort has been substantially increased, and the amount of nonmilitary supplies needed in support of these efforts is now expected to be far greater than foreseen last February. Although I am not yet prepared to make a new estimate, it is likely that the total amount of supporting assistance required in fiscal year 1963 will be more than the amount proposed last February.

Vietnam

[In millions]

	Fiscal year 1961	Fiscal year 1962
Development loans	$10.7	
Supporting assistance	114.5	$112.9
Development grants	13.4	11.3
Total aid funds	138.6	124.2
Public Law 480, title I (country uses portion)	7.5	27.5

NEUTRALS IN SOUTHEAST ASIA

The three presently neutral nations of southeast Asia—Indonesia, Burma, and Cambodia—seek to maintain their independence with a minimum of outside domination. They share in varying degree the problems of acute economic underdevelopment and some beginning aspirations for progress. And in varying degree they are targets for the Communist scheme of conquest in southeast Asia. All three receive Communist bloc assistance.

We can recall only when Indonesia, only a few years ago, was torn by rebellion and separatist movements and seemed on the verge of dissolution. I have referred to Burma's long struggle with Communist insurgents and minority groups. Cambodia has escaped internal or external Communist attack, but the outlook for this former Indo-China state was not bright when it was given independence in 1955.

The Communist bloc's interest in Indonesia has been greatly intensified in 1960–62. It has supported Indonesia's drive for West Irian—West New Guinea—and greatly expanded all forms of Communist aid to Indonesia.

INDONESIA

Indonesia has become the principal recipient of bloc aid—$1,465 million in total economic and military aid commitments. It has received nearly one-fourth of worldwide bloc aid commitments since 1955; about two-thirds of the total was committed in 1960–61. A great deal of the bloc economic aid has not been utilized, however. For example, of the $250 million promised by Khrushchev in 1960, very little had been delivered in Indonesia by early 1962. Nevertheless, the rate of Soviet bloc preparatory efforts, for example, engineering surveys, has increased.

Indonesia has been in continual economic crisis since winning its independence. The current mobilization to gain control of West Irian, or West New Guinea, has intensified the military drain on the

budget and entire economy. Inflationary pressures, a rise in the note issue, declining exports in 1961 and increasing complications in trade due in part to fluctuating world prices, a severe drought in 1961, and a shortage of the basic food staple, rice, are some of the elements of Indonesia's economic distress.

This economic setback and the New Guinea crisis began just as the Indonesian Government appeared ready and determined to launch a serious drive to mobilize the nation's great economic potential. The Government committed itself to this objective in an 8-year plan adopted last year. President Kennedy sent a U.S. economic survey team to Indonesia last summer, with President Sukarno's agreement, to make recommendations for future U.S. aid policy. The team's report has been submitted to the United States Government and to the Indonesian Government.

In its long-range plan for U.S. assistance, the report recommends U.S. grants and loans concentrated upon training, education, transportation, and the institutional preconditions of development.

A substantial Public Law 480 program is planned in fiscal year 1963 to meet essential import requirements and to generate local currency needed for loans in manufacturing, mining, and agricultural sectors.

Substantial U.S. technical asssitance, development loans, and agricultural commodities clearly will be needed to help Indonesia resume economic development.

Indonesia

[Dollars in millions]

	Fiscal year 1960	Fiscal year 1961	Fiscal year 1962
Development loans			
Supporting assistance			5.5
Development grants	11.0	15.8	17.3
Total AID funds	11.0	15.8	22.8
Public Law 480 title I (country uses portion)	9.6	15.8	51.5

CAMBODIA

In Cambodia, our technical assistance has concentrated upon education, agriculture, and improvement of the supply of potable water to towns and villages. For example, 400 village wells were dug last year with our assistance; the organization and capability built up within the Cambodian Government should raise this to 1,000 wells each year, with AID assistance limited to imported supplies and equipment.

More than half of our development grant assistance to Cambodia is going into education. It is producing visible and heartening results, which the people and Government of Cambodia clearly appreciate. We are helping with both construction and faculty development for the new technological institute, the vocational trade school, two teacher-training centers, and the Cambodian-American School. Our technical assistance in agriculture also includes assistance in expanding and improving the National School of Agriculture. The number of students in primary school has doubled since 1955, and there has been a 5-fold increase in secondary school attendance.

Supporting assistance is directed primarily toward financing essential commodity imports whose sale generates local currency for Cam-

bodia's military and police budgets and economic development projects.

Total Communist bloc aid to Cambodia, committed or offered, is estimated at about $100 million from Communist China, Russia, Czechoslovakia, and Poland. Chinese aid has been for industrial plants—paper, textiles, plywood, cement, steel, and spare parts—and for such technical assistance as an engineering survey for the railroad. The Russians have given a 500-bed hospital and promised a technological institute and a survey for a hydroelectric project.

Cambodia

[In millions]

	Fiscal year 1961	Fiscal year 1962
Development loans		
Supporting assistance	17.2	17.3
Development grants	7.1	11.8
Total AID funds	24.3	29.1
Public Law 480 title I (country uses portion)		

BURMA

Our program for Burma in fiscal year 1963 provides for fulfillment of 1959 U.S. Government commitment to help finance construction on the Rangoon-Mandalay Road, subject to feasibility studies and congressional appropriations. We also propose to complete the assistance promised in the 1959 commitment for construction of classrooms at Rangoon Intermediate College. The third major project in our proposal is the use of $3.5 million of a 1957 ICA line of credit to finance procurement of equipment and expert services for the highly successful land reclamation project.

We have offered to provide up to $28 million for engineering and construction on those portions of the Rangoon-Mandalay Road which are determined to be justified in both engineering and economic terms. Agreement has not yet been reached with the new Burmese Government on the project.

Last year Communist China extended an $84 million line of credit to Burma. The Chinese Communist aid projects are expected to include a plywood factory, two sugar mills, a textile plant, a tire factory, three small hydroelectric plants and other projects.

Burma

[Dollars in millions]

	Fiscal year 1961	Fiscal year 1962
Development loans		
Supporting assistance		0.1
Development grants	0.4	.8
Total AID funds	.4	.9
Public Law 480 title I (country uses portion)		

PHILIPPINES

The Philippines is in many respects a bridge between the United States and southeast Asia. Here is another stable and politically secure nation with great economic potential. This potential has not been fully realized. Now a new administration is in power, pledged to reform and hard work on economic development. So far it has shown proof that it means business. President Macapagal, almost immediately after his inauguration last December 31, eliminated exchange controls and import controls, lowered tariffs on essentials, increased customs on nonessentials, and introduced other desirable financial measures. The Philippines is developing a plan for economic progress, based upon these financial policies, in consultation with the World Bank and with us. The administration seems prepared to tackle its agricultural problems and to reverse a situation where a potentially rich agricultural country was a net importer of 186,000 tons of rice in 1961.

The Philippines has excellent prospects for attracting foreign capital from several sources, especially if this renewed development drive is sustained. The World Bank, the Export-Import Bank, the commercial banks of the United States and Japan, and private investment are important sources of capital. The U.S. Government, through the Export-Import Bank and the Treasury stabilization fund, provided the new Philippine administration with stabilization help in its decontrol action, and AID has programed development loan assistance for projects which meet AID criteria.

We anticipate AID development loans of $30 to $50 million in fiscal year 1963 to the Philippines for projects. In addition, we propose to provide technical assistance in industry and mining, public administration, community and rural development including training of agricultural credit and cooperative supervisors, Mindanao Island area development, and in education, particularly in the very effective textbook publication and teacher-training programs.

No supporting assistance grants are proposed. This type of assistance terminated at the end of fiscal year 1961.

Philippines

[Dollars in millions]

	Fiscal year 1961	Fiscal year 1962
Development loans	(9.9)	.1
Supporting assistance	9.1	
Development grants	4.1	3.9
Total, AID funds	3.3	4.0
Public Law 480, title I (country uses portion)		16.4

REPUBLIC OF CHINA

Taiwan, the seat of the Government of the Republic of China, also is an economic success story that has not been told widely. Here we can see evidence of both the acute military burden common to several Far Eastern countries and the economic achievements which our aid has made possible. This, I assure you, was not the general assess-

ment of Taiwan's prospects after the fall of the mainland 12 years ago. Even 6 or 7 years ago anyone predicting that Taiwan could become a borrower of external capital without the necessity for gifts would certainly have been treated as an impractical visionary.

Thoroughgoing land reform has made private landowners of 80 percent of the farmers, and their living standards have been broadly improved. The joint Commission (American-Chinese) for Rural Reconstruction (JCRR) has achieved things not imagined 10 years ago. In the past 5 years there has been a 40-percent increase in gross national product (GNP), about a 20-percent increase in per capita GNP, a 20-percent rise in agricultural production, and an 80-percent gain in industrial output. Literacy is over 90 percent. Cholera, typhus, malaria, scarlet fever, and smallpox have been virtually eradicated.

Taiwan was one of the first countries receiving U.S. aid to adopt a broad self-help program, President Chiang's "19 points." Taiwan also was, as a consequence of this and of its potential for growth, the first Far Eastern country selected for U.S. assistance in accelerated economic development.

So long as Taiwan must carry one of the world's heaviest defense burdens, on a per capita basis, generous loan terms in dollars and an adequate surplus food program will be necessary. We have adjusted our aid program to Taiwan's needs and its growing economic vigor.

No supporting assistance grants to Taiwan were provided in fiscal year 1962, and none is proposed for fiscal year 1963. This approach is based on the assumption of continued availability of substantial Public Law 480, title I sales of surplus U.S. wheat, flour, cotton, tobacco, barley, and vegetable oil. A continued large-scale development loan program and a small development grant program for technical assistance in agriculture, industry, transportation, and government management also are required.

China

[Dollars in millions]

	Fiscal year 1961, obligated	Fiscal year 1962, estimated
Development loans	38.9	25.2
Supporting assistance	43.2	
Development grants	8.9	3.2
Total, AID funds	91.0	28.4
Public Law 480, title I (country uses portion)	17.3	39.3

REFUGEE RELIEF

A footnote on refugee relief and resettlement assistance in Hong Kong and Taiwan is in order here. We have not included in our fiscal year 1963 estimates any special funds to help care for the recently increased numbers of refugees from Communist China. The principal form of our assistance in this field has been food donation under Public Law 480, title III, through the voluntary organizations. Special resettlement programs in Taiwan probably can be supported

primarily by grants of agricultural products under Public Law 480 title II for use as wage payments in kind.

Hong Kong has a proud record of living with and solving its own problems. For this and other reasons the colony has been reluctant to seek our help in coping with the recently intensified refugee problem. Its remarkable economy has provided jobs, food, shelter and hope for more a million refugees in the past decade. Hong Kong authorities recently stated to me that the most important support the colony could receive would be from our trading policies that would make possible an expansion of Hong Kong's exports. We have not received a formal request for direct assistance to the colony's welfare program, but the Hong Kong authorities stated on June 13 that aid would be welcomed to provide more water, roads, housing, hospitals, clinics, community centers, and schools.

KOREA

The nature and history of our commitment to maintain the independence of the Republic of Korea are well known to this committee. Here economic progress has been slow, the aid program has been costly, the evidence of success still tentative. The devastation of the Korean war has been repaired and the economic dislocation caused by the division of Korea partially remedied. The Republic has been defended. Our economic aid—about $2.4 billion from 1954 through 1961—has been vital in these achievements. Total economic aid since the Korean war is equivalent to about 10 percent of the financial cost of the Korean war to the United States.

Nevertheless, the economic statistics remain disheartening; more than 2 million unemployed or substantially underemployed in a population of 24 million; exports not much more than one-tenth of imports; national income rising just enough to match population growth. Political freedom there has suffered what we hope will be only a temporary setback.

The military regime now in power has given some good indications that it will be more effective in launching the long overdue drive for real economic progress.

(1) It has adopted a 5-year plan for economic development.

(2) It has recognized the importance to Korea of restoring economic relations with Japan and has been negotiating for a settlement. This could yield some annual Japanese payments under a financial settlement, reestablish the normal trading relationship that would be certain to expand Korea's exports, attract substantial Japanese private investments, and make possible Japanese participation in a European consortium for development lending to Korea.

(3) The military regime has taken Draconian punitive action against election fraud or rigging, illegal profiteering, graft, bribery, tax evasion, organized crime, smuggling and theft of military supplies.

(4) It has begun a program to limit interest rates on farm credit, diversify crops, expand the functions of agricultural cooperatives and offer greater services to farmers who are the great bulk of the population.

(5) It has started reorganizing education to put more emphasis on technical and vocational training.

There are indications for the first time of substantial European interest in extending credits to Korea. A group of West German industrial organizations and the German Government have offered medium term credits to Korea. French interests have offered credits for hydroelectric and fisheries development. Italian interests have offered fishing boats on credit. There is additional interest of this kind in Belgium and the United Kingdom.

Last month a group of American industrial representatives, accompanied by Gen. James A. Van Fleet, visited Korea as a team to investigate investment opportunities and credit needs there. The American companies included:

Blaw-Knox: Iron and steel; chemicals.
Koppers Co.: Iron and steel.
Westinghouse Electric International: Power, iron and steel.
Parsons & Whittimore: Paper and pulp.
Vitro Corp.: Engineering (fertilizer plant).
Armour & Co.: Fertilizer and chemicals.
International Ore & Fertilizer Corp.: Mining, etc.,
International Agricultural Corp.
Cary Chemicals Co.
St. Regis Paper Co.
Reynolds Metals.
Socony Mobil Oil Co.
Alaska Airlines.
Four major banks.

As a result of negotiations between members of the Van Fleet group and Korean businessmen and officials, four agreements have been signed under which several U.S. companies have agreed to undertake feasibility studies for an integrated steel mill, a fertilizer plant at Ulsan, a polyvinyl chloride plant, and a rice-straw pulp plant to provide pulp for paper manufacturers. These agreements look toward possible investments by the particular United States and Korean companies involved, contingent in some cases at least upon AID participation. In addition, there is continuing interest by members of the group in other possible projects.

There are some of the new elements in the Korean economic scene which encourage us in our program for 1963.

Korea

[In millions of dollars]

	Fiscal year 1961 obligations	Fiscal year 1962
Development loans	6.5	25.15
Supporting assistance	181.1	92.5
Development grants	11.6	8.0
Total aid funds	199.2	125.7
Public Law 480 title (country uses portion)	46.7	64.4

This, in outline, is the program we propose.

I wish to conclude with the observation that the U.S. aid effort has been and will be a vital instrument of our foreign policy in the Far East. At least in my experience there, our achievements in the 1940's and 1950's have been substantial and, seen from the spot and at the time, well beyond reasonable expectations.

As a private citizen in the Far East, I was impressed by the objectives and wisdom of the foreign assistance program, so much so that what I was doing as a businessman seemed unimportant. I am honored to have the opportunity now to serve you in this field.

BIOGRAPHY OF WITNESS

Mr. PASSMAN. Mr. Janow, it is the custom of the subcommittee to request new personnel to detail orally for the record, or provide a prepared biographical sketch. Do you have one prepared for this purpose?

Mr. JANOW. A brief statement. If you would like for me to amplify this, I would be happy to do so.

(Biographical sketch of Mr. Janow follows:)

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.

Mr. PASSMAN. I observe that you served as special consultant to Maj. Gen. Claire Chennault, commander of the U.S. 14th Air Force in China. The late general was a constituent of mine. He was a native of, and taught school, down in my district. What he accomplished is well known, of course, in the annals of history.

TOTAL AID IN ALL CATEGORIES FOR BELGRADE CONFERENCE PARTICIPANTS

Mr. Tennant, with reference to the funds for the Belgrade Conference nations, the 24 that had delegates there in fiscal 1962, and for the amount proposed for fiscal 1963, we did not ask you whether those figures included Public Law 480. Did they?

Mr. TENNANT. With the figures in the insert, we did not include them, as I recall.

Mr. PASSMAN. We would like for you to run over the piano board which we so often refer to as the several spigots of foreign aid, 19 of them, and find out what you have in each one and compile it. You gave us mutual security only. If you will, for fiscal year 1962, under all the spigots, give us the amount, and then project that same figure into the 1963 estimates.

Again, you gave us mutual security only.

If it does not pick up the international organizations, you may indicate there would be funds out of the international organization, over which you would not have control downtown.

You will need to give us the latest year, fiscal year 1962, projected for 1963, and the unliquidated amounts for these 24 Belgrade Conference nations.

Mr. TENNANT. We will do that.

(The information requested follows:)

Selected data for countries attending the Belgrade Conference, September 1961

[Millions of dollars]

	Economic assistance			Military assistance			Public Law 480, titles I and IV			Public Law 480, title II		Eximbank		International Bank for Reconstruction and Development		International Development Agency	
	Programed		Unexpended balance, June 30, 1962	Programed [1]		Unexpended balance, June 30, 1962	Sales agreements		Unfilled agreements, June 30, 1962	Transfer authorizations, fiscal year 1962 [2]	Unfilled authorizations, June 30, 1962	Total loans, fiscal year 1962 [2]	Unexpended balance, June 30, 1962	Total loans, fiscal year 1962 [2]	Unexpended balance, June 30, 1962	Total loans, fiscal year 1962 [2]	Unexpended balance, June 30, 1962
	Fiscal year 1962 (preliminary)	Fiscal year 1963 [1]		Fiscal year 1962	Fiscal year 1963		Fiscal year 1962	Fiscal year 1963									
Delegations:																	
Afghanistan																	
Algeria																	
Burma																	
Cambodia																	
Ceylon																	
Cuba																	
Cyprus																	
Ethiopia																	
Ghana																	
Guinea																	
India																	
Indonesia																	
Iraq																	
Lebanon																	
Mali																	
Morocco																	
Nepal																	
Saudi Arabia																	
Somali Republic																	
Sudan																	
Tunisia																	
United Arab Republic																	
Yemen																	
Yugoslavia																	
Subtotal	773.1	730.2–794.8	1,305.1	60.3	85.3	80.3	575.1	491.9	710.3	58.9	40.2	93.8	261.6	197.4	344.3	62.0	127.4
Observers:																	
Bolivia																	
Ecuador																	
Total	821.7	744.2–804.8	1,360.2	63.9	90.3	83.9	579.5	499.5	711.7	59.2	40.5	93.8	261.9	197.4	350.1	62.0	127.4

[1] Based on congressional presentation.
[2] No estimate available for fiscal year 1963 program by countries.

DISBURSEMENTS FROM CONTINGENCY FUND FOR FISCAL YEAR 1962

Mr. PASSMAN. You did bring the list on the disbursements from the contingency fund last year, or has that been completed in proper form?

Mr. TENNANT. It has been completed, sir.

Mr. PASSMAN. It has not been classified, has it?

Mr. TENNANT. It was handed to me just this morning, and I want to take a quick look at it before I give it to you. May I give it to you after lunch?

Mr. PASSMAN. As long as it is today.

FISCAL YEAR 1963 REQUEST FOR FAR EAST

Under the present request, you are asking for $75 million for development grants, $349,100,000 for supporting assistance, and $200 million for development credits, often referred to as loans, or a total of $624,100,000, is that correct?

Mr. JANOW. That is correct.

Mr. PASSMAN. Could you tell us the amount you had in these three categories for fiscal 1962?

Mr. JANOW. Yes.

The obligations——

Mr. PASSMAN. Let us take development grants first.

Mr. JANOW. For 1962, $66.3 million.

Mr. PASSMAN. Supporting assistance?

Mr. JANOW. In the supporting assistance category—and these are obligations, of course—$270.4 million.

Mr. PASSMAN. Development credits?

Mr. JANOW. $61.5 million.

Mr. PASSMAN. Making a total of——

Mr. JANOW. $398.2 million.

Mr. PASSMAN. Against $624,100,000 requested for fiscal year 1963?

Mr. JANOW. Yes, sir.

UNLIQUIDATED OBLIGATIONS

Mr. PASSMAN. Could you tell us how much you have in the pipeline, Mr. Comptroller, for these three accounts?

Mr. TENNANT. Those three accounts, based on the revised programs, $671 million.

Mr. PASSMAN. $671 million, and $398 million was the total for fiscal 1962, is that correct?

Mr. TENNANT. That is correct.

Mr. PASSMAN. You do have a pipeline, full steam ahead, of about a year and a half, without any additional funds?

Mr. TENNANT. That is correct; approximately a year and a half of unliquidated obligations.

Mr. PASSMAN. This comes somewhat as a surprise to the committee, some of us believing that we were reaching the point where this program would certainly be cut back.

Mr. JANOW. We have prepared our figures in a slightly different format.

Mr. PASSMAN. I have a different set from either of you, and that is certainly running true to form.

(Off the record.)

Mr. TENNANT. I believe I can explain the difference.

Mr. PASSMAN. We want to be helpful.

Since you have a difference of opinion as to these figures, we can postpone the questioning on this part of the bill—which, of course, is the most important phase, because we are talking about the dollars—until you can reconcile your differences, or we can take what you have now and let you submit supplements for the record.

Mr. TENNANT. I think I can explain this in 2 minutes.

Mr. PASSMAN. Are you testifying for those who are administering the program, or are you testifying now as the controller?

Mr. TENNANT. As you know, during the hearings, I have been testifying to the unexpended balances for our formal statements. In the course of some questioning, the committee wanted revised figures based on revised programs. Based on revised programs, I made some quick calculations over the weekend and have some figures.

Mr. PASSMAN. Our examination has been according to the justifications you gave us in the book, and along the way, when we get into the individual projects, we usually ask, "Is this holding firm as compared to the original estimates?"

We are well into fiscal 1963, and we just wonder—as you provided us these books for the purpose of conducting the examination, and since a good part of the hearings are now behind us—if we could proceed on the basis, has this program held firm? Almost always when we have asked this question, the program has gone up along the way. You are not purposely confusing the record, are you?

Mr. TENNANT. No, sir.

Mr. PASSMAN. What figures are you using? The Assistant Administrator gave us some figures.

Mr. TENNANT. He was talking about actual obligations, which is different from what it is in the books.

Mr. PASSMAN. He is talking about actual obligations?

Mr. TENNANT. That is right.

Mr. PASSMAN. With regard to the figures that he discussed, the amount he gave us out of these three spigots, $398 million, do your figures indicate a higher or lower sum?

Mr. TENNANT. I have no difference on those figures, sir.

Mr. PASSMAN. These are obligations?

Mr. TENNANT. That is right.

Mr. PASSMAN. What is the next set?

Mr. TENNANT. The unliquidated.

Mr. PASSMAN. What is the unliquidated total as of June 30, 1962?

Mr. TENNANT. $671 million for all three.

Mr. PASSMAN. Do you want to supplement that with some other figures? You had another set of figures you wanted to discuss?

Mr. TENNANT. No, sir; I think Mr. Janow had some figures based on the original programs.

Mr. PASSMAN. Of course, that further confuses it.

We are right back with the same set of figures we started off with a while ago.

Mr. TENNANT. I believe so.

Mr. PASSMAN. We had a nice little detour there.

PUBLIC LAW 480 PROGRAM IN FAR EAST REGION

Will you also give us the amount of Public Law 480, unliquidated, to this region?

Mr. TENNANT. I do not have the Public Law 480 figures.

Mr. PASSMAN. You have had it for the other regions.

Mr. JANOW. We have the amount obligated in 1962.

Mr. PASSMAN. What amount was obligated in 1962?

Mr. JANOW. $199.1 million.

Mr. PASSMAN. What amount do you project?

Mr. JANOW. This is the country uses portion. That is the amount made available under title 1 to the country.

Mr. PASSMAN. It is still American dollars, so the total under all sections of Public Law 480 was $199.1 million, the obligation for 1962?

Mr. JANOW. That was obligated for the country uses. It does not include the total that was obligated for U.S. uses, that is, it generated local currencies to meet U.S. expenses which in fact saved dollars for the United States.

Mr. PASSMAN. That will be utilized in the program in the country?

Mr. JANOW. Yes.

Mr. PASSMAN. What sum are you asking in fiscal year 1963?

Mr. JANOW. $178 million.

Mr. PASSMAN. What amount do you have in the unliquidated account?

Mr. TENNANT. We will supply that.

(The information was supplied to the committee.)

AID FROM ALL SOURCES

Mr. PASSMAN. Give it to us, as we have requested it in other areas, from all spigots. Put it all together for us.

This may be a classified figure, but what is the amount of military assistance for your region?

You coordinate your efforts with them?

Mr. JANOW. We coordinate, but we do not administer.

Mr. PASSMAN. You are familiar with the program?

Mr. TENNANT. Well——

Mr. PASSMAN. That is not classified, as long as you give it in total. What was the amount in fiscal year 1962?

Mr. TENNANT. $897,844,000.

Mr. PASSMAN. What is the projection for fiscal year 1963?

Mr. TENNANT. $830,714,000.

Mr. PASSMAN. What is the unliquidated amount?

Mr. TENNANT. $1,201,171,000.

Mr. PASSMAN. There will be a small decrease in the amount of military aid in 1963?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. Do you have a reduction in Public Law 480?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. But, for the mutual security program, as such, exclusive of the military, your request has jumped from $398 to $624 million?

Mr. TENNANT. That is correct.

Mr. PASSMAN. Is it a fact that, somewhere along the way, at some echelon, they realized there would be substantial cuts and they inflated this request greatly, so when the cuts were made you still would have as much, or more, than you had last year in this field?

JUSTIFICATION FOR FISCAL YEAR 1963 INCREASES

Please tell us why you have such a tremendous increase in this program over fiscal year 1962.

Mr. JANOW. I will be very happy to do so.

To answer your question, I will have to go into some detail, country by country. You will understand that.

Before I do that, I would like to call your attention to what happened between fiscal year 1961 and fiscal year 1962.

DEVELOPMENT LOAN CATEGORY

In fiscal year 1961, the development lending category was $46 million. In 1962—and this is in terms of obligations, sir—it went up to $61.5 million. The loans went up about 50 percent.

Mr. PASSMAN. You are referring principally to the development credits, 40 years, 10-year grace, and so forth?

Mr. JANOW. Not all.

In 1962, there was an $11.1 million loan made to Thailand which was made at 3-percent interest because we considered the Thai capable of paying a reasonable interest rate.

Mr. PASSMAN. I was speaking of the major portion of these funds.

Mr. JANOW. That is $11 million out of the $61 million. The others were all made in countries which come into the category of requiring the most liberal terms.

Mr. PASSMAN. And that would be 40 years, no interest, 10-year grace period, with the customary three-fourths percent servicing charge?

LOAN RENEGOTIATIONS

Mr. JANOW. Yes. I would like to point out another development in the lending category that perhaps some other administrators have called to your attention. If so, please tell me. But we have been adding to our loan agreements a renegotiation clause which permits us to reopen the question of the ability of the country to service that debt at a faster rate.

Mr. PASSMAN. By the same token, when you stand in the middle of the road, you can look either right or left. You could just as easily adjust it the other way and cancel the loan?

Mr. JANOW. I think that is not intended.

Mr. PASSMAN. I did not say it was so intended. Mr. Dillon said, categorically, any loan could be canceled. You reserve the right to

renegotiate, but you could renegotiate either up or down, could you not?

Mr. JANOW. I think the intention, in this case, is to see whether the terms could be hardened.

Mr. PASSMAN. Why did you not turn it over to the Export-Import Bank?

Mr. JANOW. They will not make loans of this kind, as I understand it.

Mr. PASSMAN. Because they do not meet the hard-loan policy of the Export-Import Bank?

Mr. JANOW. That is right.

Mr. PASSMAN. We hope, if you do negotiate, it will be in our favor. Any loan can be renegotiated, can it not?

Mr. JANOW. But this is a specific requirement for agreement they will in good faith renegotiate at the end of the grace period, and that is a 10-year period. I would like to submit the standard clause for the record.

Mr. PASSMAN. Submit it to the committee, and, if it is not too voluminous, we may put it in the record.

Mr. JANOW. It is very short.

(The information follows:)

The text of the renegotiation clause:

SEC. ____. *Renegotiation of terms.*—The borrower agrees that, at any time or times when it is requested to do so by AID, but not sooner than 6 months prior to the date when the first repayment of this loan is due, it will negotiate with AID acceleration of the maturity of this loan. It is agreed that the parties will mutually determine to what extent maturity should be accelerate on the basis of one or more of the following criteria:

(i) Significant improvement in the internal economic and financial situation of _____ (Country);

(ii) Favorable trends in the balance of payments and foreign exchange holdings of _____ (Country government);

(iii) Ability of _____ (Country government) to make future payments on AID loans without interfering with the service of debts owing to any U.S. Government agency or any international organization of which the United States is a member.

LOAN REPAYMENTS IN DOLLARS

Mr. PASSMAN. Some of the greatest bankers in America, Mr. Black and a lot of the others, no more than a few years ago said that in these undeveloped regions of the Far East we must make dollars available. We could not think about asking these people to repay their loans in dollars, they said, nor could we think of importing anything from the countries. Furthermore, they added, we could not think of permitting their currency to be spent in some other country, because that would defeat the purpose of the program.

With the exception of a minor part of the development loans, they were not in reality loans; they were grants, because you would spend the local currency, when they paid it back in lieu of the dollar loan, in their own country for projects in their own country, mutually agreed upon by the country and the United States. Therefore, nothing ever came back to the U.S. Treasury out of that type of an agreement.

But, about a year ago they took a complete about-face, and they said it would have to be done this way, and I paraphrase: "We are going to make dollar loans now, but they are going to be on a 40-year basis, with no interest, and a 10-year grace period."

DISPOSITION OF LOAN REPAYMENTS

You understood the operations of the old development loan fund?

Mr. JANOW. Yes. I have some knowledge of it.

Mr. PASSMAN. The new operation is just about the equivalent of the old, because any money that comes back under this development credit goes back to the fund, to be spent back in the program; is that not so?

Mr. JANOW. Under development lending?

Mr. PASSMAN. Yes.

Mr. JANOW. That is not my understanding.

Mr. TENNANT. The dollar repayments that come back go into the development loan account.

Mr. JANOW. Yes.

Mr. PASSMAN. For your information, it does go back. It adds up to about the same as the others.

It is plowed back into the program, not the U.S. Treasury.

Mr. TENNANT. That is correct.

LOAN TO THAILAND

Mr. PASSMAN. Can you tell us why this increase is so much higher than last year?

Mr. JANOW. I would have to do so in some detail.

Mr. PASSMAN. Just take your time, sir.

Mr. JANOW. Let me start first with Thailand.

In Thailand we made a loan of $11.1 million to the Government.

Mr. PASSMAN. Off the record.

(Off the record.)

JUSTIFICATION FOR INCREASED REQUESTED FOR 1963

Mr. PASSMAN. We want to know why you are asking for $624,100,000 out of the three specific spigots of the mutual security program, for which you had only $398 million last year. That is $225,900,000 over last year.

Mr. JANOW. Yes.

I started to call your attention to fiscal year 1961 when the total of expenditures, exclusive of Public Law 480, had amounted to $532 million as compared to $398.2 million for 1962. In other words, there was a fairly substantial drop.

In 1962 from 1961. As we go through the various countries I think I will be able to account for why the figures dropped and why in any category they will have to increase, we think, in 1963.

Mr. PASSMAN. No program, it seems, will ever satisfy our country, or any other country; but, you did have a financially satisfactory program going in your region?

Mr. JANOW. I would not describe it as satisfactory.

Mr. PASSMAN. What was unsatisfactory about it?

Mr. JANOW. There are all kinds of problems.

Mr. PASSMAN. You had aid going into every nation in substantial amounts.

Mr. JANOW. Well, we were frankly disappointed in the way in which the ———

(Off the record.)

NUMBER OF NATIONS IN FAR EAST PROGRAM

Mr. PASSMAN. How many nations are in your region?

Mr. JANOW. Nine that receive aid.

Mr. PASSMAN. As we think of this in the overall, you did have a series of projects going in every nation in your region, did you not?

Mr. JANOW. If I may mention some other difficulties which will help illustrate why the expenditure in fact diminished so substantially in 1962 over 1961 and will also explain in part why we anticipate in 1963 it may substantially increase.

Mr. PASSMAN. There is some degree of doubt, is there?

Mr. JANOW. In every program of this kind.

These are estimates.

There are no certainties.

PROJECTS PRESENTED ILLUSTRATIVE

Mr. PASSMAN. You are dealing with an illustrative program?

Mr. JANOW. As carefully estimated as it can be.

Mr. PASSMAN. You are dealing with an illustrative program for fiscal year 1963. Can you obligate this money for anything else other than the projects you will testify for before the committee?

Mr. JANOW. No, sir. It is the intention to stay——

Mr. PASSMAN. Is this an illustrative program? Do you have projects pinned down for which you are going to spend the money?

Mr. JANOW. No. I think there is terminology here that I would like to have clarified.

Mr. PASSMAN. By illustrative, we mean we give you the money——

Mr. JANOW. We cannot commit ourselves to a program until we have funds.

Is that not true?

Mr. PASSMAN. I wish that it were.

By illustrative, you justify it on the basis that you want so much for continuing projects and you want a certain amount for new projects. But, you do not know whether you will spend it on these projects or programs, or in these countries; but after you receive the money, you will determine where it is best to spend it, in what countries and on what projects. Is that not accurately stated? You reserve that right?

Mr. JANOW. That is not the way my region is being administered.

Mr. TENNANT. I think what the chairman is referring to, Mr. Janow, is the fact the book contains our best estimates of the projects we intend to go forward on, but in carrying out the program in 1963, there may be some changes other than those shown in the book.

Mr. PASSMAN. You do, under the present legislation, have the right to substitute new projects for those you have requested funds for on an illustrative basis, and you could reprogram the funds in

some other country, other than what is specifically stated here, if it is in your region?

Mr. JANOW. Technically, that is correct.

Mr. PASSMAN. Thank you.

Mr. JANOW. I would like to continue to answer your question.

Mr. PASSMAN. If you want to elaborate, that is quite all right.

Mr. JANOW. I would like to.

Mr. PASSMAN. Yes, sir.

Mr. JANOW. Why the funds have changed between 1962 and 1963.

LOAN FOR IRRIGATION DEVELOPMENT IN THAILAND

In the case of Thailand, as mentioned, we had three irrigation projects in the northeast provinces which, as I described, have been put into a loan agreement at a 3-percent interest rate.

Mr. PASSMAN. That is the $11 million?

Mr. JANOW. $11.1 million.

Mr. PASSMAN. When was that transaction approved?

Mr. JANOW. The date of approval—quite recently.

Mr. PASSMAN. Does that sum fulfill our commitments made in 1960 on that project?

Mr. JANOW. Yes, it does.

TOTAL AID TO THAILAND

Mr. PASSMAN. What has been the total of aid to Thailand since the inception of this program?

Mr. JANOW. I can tell you that.

Mr. PASSMAN. All categories?

Mr. JANOW. Through 1962?

Mr. PASSMAN. Yes.

Mr. JANOW. The total aid funds have been $286.6 million.

Mr. PASSMAN. Does that figure include military, and all of it?

Mr. JANOW. No, sir; this is the economic.

Mr. PASSMAN. Let us get the total.

Mr. TENNANT. Including military, Public Law 480, and Export-Import, $776.7 million.

This committee visited Thailand. We were told about this. We asked the question——

(Off the record.)

Mr. JANOW. At the present time, Thailand has a favorable balance of trade.

Mr. PASSMAN. That has been so for a long time; I am familiar with the situation.

Mr. JANOW. There has been a steady growth in the last few years in her reserves.

GRANT-AID PROGRAM IN THAILAND

Mr. PASSMAN. You do have a substantial grant-aid program in Thailand?

Mr. JANOW. That is true. We are estimating that for 1963, the development loan category for Thailand will increase from the $11 million in 1962 to perhaps $———.

Mr. PASSMAN. How will the other $——— be handled?

Mr. JANOW. As far as our policy is concerned, it will not change because of their large reserves, their favorable balance of trade and their domestic situation.

Mr. PASSMAN. What do the development grants total for Thailand?

Mr. JANOW. $———.

Mr. PASSMAN. Does that include Public Law 480?

Mr. JANOW. There is no Public Law 480 for Thailand.

Mr. PASSMAN. How much is the military?

Mr. TENNANT. For fiscal year 1962, $58,594,000, and for 1963 $———.

Mr. PASSMAN. Even if the loans are good, for each dollar loan, even if they repay it, we are giving them $3.50; are we not? That is about the way it figures up.

Mr. TENNANT. The mathematics figure that way. The question of the military program——

Mr. PASSMAN. Is it classified?

Mr. JANOW. No, sir. I am prepared to talk about it in general terms if you would like for me to describe what I know about it.

Mr. PASSMAN. There is nothing so favorable about a loan out there if you are going to give them that much.

EMPLOYMENT FOR FISCAL YEAR 1962

Mr. Director, what was the number of personnel on board in your region in 1962?

Mr. JANOW. I have a table for that—actually on board, we had 725.

Mr. PASSMAN. That was fiscal year 1962?

Mr. JANOW. Yes, 725.

Mr. PASSMAN. Your book shows 895.

Mr. JANOW. That was an estimate.

Mr. PASSMAN. What is the estimated number for 1963?

Mr. JANOW. 880, sir.

APPROVAL OF PUBLIC WORKS PROJECTS IN UNITED STATES

Mr. PASSMAN. Would you subscribe to a policy of a double standard on similar projects for foreign countries and our own country, or would you subscribe to a standard policy with respect to establishing the need and the benefit-cost ratio of the projects?

We have one standard in the United States. We have another one abroad. If you are planning, we shall say, a flood control project in Thailand and you were planning a flood control project in the United States, would you not agree that we would have a sound program if we should follow the same criteria in approving the project in Thailand that we do in approving the project in the United States?

Mr. JANOW. Other conditions being equal, I certainly would.

Mr. PASSMAN. What do you mean by other conditions?

Mr. JANOW. If you are talking about the northeast provinces——

Mr. PASSMAN. Any part. As long as it is a similar project. You are having a flood control project coming up to save lives and property in Thailand and one coming up to save lives and property in the United States.

Are you familiar with how projects are actually established for consideration for funds in the United States?

Mr. JANOW. I have some familiarity.

Mr. PASSMAN. What would be your idea of how it is done?

Mr. JANOW. Many years ago I worked a bit with the Department of Agriculture when I was still a graduate student and I saw the Army Corps of Engineers doing flood control work. I understand their methods of estimation and costing and investigation. I think I have some familiarity with that.

Mr. PASSMAN. Would that be about the limit of the experience you acquired?

Mr. JANOW. In addition to that, after the war, before I went back overseas, I spent 6 or 7 months with the Export-Import Bank as their adviser on the Far East, and in the course of that operation had some contact with this matter.

Mr. PASSMAN. But step by step, as to how a project comes into being in the United States, could you follow it from its initiation to completion?

Mr. JANOW. I have not been in projects in the United States.

Mr. PASSMAN. Here is the way it works in the United States, in effect: It has to be initiated at the local level, usually by a county or State engineer. You develop it to the point where you can finally go before the Public Works Committee and get an authorization for an examination. That usually requires relatively little money. After the examination, if there is any hope this project will meet the established criteria, it moves to step 2—that is, the State engineer and the district engineer under the Corps of Engineers would jointly check it out. Then if feasible, you would finally get planning money.

After you have finished all the ramifications in connection with this, if you have a cost-benefit ratio that is favorable, the project moves on then to the office of the U.S. district engineer. If it does not have a favorable benefit-cost ratio, it gets no further consideration. If it is favorable, it moves from there to Washington, to the Corps of Engineers. In the meantime, probably 3 years have elapsed.

After the U.S. engineers in Washington have had a careful look at the project, if it is recommended, it comes to the Congress. Then, Congress will hold detailed hearings. The Public Works Committee will check all the information, from the beginning at the planning stage, to ascertain whether or not the favorable benefit-cost ratio still remains firm. If so, they may, or may not, include the project in an omnibus flood-control bill. That has to go through the House, where again it may be kicked out. It moves to the Senate, where the same type of procedure is followed.

If it remains through all these processes, it goes to conference, where they fight it out, and finally, if it is approved, it goes down for the President's signature.

And what do you have? You have an authorization by which appropriations in subsequent years may be considered.

Here is a $50 million project, we shall say, in the lower Mississippi River and its tributaries. If you make a good case, and show the benefits will be greater than the expenditure, you may get maybe 1/16th of that money, if you are fortunate, but it is a very difficult job.

Next year you may get a little more. But, if our economy is upset, they may suspend it for a year and you will not get anything.

Eventually, after 10 or 12 or 15 years, you may finally get, slice by slice, sufficient funds to bring the project to completion.

Now, I could just about add 50 percent more to that recitation, and that is the way we do it in America.

Mr. ANDREWS. Will the chairman yield for a minute?

I think we have about $18 billion worth of authorized projects in America at this time and the annual rate of appropriation as against the backlog of authorizations is about $1 billion a year.

Mr. PASSMAN. That is right.

(Off the record.)

Mr. PASSMAN. About 50 percent, or more, of all the money in this year's appropriation bill will go back and pick up projects that were authorized as long ago as 1938 or 1939.

But, AID says to us, in effect, "Give us these billions of dollars, and after you give them to us, then we will determine the projects, and the countries in which the money will be spent."

As a result, we are starting projects all over the world that never should have been started.

PROJECTS TERMINATED IN FAR EAST IN FISCAL YEAR 1962

How many projects did you terminate in your area in fiscal year 1962?

Mr. JANOW. I have a table on that subject, Mr. Chairman.

Mr. PASSMAN. Give us the number of projects you have terminated.

Mr. JANOW. I can do this by those which were funded in 1962 and 1963.

Mr. PASSMAN. Undoubtedly you know how many projects you terminated?

Mr. JANOW. Yes, sir.

Mr. POATS. Forty-seven.

Mr. PASSMAN. How many of those did you bring to completion and how many did you abandon, or discontinue?

Mr. HARKINS. We do not have that information broken down by those categories.

Mr. PASSMAN. How many projects did you bring to completion for the purposes originally intended, and for which you require no additional money?

Mr. JANOW. I am afraid we cannot give you that without summarizing all these pages. Would you like to go through the countries?

Mr. PASSMAN. We want you people to go through them.

Mr. JANOW. May we give this to you later in the day, sir.

Mr. PASSMAN. All right.

Now, how many projects did you abandon for the reason they never should have been started?

Mr. POATS. The answer is "None."

Mr. PASSMAN. You will get a medal if you can establish that as fact. You do not know how many you brought to completion?

Mr. POATS. Yes, sir.

Mr. PASSMAN. But you said you did not know how many you completed as originally planned and how many you abandoned?

Mr. POATS. Mr. Chairman, the question there was whether they were completed as originally planned. Some have been changed, some have been absorbed in other projects, and some have been terminated before the initially projects completion date but the original purpose has been accomplished.

Mr. PASSMAN. I can tell you that you have abandoned projects in Taiwan, and you have abandoned many of them. I do not believe, for example, the sawmill project was completed.

How long have you been with the program?

Mr. POATS. Since last December.

Mr. PASSMAN. How long have you been with the program?

Mr. HARKINS. I have been in my present position since last December.

Mr. PASSMAN. And you, sir?

Mr. JANOW. I was sworn in in January of this year.

Mr. PASSMAN. When you say consolidated into others, you mean there have been some projects that have been completely abandoned and you have moved some projects into consolidation with other projects?

From 1955 to 1962, inclusive, give us the number of projects which have been abandoned in Taiwan, the expenditure you made on each project before it was abandoned, and then lead into 1962 and tell us how many of those became a part of the 49 projects, and the cost of each. You can put that data in the record.

(The information supplied follows:)

Taiwan projects terminated, 1955–62

I. PHYSICALLY AND FINANCIALLY COMPLETED PROJECTS

[In thousands of U.S. dollars]

Project No.	Project title	Expenditures
	1954	
49-123	Labor activities	30
21-240	Mining engineering, logistic support of KNR	6
23-241	Ceramics study	6
	1955	
22-006	Telecommunications management	16
13-021	Nitro solution application	2
22-036	Nanpu 1st unit thermal	7,111
22-038	Patu substation	462
22-042	Wulai-Taipei line	62
23-053	Hsinchu window glass plant	433
29-082	Area and resource survey	26
34-118	Port operations and management	3
51-126	Serum and vaccine production	5
51-220	TB control	4
23-222	Fertilizer manufacturing process	1
21-223	Geological techniques	16
23-225	Dah Tung bicycle engineering	59
23-226	Sugar processing	2
	1956	
69-013	Improvement of business	21
75-015	International Economic Administration	4
61-019	Automotive Training Center	35
22-032	Sun-Moon hydro peaking	674
22-035	Peipu thermal	304
22-043	Tienlung-Wufong transmission line (2d circuit)	372
23-048	Kaohsiung Ammonium Sulphate Works expansion	1,860
23-049	Kaohsiung Ammonia Sulphate Works (nitrogen solution)	66
23-064	Synthetic detergent plant	60

Taiwan projects terminated, 1955–62—Continued

I. PHYSICALLY AND FINANCIALLY COMPLETED PROJECTS—continued

[In thousands of U.S. dollars]

Project No.	Project title	Expenditures
	1956—Continued	
22-084	Telephone engineering	3
21-086	Hard rock mining	5
23-091	Mechanical logging	4
23-092	Yeast manufacturing	554
33-105	Railway cargo handling equipment	74
66-138	Improvement of NTU College of Engineering	6
71-141	Organization of Bureau of Standards	4
71-142	Judicial administration (Hawaii)	6
71-143	Penal institutions	3
71-144	Public prosecution	3
71-145	Legislative practices	6
81-161	Urban and industrial survey	22
21-221	Coal production techniques	11
71-227	Retired Servicemen (Retser) Administration Advisor	15
98-242	Nuclear medicine training	7
54-244	Health education, teacher training, TPNU	6
21-263	Gold and copper mine improvement (mine and minerals)	197
61-284	Improvement Fishery Biology Department (NTU)	5
69-290	Productivity training, post primary schools	4
	1957	
18-020	Ocean fisheries improvement	170
22-033	Tienlung hydro peaking	4,672
22-039	Kaohsiung industrial power supply	485
22-040	Power transmission and distribution (fiscal year 1954)	1,987
23-050	TFC No. 3 nitrophosphate	1,361
23-054	TCC plant expansion (cement manufacturing)	1,578
23-055	Chia Hsin cement plant	1,880
23-059	Sugar refining generators	147
23-060	Sugarcane transport	167
23-062	Polyvinyl chloride plant (PVC)	647
23-066	Salt field modernization	120
23-067	Petroleum expansion	2
23-075	Sweetpotato dehydration	62
29-081	Heavy construction equipment improvement	429
23-095	Aluminum manufacturing	8
23-096	Diesel engine manufacturing	182
23-097	Foundry practices	15
33-104	Rolling stock and motive power	2,242
36-108	Shipping management	444
23-117	Artificial woodboard plant	289
36-119	Shipping management	11
71-289	Public safety—Police administration	8
79-295	Municipal government administration	8
71-296	Public enterprise administration	4
98-297	Training in atomic energy	23
21-300	Geological equipment	20
73-326	Public personnel administration	4
17-356	Forestry (retser)	38
11-381	NTU-UC contract (JCRR)	257
99-394	Capital development training	9
19-395	Regional conference (JCRR)	1
82-434	Retser homes	27
21-029	Petroleum exploration, CPC	400
22-037	Nanpu 2d unit thermal	5,132
23-047	Hualien nitrochalk	4,270
23-058	Sugar refining, centrifugal	165
23-074	Pineapple canning	341
15-100	Food dehydration and canning	4
33-103	Railway maintenance	2,731
34-107	Kaohsiung harbor improvement	185
39-111	Taiwan Shipbuilding Corp	444
31-115	Highway bridge maintenance (Japan)	4
33-116	Railway operation, railroad car design and construction	22
47-124	Industrial and mining safety, hygiene	15
53-131	Improvement of hospital administration practices	62
74-150	Budget administration	79.5
71-155	Management training leadership group	35
91-156	Foreign trade and investment	97
27-230	Industrial management	10
23-236	Paperboard plant	298
98-243	Reactor institute training	4
21-259	Coal mine demonstration	101
71-278	Retser program administration (George Fry contract)	600
23-309	Modernization of mills, TSC	926
31-316	Heavy construction equipment (THB)	19

Taiwan projects terminated, 1955–62—Continued

I. PHYSICALLY AND FINANCIALLY COMPLETED PROJECTS—continued

[In thousands of U.S. dollars]

Project No.	Project title	Expenditures
	1957—Continued	
34-317	Cargo handling equipment	258
18-320	Fish propagation (retser)	7
23-357	Food processing plant (TSC)	71
99-365	TA participants (AX) post departure expenses	1
23-373	Chang Hua Bagasse Board	1,309
17-376	Forest policies and management plans (JCRR)	17
55-385	Food and drug control	5
29-389	Stock exchange administration	4
79-390	Economic Development Institute	4
53-396	Hospital administration	5
19-405	Tractors—TSC	950
23-416	Petroleum products diversification	4
23-419	Shop improvement—TMMC	228
17-438	Forestation and tree gum	41
92-441	Domestic broadcast facilities	22
76-443	Procurement and supply management	6
	1959	
21-025	Solid fuels and minerals exploration survey	44
23-052	High grade paper mill	701
23-072	Electrical motors and switches	337
34-106	Keelung harbor improvement	346
52-127	Kaohsiung water works rehabilitation	701
78-153	Government statistics	26
23-231	Corrugated board plant	300
23-310	Chemical pulp manufacturing	46
27-312	Industrial Research Institute	93
31-324	Highway improvement and administration	13
12-378	Deep well improvement (TSC)	119
22-379	Suburban telephone expansion	324
55-380	Hospital construction and equipment	68
18-454	Fishing development	19
	1960	
23-065	Taiwan Aluminum Corp. expansion	890
23-224	Steel tube mill	466
29-481	Industrial training placement (retser)	76
55-492	Taiwan Sanitarium	22
	1961	
22-034	Lung-chien hydro	3,177
23-281	East coast pineapple development	720
31-315	East-west highway construction (retser)	1,378
23-411	Bagasse shaving board (TSC)	976
23-420	Tang Eng Iron Works, substation	229
89-425	E-1 highway development (retser)	11
96-463	Mass communications	30
55-465	Retser hospitalization	2,690
11-467	Retser agricultural development	252
23-501	Caustic soda and chlorine products	210
W-23-AG	Lithograph printing plant	587
W-23-AI	KASC 2d expansion	6
W-82-BD	Relief—Kinmen-Matsu	5
W-11-BN	Regional Far East fertilizer workshop	8
X-83-AV	Low cost housing	55
	1962	
E-99-AG	Shihmen multipurpose dam	7,862
F-31-AA	Highway-road improvement	133
J-92-AE	Small industry loan fund	6,590
W-22-AA	Wusheh Dam hydro	2,106
W-22-AB	Shenao 1st thermal	7,935
W-22-AC	Tachien Reservoir	111
W-23-AD	Urea plant	8,332
W-23-AH	Aluminum plant modernization	621
W-52-AV	Municipal water supply	109
W-99-BF	Oversea economic promotion	220
W-12-BO	Regional irrigation seminar	10
Y-82-BG	American-voluntary agencies	20

Taiwan projects terminated, 1955–62—Continued

II. PHYSICALLY COMPLETED PROJECTS; AWAITING SUBMISSION OF FINAL DOCUMENTS; NO FURTHER U.S. FUNDING REQUIRED

[In thousands of U.S. dollars]

Project No.	Project title	Expenditures
W-63-BC	Home economics teacher training	60

III. PHYSICAL WORK STILL UNDERWAY; NO FURTHER U.S. FUNDING REQUIRED

F-36-AC	Coastal ship construction	1,877
F-33-AE	Expansion of railroad facilities	21,239
W-23-AE	Artificial woodboard plant	8,333
W-23-AF	Sulfuric acid plant	1,448
W-23-AK	Material standards control	161
W-21-AP	Mineral development [1]	694
W-51-AQ	Malaria eradication [1]	150
W-51-AR	Disease control [1]	582
W-52-AS	Sanitation and water supply [1]	370
W-54-AT	Medical and paramedical education [1]	992
W-55-AU	Hospital and health facilities [1]	485
W-21-AW	Coal mine development [1]	1,775
W-22-AX	Telecommunication expansion	3,872
W-69-BH	Education administration and development [1]	1,780
Y-39	General transportation training [1]	138

[1] 9 terminating projects for which funds were obligated in fiscal year 1962; no further U.S. funding is contemplated.

IV. CANCELED PROJECTS; PROJECTS INITIATED AND FUNDS OBLIGATED; FUNDS LATER DEOBLIGATED, EXPENDITURES AS INDICATED

[In thousands of U.S. dollars]

Project No.	Project title	Year canceled	Expenditures
17-056	Ta Shu Shan logging	1961	641
25-298	Steel industry survey	1959	----------
23-308	Nitrophosphate plant (HKE)	1959	----------
18-401	Tuna long liners	1958	----------
23-417	Rubber tire manufacturing	1959	----------
92-446	Athens festival	1958	----------
J-23-AI	Industrial dynamite manufacturing	1962	----------
W-23-AJ	Phosphate fertilizer	1962	----------

Mr. JANOW. Sir, would you define for us what you mean by "abandoned"?

Mr. PASSMAN. The sawmill project or the dam project which was redesigned. You know what I am talking about when I mentioned this concrete dam over there that was redesigned? Let us get into that.

Mr. JANOW. I was just asking for a definition.

Mr. PASSMAN. By an abandoned project I mean on that you started and abandoned.

Mr. JANOW. I was asking, for example, with reference to malaria eradication.

Mr. PASSMAN. That would not be abandoned. That would be one brought to completion.

Mr. JANOW. Successful completion.

Mr. PASSMAN. As planned.

Mr. JANOW. In this case malaria, for all practical purposes, has been eradicated in Taiwan.

Mr. PASSMAN. Brought to completion.

Mr. JANOW. You would like a distinction between successful projects and those we stopped because we considered them unsuccessful?

SHIHMEN MULTIPURPOSE DAM, TAIWAN

Mr. PASSMAN. Tell us about the dam.

What is that project?

Mr. HARKINS. Page 54.

Mr. JANOW. I think you are talking about the development loan for the Shihmen multipurpose dam. That is a loan that began in 1958—in November of that year.

Mr. PASSMAN. This is one of the loans that is repaid in Taiwan currency?

Mr. JANOW. That is correct.

Mr. PASSMAN. When it is repaid, where does the money go? Is that under the old Development Loan Fund?

Mr. JANOW. Yes, sir.

Mr. PASSMAN. Then that goes back into the Republic of China?

Mr. TENNANT. It goes back in the U.S. Treasury and can only be used in China, subject to agreement with the Republic of China.

Mr. PASSMAN. Is it not a fact that any repayment must be spent in the Republic of China?

Mr. TENNANT. The repayments are credited to the United States and can be spent only subject to agreement with the Republic of China, normally in China.

Mr. PASSMAN. It does not go in the U.S. Treasury for use in the United States?

Mr. TENNANT. No, sir.

Mr. PASSMAN. When was this project started?

Mr. JANOW. The loan was approved in 1958, sir, but engineering was started earlier under an ICA grant.

Mr. PASSMAN. We know this is disguised grant aid, because you are dispensing dollars and you are collecting Republic of China's repayments in their currency, and that currency goes back to the credit of the Republic of China. So it is in fact a grant.

What is the status of that project now?

Mr. JANOW. This project has been subject to some redesign.

Mr. PASSMAN. What amount did you disburse through fiscal 1962 on this project?

Mr. JANOW. About $14 million. I think that figure may be slightly higher at the end of the fiscal year.

Mr. PASSMAN. Did we get anything for that $14 million except a bunch of concrete that could not be used?

Mr. JANOW. Sir, the Taiwan Power has a very good reputation among the power authorities of the Far East.

Mr. PASSMAN. I want to know what we got for all that concrete we poured there. You have gone into a wooden type of dam, have you not?

Mr. JANOW. I gather there been some difficulty in pressure tunnels because when further exploration was made it was discovered that the rock was porous and would not hold the pressures.

Mr. PASSMAN. And you changed to a wooden type?

Mr. JANOW. Earth-filled dam.

Mr. PASSMAN. So we got about $14 million worth of concrete over there that could not be used? Do you agree with me, Mr. Director, that had this project been properly engineered, by competent engineers, from the beginning this would not have happened?

Mr. JANOW. I think there has been some waste in this project.

Mr. PASSMAN. I am not talking about that. I am talking about changing to an earthen dam. If this project had been properly planned, by competent engineers, we would not have gotten into this situation, would we?

Mr. JANOW. I do not recall who the engineers were.

Mr. PASSMAN. I do not either, but we have $14 million of concrete and have gone to an earthen dam.

Mr. JANOW. Sir, the $14 million was not all for concrete.

Mr. PASSMAN. Do you know anything about the new estimate to bring this project to completion?

Mr. JANOW. I think there might be something like $2 million worth of equipment which is excess to the requirement as originally planned because of the change in design, but this can be used elsewhere. I have myself asked this question and been told that this is the limit of waste that is associated with this project.

Mr. PASSMAN. But you did go to an earthen type of dam?

Mr. JANOW. This equipment may be salable or may be transferred to a concrete dam project elsewhere in Taiwan. It would not be considered as a loss of $2 million.

Mr. PASSMAN. This is just one project.

NEW PROJECTS IN FAR EAST

What new projects will be initiated in fiscal 1963?

Mr. JANOW. In Taiwan, sir?

Mr. PASSMAN. In your region, total.

Mr. JANOW. We have one new project in Burma. We are expecting six in Indonesia.

Mr. PASSMAN. In Indonesia?

Mr. JANOW. Yes, sir.

PROJECTS IN INDONESIA

Mr. PASSMAN. What kind of projects in Indonesia?

Mr. JANOW. As you know, we are very hopeful that the West Irian crisis is over and that there will be an opportunity to assist that country.

Mr. PASSMAN. If you keep Sukarno out of Moscow long enough you might be able to do something.

IMPROVEMENT OF SHIP OPERATION

Mr. JANOW. One project is improvement of ship operation.

Mr. PASSMAN. What?

Mr. JANOW. Improvement of ship operation. I talked to the captain of the *Hope*—do you remember that medical ship?

Mr. PASSMAN. Yes.

Mr. JANOW. They went aground twice when they were trying to assist the Indonesians with medical services. This ship, as you will recall, was donated voluntarily.

Mr. PASSMAN. That is right. Now we want to give them a deep-water channel. Tell us the cost.

Mr. JANOW. The estimate for 1963 is $———. It involves four technicians——

Mr. PASSMAN. Just give us the cost.

Mr. JANOW. $———.

Mr. PASSMAN. What is the estimated completion cost?

Mr. JANOW. The estimated cost of completion is not much larger, it is $———.

Mr. PASSMAN. That is the total from the beginning to the finish?

Mr. JANOW. Yes.

Mr. PASSMAN. This is a new project?

Mr. JANOW. Yes.

Mr. PASSMAN. What is the next project, please?

AIRPORTS AND AIR NAVIGATION DEVELOPMENT

Mr. JANOW. Airports and air navigation development. I would like to give you the details of that.

Mr. PASSMAN. What is the cost?

Mr. JANOW. It is less than $100,000 and the details consequently are not included in the project book.

EDUCATION PROJECTS

Mr. PASSMAN. And you also left education details out because it was less than $100,000?

Mr. HARKINS. That is right. Details on education projects of less than $100,000 are not included.

Mr. PASSMAN. This would lead to additional funds in the future, would it not?

Mr. JANOW. I am not sure.

Mr. PASSMAN. This could be just the seed; you have no details on it?

Mr. JANOW. Sir, we have detailed information.

Mr. PASSMAN. Where do we find it?

Mr. JANOW. We can supply it but we did not want to burden this committee with the details on a $40,000 item.

Mr. PASSMAN. We know that $40,000 may lead to $6 million. That observation is based on experience, Mr. Director.

DIRECTOR OF INDONESIAN MISSION

Mr. JANOW. I might say at this point we have sent a new director to Indonesia, Mr. Edward Fox, who has a good history as a businessman.

Mr. PASSMAN. That is fine.

Mr. JANOW. He was a successful Iowa businessman in feed and grains and in the canning of dog foods and so on, a business he built up himself.

Mr. PASSMAN. What did he do, take a leave of absence?

Mr. JANOW. No, sir.

Mr. PASSMAN. Did he sell his business in order to go out there?

Mr. JANOW. Yes, he did.

Mr. PASSMAN. What product did he sell, dog food?

Mr JANOW. Yes, among other things.

Mr. PASSMAN. How many people did he employ?

Mr. JANOW. I do not remember, but he was a businessman of substance.

He was also chief trustee of Grinnell College and was active in public service.

Mr. PASSMAN. Please give us a brief report on that man.

Mr. JANOW. I shall be happy to.

(The following information was submitted for the record:)

BIOGRAPHIC INFORMATION ON EDWARD FOX, DIRECTOR, USAID, INDONESIA

Mr. Fox is 44 years old and a native of Iowa. He was graduated from Grinnell College, Iowa, with a B.A. degree. A son and a daughter are now attending Grinnell.

Mr. Fox has been in the livestock feed business in Des Moines since he graduated from Grinnell College with an A.B. degree in 1939. He was president of Foxbilt, Inc., feed manufacturers and subsequently manager of the Foxbilt Division of John Morrell & Co. He also was president of Agricultural Finance, Inc., of Des Moines.

Mr. Fox has been chairman of the board of trustees of Grinnell since July 1960.

He is married to the former Carold Grace Simpson, of Gilman, Iowa. He and Mrs. Fox make their home at 4701 Northeast 46th Street, Des Moines.

Mr. Fox was appointed as Director of the Indonesia Mission of the U.S. Agency for International Development on May 29, 1962.

Mr. PASSMAN. Was this project created before this man sold his dog-food business and went over there?

Mr. JANOW. Yes, sir.

Mr. PASSMAN. Who made the survey of this, the new man?

Mr. JANOW. No, sir.

Mr. PASSMAN. These projects are coming into being, are they?

Mr. JANOW. But he will review them, sir.

DEPUTY MISSION CHIEF IN INDONESIA

In addition to Mr. Fox, the Deputy is Mr. Querner. Mr. Querner became general manager of a Daystrom subsidiary at the age of 38. He is a qualified engineer.

Mr. PASSMAN. Did he take a leave of absence or quit his job?

Mr. JANOW. He quit his job.

Mr. PASSMAN. These projects are approved at your level, are they not?

Mr. JANOW. That is correct.

Mr. PASSMAN. And they work under you?

Mr. JANOW. Yes, sir.

Mr. PASSMAN. What about the next project?

Mr. JANOW. In Indonesia, sir?

Mr. PASSMAN. Yes.

IMPROVEMENT OF FLEET MAINTENANCE SHOPS

Mr. JANOW. Improvement of fleet maintenance shops.

Mr. PASSMAN. What fleet?

Mr. JANOW. This is one of their most troublesome problems.

Mr. PASSMAN. But with respect to what fleet?

Mr. JANOW. Truck and bus fleets. One thing that has been reported consistently from Indonesia is that the Government's method of operation has been very wasteful. They have been buying new equipment and cannibalizing equipment because they were not able to do proper heavy maintenance.

Mr. PASSMAN. Do you think this $——— will straighten them out?

Mr. JANOW. We hope it will assist. If this is not successful we will not continue this project.

Mr. PASSMAN. This is for contract services?

Mr. JANOW. Yes.

Mr. PASSMAN. Do you have the name of the contractor?

Mr. JANOW. Not yet, sir. It is a new project.

Mr. PASSMAN. You do not know what garage will get the contract?

Mr. JANOW. It may be done by technicians.

Mr. PASSMAN. It says "contract services."

Mr. JANOW. Technicians under contract. I think we will hear from Mr. Querner and Mr. Fox on this before we proceed.

Mr. PASSMAN. If there is a garage that can meet the criteria, it would be entitled to a contract?

Mr. JANOW. Yes, sir.

I might mention this goes back to the U.S. economic survey team sent out by the President.

Mr. PASSMAN. What is the next project?

INDUSTRIAL MANAGEMENT AND TECHNICAL SERVICES AND TRAINING

Mr. JANOW. Industrial management and technical services and training.

Mr. PASSMAN. On what page is that project?

Mr. JANOW. Page 101. This has $———.

Mr. PASSMAN. What will you teach them with this amount?

Mr. JANOW. Well, sir, the President's economic survey team——

Mr. PASSMAN. President Sukarno's?

Mr. JANOW. President Kennedy's economic survey team. They reported the requirement for assistance in education and in management.

PRESIDENT'S ECONOMIC SURVEY TEAM

Mr. PASSMAN. This is not under the "Education" heading. It is under "Development grants and manufacturing." Who headed up this team?

Mr. JANOW. Mr. Don Humphrey. He is now, I think, with the Fletcher School of Law & Diplomacy. He was assisted by Walter Salant, of the Brookings Institution.

Mr. PASSMAN. This is an $——— project. You have $500,000 for contract services. Is this a contract with Brookings Institution, this $500,000?

Mr. JANOW. No, sir.

Mr. PASSMAN. What part is with them?

Mr. JANOW. None is with Brookings.

Mr. PASSMAN. Did Brookings go out on the survey?

Mr. JANOW. No; Mr. Salant did, who is now with Brookings.

Mr. PASSMAN. Was he then with Brookings Institution?

Mr. JANOW. Yes, sir.

Mr. PASSMAN. All of these are illustrative projects, so you do not have the completion date?

Mr. JANOW. We have a completion date.

Mr. PASSMAN. What is the estimated cost to completion?

Mr. JANOW. An estimated $——.

Mr. PASSMAN. At this time you do not know what company may be awarded the contract?

Mr. JANOW. No, sir.

Mr. PASSMAN. It was a Brookings man, either present or past, who made the survey?

Mr. JANOW. He was a member of the party, sir.

Mr. PASSMAN. How many were in the party?

Mr. JANOW. Six.

Mr. PASSMAN. Did AID finance that survey?

Mr. JANOW. Yes.

Mr. PASSMAN. Out of what appropriation?

Mr. HARKINS. Out of "administrative funds."

Mr. PASSMAN. How long did they stay out there?

Mr. POATS. About 6 weeks.

Mr. JANOW. It was in the fall of last year. And this survey, Mr. Chairman, was undertaken at the request of President Sukarno, agreed to by President Kennedy. The report was very heavily devoted to the requirement for improving training for technical services and this is one of the responses to their report.

Mr. PASSMAN. This could lead to subsequent requests for hundreds of thousands of dollars, if those people become proficient in these fields?

Mr. JANOW. It could. It involves training in the United States for high and middle level officials of private sector industries and of various Government departments and enterprises. We are concerned with concepts of efficiency not well developed in Indonesia.

Mr. PASSMAN. What do you think about training these people in their own environment?

Mr. JANOW. I prefer on-job training wherever possible.

Mr. PASSMAN. If you were teaching a man how to operate an adding machine, could you not train him as well in Indonesia as in Brookings Institution.

Mr. JANOW. The bulk of the contract services will be for training in Indonesia.

PARTICIPANT TRAINING COSTS

Mr. PASSMAN. $225,000 will be spent for participants?

Mr. JANOW. About 35 participants.

Mr. PASSMAN. That is more than one-third of the total amount for participants.

Mr. HARKINS. Yes. The training element is the key element to the project.

Mr. PASSMAN. Could you not train them out there?

Mr. HARKINS. I think it is contemplated to do both.

Mr. PASSMAN. They will be expected to do the work in Indonesia?

Mr. JANOW. Yes, sir.

Mr. PASSMAN. Could you not train them just as well in Indonesia as at Brokings Institution, or anywhere else here in the United States?

Mr. JANOW. They would not go to the Brookings Institution for this training.

Mr. PASSMAN. You would be surprised to know some of the institutions getting these contracts.

Let us go to another project in Indonesia.

COUNCIL OF SCIENCES

Mr. JANOW. There is a Council of Sciences.

Mr. PASSMAN. On what page?

Mr. JANOW. That is another one of those small ones.

Mr. PASSMAN. That project is under what heading, what sector?

Mr. HARKINS. The education sector.

Mr. JANOW. That is $———.

Mr. PASSMAN. What will you do with that $———?

Mr. HARKINS. That will provide assistance to the Indonesian Council of Sciences in the fields of biology, physics, chemistry, geology, mining, and social economics.

Mr. PASSMAN. Project the cost of that project to completion.

Mr. HARKINS. This is a 1-year project only. There is no additional funding expected.

Mr. PASSMAN. You will send Americans out on this project?

Mr. HARKINS. Yes, sir.

Mr. POATS. The National Science Foundation or a similar group would be employed under contract.

Mr. PASSMAN. You will have $———, and in all probability the expenses of air transportation will use up most of it; will it not?

Mr. POATS. The intent, as I understand it, is that we would help the Indonesians establish the basis under which they could tap the resources of this great island area. There are now in existence institutes of a rather primitive sort and guidance of this kind would perhaps put them on the right track and they could do their own work in exploring the resources of the country.

Mr. PASSMAN. Sukarno spent that amount, probably, in his last visit to Moscow. How will that amount enable them to do all these things?

Why could we not start just a few good projects in these so-called neutral countries? Why could we not start just one good project, and await developments? It is a foregone conclusion, even though these are illustrative projects, that when you start them each will lead to a request for further funds in the future.

Mr. JANOW. Mr. Chairman, I would like to call your attention to page 17 of my testimony.

I would like to point out in this connection that these data are not current. I could not get 1962 data. If you will examine this, you will see that we have done almost exactly what you have just advised. We have had in Indonesia a very small total program, perhaps one-tenth of the size that the Communist bloc has had.

SOVIET AID TO INDONESIA

Mr. PASSMAN. We have been told Russia has never given as much as one rupee, that their assistance is in the form of hard-boiled loans, short-term loans bearing a high rate of interest, or in profitable barter arrangements.

Mr. PETERSON. Sir, I do not think that is correct.

Mr. PASSMAN. I have been trying for at least the last 8 years to find where Russia has given anything outright.

Mr. PETERSON. I would like to submit the recent Soviet proposal for assistance to the Indonesian aviation industry.

Mr. PASSMAN. We would like to have that, but I wish you would also confirm or deny at this point that the Russians are long on promises and short on deliveries.

(The information follows:)

SOVIET AID TO INDONESIAN AVIATION

A recent report from Indonesia mentions Soviet bloc offers of aircraft on exceedingly attractive terms in connection with Indonesian plans to acquire commercial jet transports. The Soviets reportedly offered the TU–114, the TU–124, and the AN–24 aircraft to the Indonesian Government with payment deferred for 3 years and credit for 25 years.

Mr. PETERSON. The offers have not all been accepted by the Indonesian authorities.

Mr. PASSMAN. But the Russians are long on promises and short on deliveries? Do you see it that way?

Mr. RHODES. Did I understand Indonesia turned down economic aid?

Mr. JANOW. They have not fully used it.

Mr. RHODES. I am looking at page 17 of your statement.

Mr. JANOW. They have not fully utilized it.

Mr. RHODES. Then why is it in your statement?

Mr. JANOW. It has been promised.

Mr. RHODES. When was it promised?

Mr. JANOW. If you would like a statement of the commitments we shall be glad to supply it.

Mr. RHODES. I think we should have a statement on the types of aid offered, when offered, how much has been accepted, and when it was delivered.

(The information was supplied to the committee.)

Mr. ANDREWS. Will the gentleman yield?

FULFILLMENT OF U.S.S.R. AID COMMITMENTS

There is a statement in the morning paper to the effect Russia has informed India they would not be able to go through with about a $365 million offer of economic assistance. I did not read the details but it is in this morning's paper.

Mr. PASSMAN. I still say my statement is firm that the Russians are long on promises and short on deliveries.

(Off the record.)

Mr. JANOW. Sir, may I make a further comment on Indonesia?

(Off the record.)

Mr. PASSMAN. It has been said in previous years it has not been possible to prove that the Russians have ever made an outright grant of one rupee. It has been understood that this is a trick of the Russians, and a lot of the neutrals are cooperating with them. They make these fabulous commitments and it may well be it is understood that deliveries would be only a small proportion of the total. As long as you do not know, and I do not either, this may shed some light on it. I am reading from an article entitled "Russia Cannot Deliver Equipment for India," by Patrick J. Killen. It is dated at New Delhi, August 5, UPI:

Russian officials have quietly informed the Indian Government that they will have to welsh on a promise of electrical equipment. Diplomats said the reasons are economic, not political.

It could be that Mr. Nehru thinks we will rush in and fill the vacuum?

Mr. RHODES. You think we will not?

Mr. JANOW. I would like to finish this point. I think it is relevant to the committee's consideration.

(Off the record.)

Mr. PASSMAN. And at this time we do not know if there is as much as a $1 grant?

Mr. JANOW. We do not know the details.

Mr. PASSMAN. But what information you do have indicates there are some short-term, interest-bearing loans?

Mr. JANOW. Yes.

U.S. AID TO INDONESIA IN 1961

Mr. PASSMAN. What amount did we give Indonesia in the first 6 months of fiscal 1961, which would be the last 6 months of calendar year 1960?

Mr. JANOW. We gave them $15.8 million.

Mr. TENNANT. That was under our program, and, if you include Public Law 480, it is $33 million.

PURCHASES OF U.S. GOLD

Mr. PASSMAN. During that same period, which was the third and fourth quarters of calendar 1960—the first half of fiscal 1961—in the third quarter, Indonesia purchased $2 million worth of our gold; and in the last quarter $22,900,000.

(Off the record.)

TOTAL AID TO INDONESIA THROUGH 1962

Mr. PASSMAN. How much aid has gone to Indonesia from the beginning, from all spigots?

Mr. JANOW. The total of our economic aid through 1962 is $244 million, plus $190 million of Public Law 480.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. JANOW. If you would like this bloc information, it is available.

Mr. PASSMAN. Thank you.

Now, what is the next project for Indonesia?

TRAINING INDONESIAN EX-SERVICEMEN

Mr. JANOW. This is a project for training ex-servicemen.

Mr. PASSMAN. At what page?

Mr. JANOW. Page 81.

Mr. PASSMAN. Training what, sir.

Mr. JANOW. Ex-servicemen.

Mr. PASSMAN. Ex-servicemen of the United States or ex-servicemen of Indonesia?

Mr. JANOW. Of Indonesia. These men will be returning, we hope, to civil life.

Mr. PASSMAN. From the Indonesian Army?

Mr. JANOW. Yes.

Mr. PASSMAN. What are we going to train them to do?

Mr. JANOW. We know that establishing military personnel in civil life is a problem we have met in other parts of the world.

Mr. PASSMAN. We are sending two technicians, $50,000, $——— worth of commodities, and the purpose is to train the Indonesian military personnel returning home in what fields?

Mr. JANOW. Sir, this is a new project to prepare Indonesian soldiers for useful roles in civilian life.

Mr. PASSMAN. Do you have any idea what they will do?

Mr. JANOW. Yes, sir. There is one similar project that I visited in Taiwan.

Mr. PASSMAN. What are they going to train these people to do in Indonesia?

Mr. JANOW. I think largely it will be in shops and in agriculture, in the field of ordinary vocational education.

Mr. PASSMAN. Sending our commodities and our technicians over to be waiting for the Indonesian military personnel when they come home to teach them some skill—what is the projected cost?

Mr. ANDREWS. Mr. Chairman, may I ask one question? I would like some information about this statement on page 81:

> This will tend to increase the self-sufficiency of ex-servicemen and thereby decrease the cause of political dissatisfaction among them.

Could you tell us anything about that?

Mr. JANOW. This project involves only two U.S. technicians.

Mr. ANDREWS. I mean the statement in the book.

Mr. JANOW. Yes. This is an expression of general intention. I think we know that few people are more dissatisfied than those who are idle and unemployed.

(Off the record.)

Mr. JANOW. If men from the service are not given an opportunity for training which will prepare them for respectable civilian occupations, certainly they would make a more ready recruit among the dissident elements. I think Mr. Peterson can give you some detail if you would like to have it.

Mr. PASSMAN. He has already given us some information. If we have not been confused earlier, we are really confused now.

We are going to send two technicians over and their purpose will be:

> This will tend to increase the self-sufficiency of ex-servicemen and thereby decrease the cause of political dissatisfaction among them.

(Off the record.)

Mr. JANOW. This is a very small pilot program.

Mr. PASSMAN. Mr. Director, I have seen these programs year in and year out. This is the case of the camel getting his nose under the tent, and before you know it, the camel is in the tent.

For what are you paying these technicians $50,000? And how long are they going to say over there?

Mr. JANOW. I think this is estimated on the basis of $25,000 per year.

Mr. PASSMAN. Per technician What does that include?

Mr. JANOW. This includes all the personal serivces, sir.

Mr. PASSMAN. What is the $——— for commodities, then, that is going to go right along with the two technicians?

Mr. JANOW. These commodities are to better equip three existing centers and to establish three additional ones.

Mr. PASSMAN. You mean the project is already going?

Mr. JANOW. Under the Indonesian Government, yes; but they need help.

Mr. PASSMAN. Why are we getting into it?

Mr. JANOW. We have been asked for assistance.

Mr. PASSMAN. For what commodities are you going to spend the $———?

Mr. JANOW. The detail of commodities?

Mr. PASSMAN. Yes.

Mr. JANOW. Training materials and equipment.

Mr. PASSMAN. What kinds of training materials?

Mr. JANOW. I do not have an itemized list with me.

Mr. PASSMAN. What kind of training materials would two technicians need for $———? Where can you find out what kind of commodities?

Mr. JANOW. We can get it.

Mr. PASSMAN. Do any of you have an idea?

Mr. JANOW. Yes, I have an idea.

Mr. PASSMAN. What training tools? Is it typewriters?

Mr. JANOW. No. It would be small forges, for example——

Mr. PASSMAN. Forges?

Mr. JANOW. Yes, sir, for repairing agricultural implements. I have seen these in use throughout Taiwan. It would also involve small lathes. I would suppose it might include some woodworking equipment. If they are trying to develop a bamboo industry, it might include bamboo splitting, curing, and treating.

In the agricultural field, I do not have the detail, but it could involve the making of reapers and plows and things of that sort.

Mr. PASSMAN. You are guessing about what it is, are you not?

Mr. JANOW. I am, of course.

Mr. PASSMAN. Will you find out what it is?

Mr. JANOW. Yes.

(The information follows:)

DETAIL OF COMMODITIES, EX-SERVICEMEN'S TRAINING PROJECT (INDONESIA)

Following is a list of commodities under consideration for U.S. financing during fiscal year 1963 subject to confirmation by an interagency survey team which is being sent to Indonesia early in September.

DESCRIPTION

1. Mechanical:

Simple facing and center lathe with thread-cutting equipment 800 by 1,600 by 4,000 millimeters of 10,000 kilograms.
Engine lathe, 400 by 3,000 millimeters.
Engine lathe, 250 by 1,500 millimeters.
Thread-cutting machine.
Horizontal drilling and milling machine, 125-millimeter spindle diameter, with complete set of tools.
Universal milling machine.
Vertical milling machine.
Circular metal-cutting saw, 400 diameter.
Double ended pedestal grinder, 400-millimeter diameter wheel.
Surface grinding machine.
Radial drilling machine.
Double wheel stand, 400 millimeters.
High-speed shaping machine, 500 millimeters.
Saw blade shaping machine, 1,200-millimeter diameter.
Universal tool-shaping machine.

2. Autobody repair:

Mobile lifting jack, 150 kilograms.
Tow rod, 300 kilograms.
Cylinder grinder for autocar and diesel.
Locomotive cylinders, 500 kilograms.
Battery tester, 2 kilograms.
Mobile compressor, 60 kilograms.
Hammers, 2 kilograms.
Rubber hammers, 1 kilogram.
Combination pliers, 4 kilograms.
Round-nose pliers, 2 kilograms.
Set of drift punches, 0.5 kilogram.
Set of tool wrenches, flat N 5–N 20, 30 kilograms.
Set of cranked socket wrenches, N 5–N, 30 kilograms.
Socket wrench, N 8–N 20, 30 kilograms.
Set of socket head screw wrenches, 1 kilogram.
Set of threading dies, 3/16–1½ inches, 12 kilograms.
Coarse smooth files, large, 8 kilograms.
Round files, No. ½, fine, 4 kilograms.
Hand vise, 3 kilograms.

3. Electrical:

Test shop with measuring instrument, stationary and portable.
Speedmeter.
Vibrator testing machine.
Rotational directions indicator.
Coil-winding machine.
Welding transformer, 300a.
Commutator slot cutter.
Insulation tester.
Spark tester.
Precision drill, 0, 2–3.

4. Welding:

Electric welding transformer complete with 1 cut of welding tool of 100 kilograms.
Electric welding transformer, 400a, complete with welding set.
Portable acetylene generators of 65 kilograms each.
Complete set welding tool.
Welding tables.
Round files, 6 kilograms.
Half-round files of 6 kilograms.
Hand vises of 10 kilograms.
Welding hammer of 1.5 kilograms.
Protective clothing for the gas welder.
Protective clothing for the electric welder.
Magnetographic defectascope.
Hydraulic jack, 50 kilograms.

5. Foundry:

Mixing mill.
Paint mixer, 200 liters capacity.
Molding machine.
Core machine.
Roughing-grinding machine with flexible shaft, 200-millimeter wheel diameter.
Hydraulic cylinder.
Electric furnace.

6. Forging:

Pneumatic forge hammer drop weight, 500 kilograms, with anvil block.
0.5-ton cantilever crane, 4.5 boom.
Plate-bending rolls 1,800 by 10.
Smith's hearth.
Blacksmith's chisel, 5 kilograms.
Forging hammers.
Hearth implement.
Blacksmith's chisel, 5 kilograms.
Blacksmith's set hammer, 5 kilograms.
Anvil hammers, 10 kilograms.
Quenching tank, 30 kilograms.

PROJECT RESULT FROM PRESIDENT'S ECONOMIC SURVEY TEAM RECOMMENDATION

Mr. JANOW. I would like to say one more word about this particular project.

Mr. PASSMAN. Yes, sir.

Mr. JANOW. This U.S. economic survey team that I mentioned that President Kennedy sent to Indonesia recommended such projects.

Mr. PASSMAN. I do not doubt that they did.

Mr. JANOW. I had not finished, sir. The request for this team was also made by General Nasution.

Mr. PASSMAN. He is an Indonesian soldier?

Mr. JANOW. Yes, sir.

Mr. PASSMAN. You could send me out looking for places to spend American money, and I will bet you I would come back with a list of projects as thick as this 2-inch book here. That is not the most difficult thing in the world, to find somewhere to spend American money.

Mr. RHODES. Off the record.

(Discussion off the record.)

ESTIMATED COST TO COMPLETION

Mr. PASSMAN. Project this for us at this point, the cost of it. Is this it, or can you project it?

Mr. JANOW. This is a pilot project.

Mr. PASSMAN. Do you have any idea what the ultimate cost may be?

Mr. JANOW. We have made an estimate.

Mr. PASSMAN. What is it?

Mr. JANOW. $———.

Mr. PASSMAN. For how many technicians?

Mr. JANOW. We are not absolutely sure.

Mr. PASSMAN. And over how long a period?

Mr. JANOW. Our estimated date of completion is 1968.

Mr. PASSMAN. Applying the same percentages now, $——— it would be for two technicians, the $50,000, and the commodities at $———. If that same formula prevails through to 1968, and your expenditures are in the amount of $———, it means you will have six technicians; is that correct?

Mr. HARKINS. No, sir. As the mission proposed the project, the amount of commodities would be reduced each year.

Mr. PASSMAN. But you do not know what the exact formula would be?

Mr. HARKINS. I have here the proposed annual cost.

Mr. PASSMAN. How many technicians?

Mr. HARKINS. Two technicians for 1964 and 1965, one technician for 1966, 1967, and 1968.

Mr. PASSMAN. You are going from two technicians down to one?

Mr. HARKINS. Yes, sir. You understand, Mr. Chairman, the purpose of the U.S. technicians is not to train the men directly but to work with the training centers.

Mr. PASSMAN. Do you have any assurance that Indonesia is going to abandon their military services in 1968? Since your mission will be brought to completion, does it mean that the Indonesians are going to abandon the army and all these people will have been——

Mr. HARKINS. No, sir; I think the assumption probably is that in 1968 or after 1968 the Indonesian Government will be able to carry this project forward itself.

Mr. PASSMAN. If this project is accomplished with the number of people you indicate, starting with two and cutting it down to one, let me urge you to get those technicians back home as quickly as you can, because we surely need them in the United States.

PARTICIPANT TRAINING PHASE

Mr. HARKINS. In addition to technicians, there will also be participant training also starting next year but none this year.

Mr. PASSMAN. Participating in what activity?

Mr. HARKINS. Indonesian trainees will be brought to the United States to be trained to help the U.S. technicians carry out their task in Indonesia.

Mr. PASSMAN. They are going to train each other, we are going to train them and they will train us?

Mr. HARKINS. No, sir. The Indonesians would be trained here in running vocational skill centers.

Mr. PASSMAN. How many?

Mr. HARKINS. It does not say here. We do not have that information but we can get it if you want it.

Mr. PASSMAN. Are there any other projects in Indonesia?

Mr. ANDREWS. Let me ask one further question about this project, Mr. Chairman. The training period will be from 3 to 12 months immediately prior to discharge. It looks like you are going to train them before they get out of the army.

Mr. JANOW. That is a common practice. When men are scheduled for dismissal, the army itself engages in a training program. This has proved to be the most effective. You will find this practice in Korea and in Taiwan. Many of these people are put in what are called civic action activities, and some of the more useful new projects in the civil sector in Taiwan, for example, have been done by men who were in such status.

Mr. PASSMAN. You are referring to Taiwan, with a pro-American government. There is no relationship between the two. One is neutral, no doubt pro-Russian, and the other is 100 percent pro-American. I do not think you can do too much of a job testifying what you do in Indonesia by what we did in the Republic of China.

Do you have any new projects in Indonesia?

Mr. JANOW. New ones?

Mr. PASSMAN. Yes, the proposed illustrative projects.

Mr. JANOW. That is all of the new projects.

Mr. PASSMAN. All the projects we have discussed in Indonesia are illustrative, and may or may not come into being; is that right?

Mr. JANOW. I accept your term.

NEW PROJECTS IN FAR EAST AND ESTIMATED COST TO COMPLETION

Mr. PASSMAN. Please give us the same thing—new projects—for the record in each of the other countries in your area. Also the amount of money.

Mr. JANOW. Yes, we can do that.

Mr. PASSMAN. That is, to completion.

Mr. JANOW. Do you wish to have these for the record or go over them with me?

Mr. PASSMAN. We want to go over some of them.

(NOTE.—The complete list was furnished to the committee.)

We shall recess until 2 o'clock.

AFTERNOON SESSION

Mr. PASSMAN. The committee will come to order.

TOTAL AID FOR INDIA

Looking at the recapitulation of the total aid for India under the many different spigots—is this a typographical error, or is this the real McCoy, $4,265,400,000?

Mr. TENNANT. That is the correct figure, including Export-Import.

Mr. PASSMAN. All spigots.

Mr. TENNANT. All of these different appropriations and funds.

Mr. PASSMAN. $4,265,400,000; is that correct?

Mr. TENNANT. That is correct.

DECISION OF GENERAL COUNSEL ON LONG-TERM COMMITMENTS

Mr. PASSMAN. Whoever prepared this unsigned memorandum—and the only thing I see about it that resembles ink are the initials on the top of it dated August 2, 1962, which is in response to a question asked earlier about the agency's interpretation of the use of long-term commitment authority for projects, had this to say, over on page 2, and I quote:

> 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 least from 1 fiscal year appropriations.

With regard to this opinion, will you please get some opinion writer to get an opinion on the opinion?

That is not the way it operates. I remember some projects going out to 1970.

Since you dealt with the technical aid aspect of this, we will confine our deliberations to that phase of it. And, while you get another opinion, I will do some research and cite you the legislation and the manner in which those who previously administered the program did it.

Mr. MILLER. Thank you, Mr. Chairman.

Mr. PASSMAN. We are going to run out of coal if we keep running the railroad this way. This is from the General Counsel, is it?

Mr. MILLER. Yes.

Mr. PASSMAN. You kept a duplicate, did you not?

Mr. MILLER. Yes.

Did you wish me to change this one?

Mr. PASSMAN. I am not going to undertake to write your opinions.

Mr. MILLER. Thank you very much.

Mr. PASSMAN. While you do your research, we will get the staff assistant to the subcommittee to get into the questions and answers of previous years and get the slices we gave to technical aid.

You have technical aid programs this year which are continuing. You ask for a certain amount of money to get them started, and get them going, and you come in and say you want this much money this year to apply to the continuing projects. Is that correct?

Mr. JANOW. Yes, sir.

Mr. RHODES. This is what lawyers would call an admission against interest. An admission against interest is a well-known exception to the hearsay rule. For anybody to admit that he has taken technical aid funds and committed them 3 years in advance, to me is rather an amazing admission.

Mr. PASSMAN. If you will, get the opinion writer to get another writer to write an opinion on the opinion.

Mr. MILLER. We will be happy to get an opinion.

Mr. PASSMAN. We have asked for it numerous times, and to get something such as this is disappointing.

Mr. RHODES. I think we ought to have Judge Miller take a look at this.

Mr. PASSMAN. I am not blaming Mr. Miller. He did not write the opinion. The opinion was written in some other quarter.

RESPONSIBILITIES OF REGIONAL ADMINISTRATOR FOR PROGRAM APPROVAL

Mr. Janow, all in the area are subordinate to you, they are serving under you?

Mr. JANOW. That is right.

Mr. PASSMAN. It is to be expected that your knowledge of this program would be equal, or superior, to those serving under you?

Mr. JANOW. I think in terms of general principles, that would be the case for general guidelines. I would not say it would be true in details.

Mr. PASSMAN. You are head of the program, and those serving in these countries are serving under you? They are responsible to you?

Mr. JANOW. That is true; they are responsible to me.

Mr. PASSMAN. The program level finally reaches your desk for approval?

Mr. JANOW. Yes.

Mr. PASSMAN. And from your desk, it moves to the desk of Mr. Hamilton?

Mr. JANOW. Yes, through a program review office.

Mr. PASSMAN. Up to this date, have you had all your recommendations for funds approved?

Mr. JANOW. In 1962?

Mr. PASSMAN. I am talking about the development credits, the entire mutual security spigot. Have you had any of your recommendations disapproved, as of this time, on loan levels and project matters?

Mr. JANOW. I am trying to think, sir, if there have been any rejections of my recommendations. I do not believe there were.

Mr. PASSMAN. So, in effect, your desk is the key point?

Mr. JANOW. That is right.

CONTRACT TECHNICIANS

Mr. PASSMAN. You have many contract technicians in your area. You anticipate there will be 721 contract technicians in your area during fiscal year 1963; is that correct?

Mr. JANOW. Yes, sir.

Mr. PASSMAN. Upon what bases do you employ these technicians?

Mr. JANOW. These are employed under contract.

Mr. PASSMAN. I am speaking of the contract personnel.

Mr. JANOW. They cover a variety of activities.

For example, the International Volunteer group in Vietnam and Laos. I think you know the IVS Service. In some others, it would be engineers to design an airfield, or to train highway personnel in Vietnam, or to do economic consulting work in Korea—like that.

Mr. PASSMAN. You will not take on defense?

Mr. JANOW. Not at all.

Mr. PASSMAN. You use many of the colleges and universities and consulting firms to employ these technicians for you?

Mr. JANOW. Of course.

Mr. PASSMAN. They are fairly well distributed all over the United States?

Mr. JANOW. Yes. The University of Michigan, the University of Kentucky——

Mr. PASSMAN. Is it the purpose to try to spread this as broadly as you can across the United States, so all the colleges and universities and the accredited firms will get a slice of it?

Mr. JANOW. It is primarily designed to get the best suited contractor or university.

Mr. PASSMAN. Everything being equal, do you try to distribute the contracts nationwide?

Mr. JANOW. I think we would be very careful about a concentration of such services, either with a particular engineering contractor, construction contractor, or university.

Mr. PASSMAN. That is my point.

The plan is to get it into as many colleges and universities and States as you can, as long as they meet the criteria?

Mr. JANOW. That is the policy, but the criteria comes first, not the location.

Mr. PASSMAN. I would think so.

CONTRACT SERVICE FEE

Could you tell us what is the average fee, or the percentage of the salary cost, that you pay to the university, the college, the workshop in the 50 States for employing these technicians and supervising them until the project has been completed?

Mr. JANOW. Well, sir, you understand I am a businessman.

Mr. PASSMAN. Off the record.

(Off the record.)

Mr. JANOW. I have some data. I was just making some preliminary remarks.

Mr. PASSMAN. Just tell us the percentage; that will suffice.

Mr. JANOW. The amount paid to individuals?

Mr. PASSMAN. No. What you pay.

As a fee to the contractor, be that employer a consulting firm, college, or a university, as a percentage of the salary of the technician.

Say you pay a $25,000 salary, what is the fee that the institutions I have described get?

Mr. JANOW. This question is so complex, sir, I do not have it in total averages, but I have some illustrative cases.

Mr. PASSMAN. One case, please.

INTERNATIONAL VOLUNTARY SERVICE GROUP

Mr. JANOW. Yes. This is a contract between AID and the International Voluntary Service in Vietnam.

Mr. PASSMAN. Is that some kind of an American outfit opened up in Vietnam to employ technicians for the AID program?

Mr. JANOW. This is an organization similar to the Peace Corps.

Mr PASSMAN. What we want to know is the average. You have here 721 technicians. You are projecting them into fiscal year 1963. There is bound to be some average.

Mr. JANOW. I have an average.

For individuals that are hired directly by us——

Mr. PASSMAN. I am talking now about the contract technicians that these institutions hire.

Mr. JANOW. Yes. Commercial contracts Average cost per technician has been $29,000.

RECRUITMENT AND FEES CHARGED BY CONTRACTORS

Mr. PASSMAN. $29,000. What is the average fee paid the institution for recruiting and keeping him busy until the contract is brought to a conclusion?

Mr. JANOW. I do not have that broken out.

Mr. PASSMAN. Does it sound like 20 percent would be about the average that you pay this institution for employing these technicians and seeing that the project is brought to a conclusion?

Mr. JANOW. This figure of $29,000 includes everything, their international travel——

Mr. PASSMAN. But it does not include the fee the college gets for doing the employing?

Mr. JANOW. It does.

Mr. PASSMAN What part does the college get?

Mr. JANOW. I do not know. I prefer to answer this question after I have reviewed a few.

Mr. PASSMAN. We shall take a brief recess for that purpose

Mr. JANOW. I do not have the data here.

Mr. PASSMAN. You have the people here who should tell us.

(Off the record.)

Mr. PASSMAN. You have 721 contract technicians that will be employed by, in the main, American institutions, whether college or university or consulting or engineering firm, and these institutions are paid a fee on the salary of the technicians, and at a subsequent date they have an audit.

That fee may be increased or decreased, based upon the auditor's findings and based upon what they call their overhead, and there is an average prevailing. We have been told previous to today that in the African area this was 80 percent of the salary costs, and at that time the experts testified that was about the average prevailing across the board.

Have I stated that accurately about the way you understand it, Mr. Controller?

Mr. TENNANT. Generally so.

I am not sure whether Mr. Hutchinson said that was the average for his region. I will let the record speak for itself. You did question him about it, and I do not know the exact language he used.

Mr. PASSMAN. We want to find out whether this gentleman's region is about the same.

Mr. TENNANT. I think this point is pertinent, that different contracts have different rates.

Mr. PASSMAN. We are speaking of the average. We have not said anything about a contract. We want the average for the area.

Mr. TENNANT. I would assume Mr. Janow probably has not had his people average them out for his area.

Mr. PASSMAN. If you had told me you did not know, we would have been off dead center a long time ago.

Mr. JANOW. I do not have a total average.

Mr. MILLER. To some extent, I think there are some apples and oranges in an average figure.

Mr. PASSMAN. And bananas.

Mr. MILLER. And bananas. Some of the rates of the overhead are subsidized, as I think it was indicated in colloquy with Mr. Rhodes in certain labor participant training. The charges may not have been quite the same for someone doing some work in this field as compared to another one.

As Mr. Tennant has testified, an audit is made of the overhead charges, and generally speaking, the Defense Department Armed Forces Procurement Regulations are followed.

Mr. PASSMAN. Let us go on to page 574 of the galley proof of the hearings, and I shall quote:

CONTRACTORS' FEES

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 colculating the cost. The actual overhead by contract may vary, but that is the average.

Mr. PASSMAN. This is the average figure?

Mr. HUTCHINSON. Yes.

Now, I would suggest, though you do not know what it is in your area, you find out. It is worthwhile to know this.

Mr. ANDREWS. May I ask a question about the contracts?

Do I understand that X company makes a contract with A to provide 50 technicians for a certain country?

Mr. PASSMAN. Yes.

Mr. ANDREWS. That the amount of that contract is determined by ascertaining what the salary of the 50 technicians will be?

Mr. PASSMAN. Yes.

Mr. ANDREWS. And then you add 80 percent of that amount to the contract price for the company's overhead?

Mr. PASSMAN. That is a fee, and it encompasses the complete overhead. They send a supervisor, I believe, to the field.

Did you direct the question at me?

Mr. ANDREWS. Yes. Anyone who can answer it.

Mr. PASSMAN. What they do is to enter into a contract to employ, say, 50 technicians and they establish a salary. Then the employer, the consulting or engineering firm, college or university, that recruits these technicians makes them available, sends them to the field to do the job for which they were employed, with a supervisor. They are given an 80-percent fee of the amount of the salary. If the salary is $100,000, the contractor gets $80,000.

At a subsequent date, that is subject to audit, either up or down. That is the average prevailing. That was the way it was given to us previously.

SERVICES RENDERED BY CONTRACTOR

Mr. TENNANT. May I say a word or two on that?

I think normally when we make the contract it is not to hire people, it is to do a specific job and the hiring of the people may be incidental. The number of people would be the number required to do the job. I think we have to take in perspective that we are not so much using

these contractors as hiring agents as we are hiring a firm with competence to do a particular job.

Mr. ANDREWS. I understand they are responsible.

Mr. PASSMAN. They recruit the technicians.

Mr. TENNANT. Incidentally, they may.

Mr. PASSMAN. These colleges do not stand by with thousands of trained technicians ready to go out the minute you ask for them, do they?

Mr. TENNANT. No, sir.

Mr. PASSMAN. They have to recruit them, do they not, from whatever source is available?

Mr. TENNANT. They may use people on their staff, or recruit.

Mr. PASSMAN. Will you not use people on your staff to recruit?

Mr. TENNANT. What I mean is, they may take an instructor currently on their staff and move him to Thailand, or some country.

Mr. PASSMAN. Some, of course, are already on the staff, but by and large, they have to recruit.

CONTRACT WITH COLUMBIA UNIVERSITY TEACHERS COLLEGE

Let us look at a contract with the teachers' college at Columbia University. This is from information submitted for the record earlier:

Approximately 2 percent of the cost of the teacher supply project is expended for Columbia University's recruitment activities.

If it is a $100 million project, they get 2 percent override just for the recruitment activity. This was given to us for the record, Mr. Janow.

EXPORTS AND IMPORTS—FAR EAST REGION

What has been the amount of the U.S. exports to the area, and the amount of imports from the area?

Mr. JANOW. For the whole region?

Mr. PASSMAN. Yes. Do you have that broken down?

Mr. JANOW. We had a discussion on this subject with the President not so long ago.

Mr. PASSMAN. About this?

Mr. JANOW. Yes. I was not expecting that question here.

Mr. PASSMAN. Is it not quite appropriate?

Mr. JANOW. It is, sir.

Mr. PASSMAN. Off the record.

(Off the record.)

Mr. JANOW. Exports from the area was your question?

Mr. PASSMAN. I said two things.

Let us take the U.S. exports to the area.

Mr. JANOW. Their imports from the United States?

Mr. PASSMAN. Yes.

Mr. JANOW. I have here the ratio of imports from the United States to total imports.

Would that interest you?

Mr. PASSMAN. The total exports?

Mr. JANOW. The total imports of these countries.

Mr. PASSMAN. This is like trying to hitch a horse up to the back of the buggy.

Let us see if we cannot first get our exports to the region.

Mr. JANOW. Yes.

Mr. POATS. I do not have a total figure.

Mr. JANOW. I have it one by one, the direction of trade.

Mr. PASSMAN. The what?

Mr. JANOW. The direction of trade.

Mr. PASSMAN. We want to know the amount of the U.S. exports to your area in fiscal year 1962, or the last complete year. Do you have it?

Mr. JANOW. The last complete year I have data on is 1960, and in some cases 1961.

For example, Japan, I have 1961 data.

Indonesia, I have data for 1960.

I can do this for you country by country if you would like to have it.

Mr. PASSMAN. We want to know the total of U.S. exports to the countries in your area in fiscal 1962.

Mr. JANOW. That may be difficult to get. We can use the calendar year.

Mr. PETERSON. The U.S. data is not available for the fiscal year.

Mr. PASSMAN. For 1961?

Mr. JANOW. We can do it for most cases.

Mr. PASSMAN. The last complete year. We will put it that way. I think you should have that complete for calendar year 1961.

Mr. PETERSON. Yes.

Mr. PASSMAN. We want to know the exports to your area, by country, for calendar year 1961, complete.

TRADE WITH COUNTRIES IN FAR EAST

Now, we want to know the amount of U.S. imports from your area for calendar 1961.

(The information appears on p. 625.)

Mr. PASSMAN. When we speak in terms of exports, what does that encompass; does it mean just the shipments that go out for which we collect?

Mr. JANOW. No, sir.

Mr. PASSMAN. What would it include?

Mr. JANOW. The commercial purchases made by these countries from the United States. There are investments that American enterprises make abroad.

Mr. PASSMAN. Investments would not be considered as an export?

Mr. JANOW. They result in exports.

Mr. PASSMAN. You give me your understanding.

Mr. JANOW. In addition, there would be the amount of commercial credits established, net.

Mr. PASSMAN. Would that be an export?

Mr. JANOW. It would result in exports from the United States.

Mr. PASSMAN. Are we not mixing exports and the balance of payments?

Mr. JANOW. For example, Japan presently is borrowing money from the New York banks.

Mr. PASSMAN. You are talking about what may be. I am talking about what has been.

Mr. JANOW. They are borrowing money.

Mr. PASSMAN. Let us take the exports from the United States in 1961, the amount of the exports.

(Off the record.)

Mr. PASSMAN. Will you give us your understanding of what is included in exports?

Mr. JANOW. Sir, this U.S. balance-of-payments table lists some of the items——

Mr. PASSMAN. We shall not belabor this any longer.

Please do some research and put the information in the record.

(The information requested follows:)

ANALYSIS OF U.S. EXPORTS

U.S. exports include all goods shipped out of the United States whether or not the goods originated in the United States or were imported and then exported. It excludes classified commodity exports and exports of gold and silver. Exports refer to commodities, not services, regardless of the source of their financing, which are sold to another government, or national of another government. This definition of exports is also used by the U.S. Bureau of the Census.

Mr. PASSMAN. It was my presumption that you would have the same understanding as some of the others, that the exports would include all mutual security assistance, all shipments, Public Law 480, and everything that goes out of the United States.

Mr. JANOW. That is right.

Mr. PASSMAN. What are our imports?

Mr. JANOW. Imports are what we pay for plus what investments are taking place in the United States.

And what repatriation is being made on our investments? This table is enormous.

EDUCATIONAL PROGRAM—FAR EAST REGION

Mr. PASSMAN. Do you have any requests for development grants for education in your area?

Mr. JANOW. We have a substantial educational program.

Mr. PASSMAN. What is the amount?

Mr. JANOW. $17,907,000.

Mr. PASSMAN. Does that include the development credits and development grants?

Mr. TENNANT. Development grants and supporting assistance.

Mr. PASSMAN. That is the grant aid part of the program?

Mr. TENNANT. That is correct.

Mr. PASSMAN. These people also would be eligible for development credits, in addition to this?

Mr. JANOW. That is right.

DEVELOPMENT LOANS FOR THE PHILIPPINES

Mr. PASSMAN. On page 7 of the justifications, with reference to the Philippines, we find this:

AID recently earmarked $50 million for possible lending over the next 18 months to the Philippines.

Did I read that correctly?

Mr. POATS. Yes, sir.

Mr. PASSMAN. Is that action not a departure from the way we usually do things, earmarking funds prior to the firming up of a program of any kind?

Mr. JANOW. I would like to describe these circumstances, if I may.

Mr. PASSMAN. First, I wish you would answer my question: Is it not true that this is a departure from the established custom of allocating funds, earmarking funds for a particular country prior to having a program?

Mr. JANOW. This is a programed amount for development lending.

Mr. PASSMAN. Has it been earmarked already?

Mr. JANOW. No, sir.

Mr. PASSMAN. You say here on page 7 that it has been earmarked.

Mr. JANOW. May I describe the situation?

Mr. PASSMAN. Off the record.

(Discussion off the record.)

EARMARKED FUNDS

Mr. PASSMAN. On page 7, you say:

AID recently earmarked $50 million for possible lending over the next 18 months to the Philippines.

Is that not a depature from the normal procedure, where you earmark funds prior to having a project or program?

Mr. JANOW. I do not know how you interpret the word "earmarked."

Mr. PASSMAN. I am only reading what you said.

Mr. JANOW. If you will give me an opportunity I believe I can explain it.

Mr. PASSMAN. But first, will you answer my question? I ask if this is not a departure from the accustomed practice?

Mr. POATS. May I answer that? The Development Loan Fund earmarked funds under similar circumstances for the Philippines——

Mr. PASSMAN. Is this Development Loan Fund?

Mr. POATS. The Development Loan Fund used this method of earmarking funds tentatively.

Mr. PASSMAN. We appropriated money last year that you did not need, and we have run into many devices where you had to show an account was liquidated, and in this instance you earmarked $50 million for the Philippines and carried it under "Obligations"; did you not?

Mr. POATS. No, sir.

Mr. JANOW. No, sir.

Mr. PASSMAN. Is it committed?

Mr. JANOW. No, sir.

Mr. PASSMAN. Have you discussed it with the Philippines?

Mr. JANOW. That is what I am trying to explain, if you will give me the opportunity.

Mr. PASSMAN. Have you discussed it with the Philippines?

Mr. JANOW. Yes; in detail.

Mr. PASSMAN. Is it a commitment?

Mr. JANOW. It is not a commitment.

Mr. PASSMAN. What kind of a predicament are you in?

Mr. JANOW. It will take about 2 minutes to explain it.

Mr. PASSMAN. Take all the time you need.

Mr. JANOW. When Macapagal was elected he immediately sent a mission to the United States consisting of his Acting Secretary of Finance and other high-ranking officers and advisers. They were seeking support for their decontrol, for freeing the peso and making it freely convertible. They said to our agreement to make the pesos freely convertible they needed to establish confidence in the Philippines and in the world that they could meet their obligations. They went to the International Monetary Fund, which subsequently gave them some drawings on the Fund. They went to the Secretary of State and to the Treasury, and the Treasury promised to allow them access to the stabilization fund for $25 million. They went to the Export-Import Bank and asked if their line of credit with the Export-Import Bank could be increased, and the Export-Import Bank said it could by some $25 million.

Then they went to the New York commercial banks and got their "roll-over" credit increased to about $75 million, and for the first time they got some "roll-over" credit from the Midwest.

Then they came to us and asked what we could do and we said, "We cannot do anything by way of a commitment at this time. However, we will entertain applications for specific projects."

(Off the record.)

Mr. JANOW. I said:

In my estimate, within the availability of funds, it appears to us that $50 million might be programed for such purposes but this is not a commitment that anything in fact will ever be obligated.

(Off the record.)

Mr. JANOW. We have not obligated a dollar of this.

(Off the record.)

Mr. JANOW. Sir, I hope the explanation I have given you is satisfactory.

Mr. PASSMAN. But how will we erase from the record that he wanted it for psychological effect?

Will you tell the committee specifically that you have not earmarked and will not earmark, any of the funds on page 7, and that the contract is now null and void?

Mr. JANOW. Sir, in the development lending field, as you know, commitments are not made in advance. They are made against specific loan applications. You estimate the amount of money that is required. One has to assume that projects will be forthcoming and will pass the criteria of our legislation.

Mr. PASSMAN. You are speaking of technicalities?

Mr. JANOW. I am talking about the development lending program.

Mr. PASSMAN. That is exactly opposite of what we have heard before.

I will ask again: Are you going to consider this any further or was this just something to serve a psychological purpose, and is it now dead?

Mr. JANOW. Sir, in our 1963 program you will find we have estimated we will be making development loans to the Philippines in fiscal 1963 of $——— to $——— as an outside margin. This is the same amount of money, sir.

Mr. PASSMAN. Then, it would be the same thing, whether it is out of a glass or a cup; it is anticipated that there will be a program of $——— to $——— out of this category for 1963?

Mr. JANOW. Yes, it is anticipated.

Mr. PASSMAN. It was not a psychological commitment, but one in reality?

Mr. JANOW. Sir, no obligations were incurred in 1962.

Mr. PASSMAN. I know that.

TRADE WITH FAR EAST

Mr. JANOW. I have these trade figures summarized for the individual countries, if you would like to have them.

Mr. PASSMAN. We shall insert them in the record.

(The information follows:)

Exports and imports—United States-Far East—4-year period, U.S. commodity trade with Far East countries and the percent financed by AID

[In millions of dollars [1]]

Country	1958				1959				1960				1961			
	U.S. exports to	U.S. imports from	AID-financed U.S. exports	AID-financed exports/ U.S. exports	U.S. exports to	U.S. imports from	AID-financed U.S. exports	AID-financed exports/ U.S. exports	U.S. exports to	U.S. imports from	AID-financed U.S. exports	AID-financed exports/ U.S. exports	U.S. exports [2]	U.S. imports [2]	AID-financed U.S. exports	AID-financed exports/ U.S. exports
				Percent				*Percent*				*Percent*				*Percent*
Burma	7	1	2.6	37.1	8	2	2.9	36.2	8	1	1.2	15.0	7	1	2.1	30.0
Cambodia	7	9	6.6	94.3	6	13	4.3	71.7	7	7	4.6	65.7	11	2	9.5	86.4
China (Taiwan)	102	11	63.0	61.8	108	14	62.5	57.9	110	20	57.3	52.1	143	43	74.3	52.0
Indonesia	61	173	10.1	16.6	66	190	18.5	28.0	83	216	24.4	27.0	135	163	17.2	12.7
Japan	843	671	19.2	2.3	965	1,029	11.7	1.2	1,328	1,149	19.3	1.5	1,739	1,055	5.8	.3
Korea	216	3	174.2	80.6	137	4	115.9	84.6	154	5	130.0	84.4	162	7	119.7	73.9
Laos	2	-------	.9	45.0	3	-------	.5	16.7	2	-------	.4	20.0	3	-------	.5	16.7
Philippines	292	274	33.4	11.4	275	312	25.3	9.2	295	306	11.5	3.9	339	316	28.9	8.5
Thailand	52	57	5.3	10.2	62	91	4.9	7.9	62	55	3.0	4.8	65	38	2.6	4.0
Vietnam	62	5	57.7	93.1	56	11	55.2	98.6	53	4	46.6	87.9	67	5	60.0	89.5

[1] The exports and imports are total commodity figures supplied by the Bureau of the Census as published in "Directions of International Trade." The AID statistics include U.S. Source AID commodity expenditures and Public Law 480, titles I, II, and III. Only 1961 includes DLF funds. The chart does not include $1,400,000 in 1958 and $300,000 in 1959 purchased from the United States for Indochina. Does not include MAP.

[2] Provisional.

Mr. PASSMAN. Exports from the United States to the nine countries in your region, I believe amounted to—Japan is in your area, is it not?

Mr. JANOW. Yes, but it is not an aid recipient.

Mr. PASSMAN. It has been in the past?

Mr. JANOW. Yes, sir.

Mr. PASSMAN. You have exports to the United States and imports from the United States. You show exported to the United States from the nine countries in your area, $564 million; is that right?

Mr. JANOW. I think so.

Mr. PASSMAN. You show imports from the United States by these nine countries, $923 million?

Mr. POATS. Yes.

Mr. PASSMAN. We exported to these nine countries $923 million?

Mr. POATS. Yes, sir.

Mr. PASSMAN. And we imported from the nine countries $564 million?

Mr. POATS. Yes.

FOREIGN ASSISTANCE IN FISCAL YEAR 1961

Mr. PASSMAN. Can you tell us the amount of aid to the nine countries in 1961?

Mr. POATS. We do not have it on a comparable basis.

Mr. JANOW. We do not have it on a calendar year basis.

Mr. TENNANT. On a fiscal year basis for 1961 economic aid, including all AID, Public Law 480, and Export-Import, obligations were $804,200,000. That would include Japan, which is not included in the figures you have.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. TENNANT. I will take Japan out of that figure.

EXPORTS OUT OF AID PIPELINE

Mr. PASSMAN. Out of the $923 million that we exported from the United States to these nine countries in your area, could you tell us the total amount of exports that came out of the AID pipeline, which would be military assistance, Public Law 480, and other items?

Mr. TENNANT. The figures I gave you are just economic aid.

Mr. PASSMAN. But when you give the exports you are including everything?

Mr. TENNANT. If you include the military for fiscal 1961, military, and economic aid including AID, Public Law 480, and Export-Import, the obligation figure is $1,365,700,000.

COST OF AID PROGRAM COMPARED WITH EXPORTS

Mr. PASSMAN. So the cost of the aid program to this area has been about twice as great as our exports; is that correct?

Mr. TENNANT. Not quite.

Mr. PASSMAN. What did they do with the extra money we gave them?

Mr. TENNANT. This requires some analysis, I think.

Mr. PASSMAN. You have given them about 85 percent more dollars than the dollars required to pay for the exports from this country?

Mr. TENNANT. I think we would have to make an analysis of it.

Mr. PASSMAN. Would you give us information on that tomorrow?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. You will agree this is disturbing, if we gave them $1,365,700,000 and all the exports from this country to your region was $923 million? Maybe they bought gold with the difference?

Mr. JANOW. I have a summary of the foreign exchange holdings.

Mr. PASSMAN. Let us not confuse this. We gave them $1,365,700,000 but our exports were only $923 million, so we want to know what happened to the rest. We want that data for the previous 5 years.

Mr. MILLER. You will appreciate first it was a fiscal year involved so the two sequences are not comparable. Secondly, the aid figures were on a commitment basis and not on an expenditure basis.

AID EXPENDITURES FOR FISCAL YEAR 1961

Mr. PASSMAN. Give us the amount of your expenditures for fiscal 1961.

Mr. HARKINS. Do you want the previous 5 years as one sum?

Mr. PASSMAN. No, by year.

Mr. TENNANT. $1,153,600,000.

Mr. FORD. What fiscal year is that?

Mr. TENNANT. Fiscal 1961, and that is the economic and military expenditures.

Mr. PASSMAN. Do you not think this is worth analyzing?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. When we give them more dollars than our total exports, there is a strong suspicion they may have converted them into other currencies or into gold or they have built up tremendous dollar assets.

Mr. GARY. Will the Chairman yield?

Mr. PASSMAN. Yes.

Mr. GARY. Was the military aid included in these export figures you gave?

Mr. TENNANT. I do not know if it is.

Mr. JANOW. I do not believe it is.

PURCHASES OF U.S. GOLD

Mr. PASSMAN. Cambodia in 1960 purchased, in the fourth quarter, $12 million of our gold.

Mr. ANDREWS. Mr. Chairman, if you look at page 21 you will find the gold and foreign exchange in Cambodia increased considerably in 1961 over 1959.

Mr. PASSMAN. That is right.

Burma bought $3,800,000.

Indonesia bought $24,900,000, of which $22.9 million came in the last quarter.

You all know about the truck contracts with Japan. They purchased in the third quarter $15,200,000 of our gold.

I leave the remainder of the research up to you.

Mr. ANDREWS. Mr. Chairman, Korea shows a decided increase in gold and foreign exchange on page 40, from $147 million in 1959 to $207 million in 1961.

Mr. JANOW. Sir, may I comment on Cambodia?

Mr. PASSMAN. Yes.

Mr. JANOW. They did purchase $12 million of gold from the United States in 1960 and $3 million in 1961, a total of $15 million.

Mr. PASSMAN. I did not use 1961. I used fiscal year 1960, calendar year 1961.

Mr. JANOW. Of this $15 million total, Cambodia has $7 million earmarked to its account. That means $8 million has been liquidated by settlement of obligations to other countries.

Mr. PASSMAN. Would it be a fair statement to say that these countries can convert to gold? You go into these countries, and you find stalls where they have pure gold necklaces hanging up, and the merchant is permitted to make 1 percent and they buy bracelets and necklaces. So, this gold is not actually necessarily going to other countries, but the local people buy it?

Mr. JANOW. That is right.

Mr. PASSMAN. Our people are not permitted to buy gold and hoard it.

Mr. JANOW. That is right.

Mr. PASSMAN. So, let us check and see how much of our gold has gone out and look at the number of countries all over the world buying substantial quantities of our gold; and even though the gold of the Government may decrease, remember that the gold goes into the pockets of the citizens.

GOLD RESERVES OF AID RECIPIENTS

Mr. JANOW. I would like to finish this comment about Cambodia. The foreign exchange, including gold, has been at approximately the same level since 1958. It was $97 million in December 1960; $109 million in 1961; and $99 million in March 1962.

Mr. PASSMAN. You are dealing with the plus side of the ledger?

Mr. JANOW. Yes, reserves.

In the case of Korea there has been some growth but not as much as your table reflects. In 1961 they went from $155 million to $205 million, but they are down now to $180 million.

In the case of Vietnam their reserves are below the $200 million mark that they think is their necessary amount.

They are down to $175 million at this time.

Mr. PASSMAN. But they are on the plus side?

Mr. JANOW. The reserves, yes.

BALANCE OF PAYMENTS POSITION OF RECIPIENTS

Mr. PASSMAN. What about the balance of payments situation? Are they on the plus or minus side?

Mr. JANOW. The balance of payments table I think shows us meeting their balance of payments and the trade balance is minus $182 million.

Mr. PASSMAN. So, it could well be they have a balance of payments credit?

Let us go back to Cambodia, where we have had a substantial aid program.

Mr. JANOW. If they had a balance of payments credit it would be reflected in their reserves.

Mr. PASSMAN. In 1954 they had $37 million; $50 million in 1955; $55 million in 1956; $92 million in 1957; and I think your estimate is up to $108 million in 1961. Is that right?

Mr. JANOW. Yes, but currently about $99 million.

Mr. PASSMAN. You are justifying funds for 1963, are you not?

Mr. JANOW. Yes.

Mr. PASSMAN. Is $108 million a good estimate?

Mr. JANOW. March 1962 is $99 million.

Mr. PASSMAN. Your book says $108 million. Is that right?

Mr. JANOW. That is a different time.

Mr. PASSMAN. Do you have any aid program for Cambodia in 1963?

Mr. JANOW. Yes.

Mr. PASSMAN. How much?

Mr. JANOW. $——. Their total export-import trade level is about $68 million, total import about $100 million.

Mr. PASSMAN. All of them have some exports in convertible foreign exchange?

Mr. JANOW. Yes.

DISPOSITION OF FOREIGN-OWNED DOLLAR CREDITS

Mr. PASSMAN. You said earlier that this entire area, all of the people are responsible to you, and none of your recommendations thus far have been turned down by higher authority. Is it your understanding that all of the nations in your area earn dollars in convertible exchange from the exports of their country?

Mr. JANOW. Yes, they earn some; unfortunately not enough.

Mr. PASSMAN. That is right, and neither do we. We have been running a deficit for a long time.

These dollars they earn, be they limited or great, enter into the channel of commerce?

Mr. JANOW. Yes.

Mr. PASSMAN. They buy something either from this country or from another country, but the dollars go into the channels of commerce?

Mr. JANOW. Yes, sir.

Mr. PASSMAN. And whatever they would need from our country, under normal conditions, would be bought and paid for from those amounts?

Mr. JANOW. Yes.

Mr. PASSMAN. If you credit to these countries under the aid program dollars from us, they can, and do, requisition their needs, and that would release to them the dollars they earn to do with as they wish, would it not?

Mr. JANOW. Yes.

Mr. PASSMAN. So, if they should take those dollars and speculate or buy our gold, we have no control over their internal budget; do we?

Mr. JANOW. Sir——

DEGREE OF BUDGETARY CONTROL WITH RECIPIENT COUNTRIES

Mr. PASSMAN. You have said all the way through that I am correct up to the point that they can take their own dollars and do what they want to with them. My next question would be this: We have no control over their internal affairs, such as their actual budget, do we?

Mr. JANOW. We do, sir. We have the most extraordinary control.

Mr. PASSMAN. You go and tell them how they will budget the money they earn from their exports?

Mr. JANOW. That is true, sir.

Mr. PASSMAN. If you want to leave that on the record it is all right, but we have been told that we have no such control.

Mr. JANOW. Sir, many questions you have asked can be answered "Yes" or "No," but when you have asked a question I cannot answer "Yes" or "No," please give me an opportunity to reply.

Mr. PASSMAN. You answered every one of my questions, and I fiinally asked if we had any control over the internal workings of the countries' budgets, and you said we did.

Mr. JANOW. Sir, there is an enormous difference between the amount of control we exercise, if any, in Thailand as compared to the amount of control we exercise in Korea, and it is impossible to answer your questions categorically for all nine countries.

Mr. PASSMAN. Specifically for Thailand?

Mr. JANOW. We have no control in Thailand.

Mr. FORD. Is that good or bad in Thailand?

Mr. JANOW. Let me describe the program in Thailand and that perhaps will answer the question.

Our program in Thailand for 1962 involved one loan, or three loans to one kind of project, irrigation projects, in the northeast. We loaned them the dollar requirements for those projects. In addition to this we had supporting assistance of $13 million; and we had a development grant program of $9.5 million, a total of $33.8 million, of which none of the $11.1 million for loans was expended in this period.

So in terms of impact you are talking about $33.8 million. Their total import program in this year was $488 million.

The things we were doing in Thailand were lending the money for some development capital projects; giving them money in the form of supporting assistance to complete highway projects and other projects in the education field. The total amounted to $33.8 million. How could we expect to have an influence, let alone control of their budget when their import level is nearly half a billion dollars?

The situation is different in Korea where we make up a significant amount of their balance of payments and where there is considerable counterpart. In the use of that counterpart we do discuss with them the levels of their budget. That is why, Mr. Chairman, I cannot answer that question "Yes" or "No."

Mr. PASSMAN. We have been told repeatedly that this was an internal affair, that they were sovereign countries and, therefore, we did not exercise any control over their internal affairs.

Do you have any control over Burma's budget?

Mr. JANOW. None at all.

Mr. PASSMAN. Do you have any control over Cambodia's budget?

Mr. JANOW. We are meeting a good deal of their budgetary requirements. We are meeting the cost of their military establishment according to an old commitment.

Mr. PASSMAN. Can you go in the office of the budget director in Cambodia and see how much they are programing for public works, for retirement, for the parliament, and so on? Do you mean you can go into their internal affairs and discuss with them how they are allocating the money they earn from their exports?

Mr. JANOW. Not in Cambodia.

Mr. PASSMAN. In any country?

Mr. JANOW. Yes.

Mr. PASSMAN. In Taiwan?

Mr. JANOW. No. There the control is exercised in a different way. We have an agreement with the Republic of China called the 19 points for accelerated economic development, and this agreement provides, among other things, that they will not increase military expenditures. Consequently we do examine their budget expenditures very closely to see if they are in accordance with their agreement.

Mr. PASSMAN. (Off the record.)

How about Indonesia?

Mr. JANOW. No. Our program there has been tiny.

Mr. PASSMAN. (Off the record.)

MONETARY SUPPORT IN LAOS

In Laos we were supporting the kip at about 2½ times its value? Are you familiar with that situation?

Mr. JANOW. We were supporting the kip as a convertible currency until about 5 months ago.

Mr. PASSMAN. At what rate?

Mr. POATS. I believe the chairman is referring to the period before 1958.

Mr. PASSMAN. Are you familiar with that situation?

Mr. JANOW. Yes, in great detail.

Mr. PASSMAN. Are you familiar with the situation where they were accepting about 90 percent of their imports in Thailand and Burma, but which were never crossing the border into Laos?

Mr. JANOW. I believe this is the condition that caused the currency reform in 1958.

Mr. PASSMAN. You are dealing with the same people, the Laotian people.

In the Philippines, do you have any control over the budget?

Mr. JANOW. No, sir.

Mr. PASSMAN. You have said no with regard to Thailand.

Then it follows that what I said originally, the money nations earn from their exports they are free to buy gold or do whatever they want to do with it?

SUPPORTING ASSISTANCE IN FAR EAST

Mr. JANOW. Our three biggest programs are in Korea, Vietnam, and Taiwan, and where supporting assistance is a significant part of our aid——

Mr. PASSMAN. That is the charity part?

Mr. JANOW. That is the supporting assistance part, sir.

Mr. PASSMAN. You have military assistance and you have grant aid, do you not?

Mr. JANOW. Supporting assistance in these three countries is fundamental to their military position.

Mr. PASSMAN. And supporting assistance is also much broader?

Mr. JANOW. Yes, it is.

Mr. RHODES. Is supporting assistance used to support our posture in Indonesia too?

Mr. JANOW. There is one project, Congressman; the mobile brigade, which is a police force. That is the limit of our assistance in this category.

Mr. RHODES. I am glad to hear we do not always use supporting assistance to bolster our military posture, especially where we do not have a military posture, as in Indonesia.

Mr. JANOW. That is correct.

Mr. PASSMAN. Supporting assistance can go in a country as grant aid, even when they do not have military assistance; is that correct?

Mr. JANOW. Yes.

May I have a few moments of the committee's time to talk about supporting assistance?

Mr. PASSMAN. Before we finish the hearing we want you to talk as much as you see fit.

Mr. JANOW. On that category?

Mr. PASSMAN. Yes.

Mr. JANOW. It is very important in my area.

Mr. PASSMAN. It is grant aid?

Mr. JANOW. Yes.

Mr. PASSMAN. It is important in that you have programs going on where you need the grant aid to continue and start new ones; is that correct?

Mr. JANOW. Yes, sir.

AID DOLLARS SPENT IN UNITED STATES

Mr. PASSMAN. Do you happen to know the amount of aid dollars in your area that are spent in the United States?

Mr. JANOW. Yes, I do.

Mr. PASSMAN. What percentage is it?

Mr. JANOW. It is less than the 80 percent. I am sorry, I do not have the figure in front of me; 75.7 percent.

Mr. PASSMAN. 75.7 percent of all the money is spent in the United States?

Mr. JANOW. Yes, sir.

Mr. PASSMAN. Would you agree with me if I said a hundred percent of it is spent in the United States? It falls in one of three categories: Something that we ship out against the credit; gold that we transfer to the nation against the credit; or payment of debts that

they may make against the credit. It either falls in those three categories, or the accumulated; is that correct?

Mr. JANOW. This is another one of those questions that cannot be answered yes or no.

Mr. PASSMAN. Say that we give a country $100 million in aid.

Mr. JANOW. Yes.

Mr. PASSMAN. They can requisition something produced in the United States against that credit, can they not?

Mr. JANOW. Yes.

Mr. PASSMAN. They can buy gold under certain categories against that credit, can they not?

Mr. JANOW. Not with our dollars, maybe with their own.

Mr. PASSMAN. We have already agreed earlier that if you give them dollars, then they can take their own dollars they earn and buy it, so it is the same thing; is it not?

Mr. JANOW. If they have a surplus.

Mr. PASSMAN. Then, they can pay debts or they can accumulate dollar assets, can they not?

Mr. JANOW. There has been some small growth in reserves, in some countries, yes.

Mr. PASSMAN. When you credit these nations with these dollars, we shall say this year under the 19 different spigots of foreign aid, then you ship out against that credit something produced in America; is that correct?

Mr. JANOW. Yes.

Mr. PASSMAN. Under normal trade channels, until this thing became so superficial, or artificial, the manufacturer would send those bills to the recipient country, through their banking connections, to collect, would he not?

Mr. JANOW. Yes.

Mr. PASSMAN. Under the present-day program you ship out and the bills wind up down at the U.S. Treasury for payment, do they not?

Mr. JANOW. Yes.

Mr. PASSMAN. It is the U.S. taxpayers who are paying the invoices down at the Treasury. Is that a correct statement?

Mr. JANOW. Yes, sir.

Mr. PASSMAN. So, if this propaganda that is being put out, that 80 percent of the money is being spent in America, if that is good for America and makes America prosperous, then could we not just double the aid program and ship out twice as much and become twice as prosperous from it?

Mr. JANOW. Sir, in my opinion—I would like to speak only for my region——

Mr. PASSMAN. Your region only; sure.

Mr. JANOW. I have become fairly familiar with our aid program and it responds to urgent needs.

Needs of these countries. We were able in 1962 to cut the amount that was actually obligated.

Mr. PASSMAN. When?

Mr. JANOW. In 1962.

Mr. PASSMAN. But you have gone way back up for fiscal year 1963, have you not?

Mr. JANOW. Yes, sir, and I hope to have the opportunity to tell you in detail why. This is in response to requirements, it is not in re-

sponse to what is imagined as the needs of the American domestic economy, but it is a response to requirements of these countries to which we are giving aid.

I think those who speak of the impact on our economy are certainly not suggesting that because the expenditures takes place in the United States that it ought to be increased.

Mr. PASSMAN. I did not say that. You have read in the paper about how many jobs this aid program creates, have you not?

Mr. JANOW. Yes, sir.

Mr. PASSMAN. You have heard the people testifying, you read the testimony where they tell the American people that 80 percent of the cost is spent in America?

Mr. JANOW. Yes.

Mr. PASSMAN. Some people are impressed with those figures. It follows, nevertheless, that when the goods and services are shipped out, the invoice, instead of being forwarded to the recipient country for payment, is forwarded to the U.S. Treasury; is it not?

Mr. JANOW. Yes.

Mr. PASSMAN. Which means that the same amount of wealth as the invoice shows has gone out of our country, nothing being returned to replace it. Is that a fair statement?

Mr. JANOW. That is true.

Mr. ANDREWS. Off the record.

(Discussion off the record.)

Mr. PASSMAN. Thank you, Mr. Andrews.

I believe page 8 of your statement is confidential, is it not?

Mr. JANOW. There may be some confidential portions. There is nothing confidential——

Mr. PASSMAN. You have your statement marked "Confidential".

Mr. ROONEY. The pages are all marked confidential, but it is only in the paragraphs in brackets that it is truly classified material: is that right?

Mr. JANOW. Yes; the bracketed material is confidential.

Mr. ROONEY. As I understand it, this page could be read right into the record and would be in the record and will remain in the record.

Mr. JANOW. We would like the opportunity to review it. I think there is nothing confidential here.

DEOBLIGATIONS IN FAR EAST REGION

Mr. PASSMAN. I quote the last paragraph:

> We have insisted that funds not clearly needed in the near future be deobligated and made available to higher priority requirements in the Far East or in other regions.

Mr. JANOW. Yes, sir.

Mr. PASSMAN. You are speaking of the economic aid funds, are you not?

Mr. JANOW. Yes, sir.

Mr. PASSMAN. Not the military?

Mr. JANOW. Just aid funds.

Mr. PASSMAN. This process has resulted in the deobligation of $40,600,000 in the Far East?

Mr. JANOW. That is right.

Mr. PASSMAN. And the release of $23,600,000 for other uses during fiscal 1962?

Mr. JANOW. That is correct.

Mr. PASSMAN. In what other regions did you spend the money?

Mr. JANOW. I did not spend the money in other regions.

Mr. PASSMAN. To what other regions did you obligate the money?

Mr. JANOW. The money was returned to our program section in the Agency and it became available for transfer to other regions.

Mr. PASSMAN. The entire $40,600,000?

Mr. JANOW. No, sir; the net amount.

Mr. PASSMAN. Where will we find the difference between $23.6 and $40.6 million? Where will that be in the deobligated funds?

Mr. JANOW. Right here, sir. Using the totals, $40 million was divided between project and nonproject as follows: $31.2 million was project funds that were deobligated along with $9,400,000-some-odd of nonproject funds. This money was taken out of both project and and nonproject programs.

Mr. PASSMAN. Does that bring the total up to $40.6 million?

Mr. JANOW. Yes, sir. We reallotted to cover shortfalls within my region, a total of $17 million.

Mr. PASSMAN. Specifically, to what other programs?

Mr. JANOW. Within the region?

Mr. PASSMAN. Read them to us by project.

DEOBLIGATIONS IN BURMA

Mr. JANOW. I will be very happy to. In Burma—it is one of the nine countries in my region—we deobligated $1.9 million——

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. JANOW. In Burma we deobligated $1.9 million and did not reobligate anything in this country's program. In other words, this $1.9 million was released to other country programs.

DEOBLIGATIONS AND REOBLIGATIONS IN CAMBODIA

In Cambodia we deobligated a total of $2.7 million, but in this case we reobligated—this is in total—$4.9 million. In other words, we added funds to the Cambodia program.

Mr. PASSMAN. For what Cambodia project? We appreciate the fact that you are giving us this information. However, if you could, detail for the record what countries and what projects you deobligated so as to create $40.6 million, but particularly we would like to know where you obligated the $23.6 million, on what projects.

Mr. JANOW. I have a complete detail. It is, as you can see, about 10 or 12 pages long.

Mr. PASSMAN. Let us go through them.

KHMER-AMERICAN FRIENDSHIP HIGHWAY

Mr. JANOW. Cambodia. The contract for the technical services on the Khmer-American Friendship Highway repair.

Mr. PASSMAN. What did you tell us last year it cost to build this highway?

Mr. JANOW. I have prepared a report for you on that.

Mr. PASSMAN. What was the original estimate of the cost of the Friendship Highway?

Mr. JANOW. My staff are finding these things. If you would like me to proceed——

Mr. POATS. The figure given last year to the committee, I am not sure it was in the form of a project sheet or not, was approximately $32 million as the total cost of that project. I have not been able to find it here in these project sheets yet, but that was the figure given the committee, I am sure.

Mr. PASSMAN. You transferred or deobligated funds of $2.8 million to the Friendship Highway; is that correct?

Mr. POATS. That is correct, sir.

Mr. PASSMAN. Before you transferred this, we had already accepted the highway as being completed and paid off the contractor; is that correct?

Mr. POATS. That is correct.

Mr. PASSMAN. Then you estimated that you would need $2.8 million to repair the highway. That was in 1961. Did that complete the highway, that estimate?

Mr. JANOW. We have a very large repair problem on this highway.

Mr. PASSMAN. You had given the construction figures, we accepted it as being complete, you turned it over, paid the contractor. In 1961 you said your needed $2.8 million to complete the repairs.

Mr. JANOW. Yes, sir.

Mr. PASSMAN. Did that money complete the repairs or have you had any other funds from any other appropriation allocated to the Friendship Highway since 1961?

ALLOCATION FROM CONTINGENCY FUND FOR HIGHWAY REPAIR

Mr. JANOW. Yes; we added funds this year to the Cambodia Highway.

Mr. PASSMAN. How much?

Mr. JANOW. I am looking for that figure.

Mr. HARKINS. $7 million from the contingency fund.

Mr. PASSMAN. To this highway project?

Mr. HARKINS. Yes, sir; to repair this highway, and $2.8 million from deobligations, a total of $9.8 million.

Mr. PASSMAN. I think we could pinpoint a hundred projects as easily as a few. Let us pin another one down. What was the completed cost of this project?

Mr. POATS. $32 million.

Mr. PASSMAN. What was the actual original estimate? It was far below that amount.

Mr. JANOW. Very much less than that.

Mr. PASSMAN. What was the original estimate of the cost of this project?

Mr. POATS. My memory is $18 million, sir.

Mr. JANOW. I think it was of that order.

Mr. POATS. The original dollar estimate was $15 million. In addition, there were some local currency.

Mr. FORD. When was that made?

Mr. POATS. The estimate must have been made in about 1956.

Mr. PASSMAN. When was the contract awarded?
Mr. POATS. The contract date was effective May 5, 1955.
Mr. RHODES. Did you have another item of cost in there?
Mr. PASSMAN. I am going to get that.
Mr. POATS. There was an additional——
Mr. PASSMAN. $15 million.
Mr. POATS. There was an additional assumption of local currency costs to be borne by the Cambodian Government, as I recall.
Mr. PASSMAN. Let us stick to the cost of our Government of $15 million. At a subsequent date it was brought to completion, and we settled our bills at $32 million; is that correct?
Mr. POATS. $32.1 million is the figure given last year.
Mr. PASSMAN. We finally settled at $32,100,000 and accepted delivery?
Mr. POATS. Yes, sir.
Mr. PASSMAN. That was in fiscal year 1961?
Mr. JANOW. Yes.
Mr. PASSMAN. In fiscal year 1961 you allocated $2.7 million out of the contingency fund to fix up the road so it would be usable?
Mr. JANOW. Yes, that is correct, sir.
Mr. PASSMAN. I refer to page 1129 of the hearings of fiscal year 1962. We thought we had a very bad deal there. Now, however, you tell us that in fiscal year 1962 you have allocated an additional $9.8 million, $7 million from the President's contingency fund and $2.8 million from deobligated funds.
Mr. JANOW. Yes, sir.
Mr. GARY. Would the gentleman yield?
Mr. PASSMAN. I yield.
Mr. GARY. Why was this necessary? Was it because of bad construction to begin with?
Mr. JANOW. Studies would so indicate.
Mr. PASSMAN. We are up from $15 million to $43,800,000. Do you estimate any funds for this project for fiscal 1963?
Mr. JANOW. I think not, sir. I think it is fully funded.
Mr. HARKINS. There will be some small costs for BPR technicians.
Mr. PASSMAN. How much will that be?
Mr. HARKINS. $300,000.
Mr. PASSMAN. You are 300 percent off. Let us get the figures and not guess. We are up to $41.1 million.
Mr. FORD. What are BPR technicians?
Mr. JANOW. I would like to have the opportunity to describe it.
Mr. PASSMAN. What are they?
Mr. JANOW. Bureau of Public Roads.

PROCEEDINGS AGAINST HIGHWAY CONTRACTOR

Mr. PASSMAN. Are we suing the original contractor to recover damage?
Mr. JANOW. We have turned this over to the Department of Justice.
Mr. PASSMAN. Several years ago?
Mr. JANOW. Yes, sir.
Mr. PASSMAN. What progress have you made?
Mr. JANOW. We have just turned this over. I did this, sir, as soon as I came on board.

Mr. POATS. I believe the testimony last year was it was under consideration to determine whether there was a possibility of action.

Mr. FORD. Who is the contractor?

Mr. JANOW. There are two contractors involved. Dougherty was the construction contractor, and Baker was the engineer. What happened, sir, is that a section of this road running through the paddy area began to break up, the surface began to move. The first estimate was that some surface maintenance, seal coat, and increasing the crown would deal with the problem. That is where the first $2.5 million came from. At the same time the agency retained the Bureau of Public Roads to visit Cambodia and to conduct tests on the condition of this road that was deteriorating. In the course of their tests they determined that there was no possibility of arresting this surface deterioration and that the trouble was with the base, and that the base would have to be redone.

Investigating this further, Mr. Chairman, the section where the road is breaking up is where an alternate design for the base composition was used. This was a design in which the contractor was given specifications for the employment of laterite with a binder. Laterite, as you know, is a very low grade iron ore, iron bearing rock. This formula of using laterite was given to the contractor because in the area there was no aggregate, there was no rock where he could operate his quarries. Had he brought rock to this middle section, it would have greatly increased the cost of the original construction.

(Off the record.)

APPROVAL OF ENGINEER'S FINDINGS

Mr. FORD. Was the engineer a Government employee or private contractor?

Mr. JANOW. A private consulting engineer.

Mr. PASSMAN. Did you have ICA (now AID) personnel out in Cambodia?

Mr. JANOW. Yes.

Mr. PASSMAN. They, too, approved it before payment was finally made to the engineer?

Mr. JANOW. Yes, sir, but they depended on their consulting engineer.

DESCRIPTION OF HIGHWAY

Mr. PASSMAN. How long a strip of this road will be repaired?

Mr. JANOW. I was looking for that figure. We have so much prepared for you.

Mr. PASSMAN. How long is the road?

Mr. FORD. It would be helpful to have a general description of the road.

Mr. PASSMAN. We are going to get it.

Mr. JANOW. We would be pleased to describe it.

Mr. PASSMAN. We have thousands of words on the same subject in last year's hearings.

What is the length of the road?

Mr. JANOW. Can I give it to you by sections?

Mr. PASSMAN. We would like to have the length of the road, if you will.

Mr. JANOW. 130 miles; 228 kilometers.

Mr. PASSMAN. How much is being repaired, by miles?
Mr. HARKINS. 80 kilometers.
Mr. JANOW. 50 miles.

STATUS OF ROAD AFTER REPAIRS

Mr. PASSMAN. After this expenditure, will the entire road be up to the original specifications?
Mr. JANOW. Yes, sir; it will be better. Yes, up to the original specifications.
Mr. PASSMAN. Better what?
Mr. JANOW. One of the recommendations made by the Bureau of Public Roads is that we in fact increase the wheel loading slightly over the original design. This does not require a very large additional investment, but they do want to build it up some more because they are finding the Cambodians are not very good at maintaining their wheel loading limits.
Mr. PASSMAN. I was out there, and I did not see much on the road but water buffalo. I hope it is being used for something other than that now.
Mr. JANOW. When were you there?
Mr. PASSMAN. Three years ago.
Mr. JANOW. We would be happy to give you traffic counts.
Mr. PASSMAN. The King had to fly over with a helicopter to get to his resort.
Mr. FORD. Where does it go?
Mr. JANOW. From Phnompenh to the new port of Sihanoukville.

ORIGIN OF REPAIR COST ESTIMATE

Mr. PASSMAN. Could you tell us who made this estimate in 1961 that $2.7 million would actually complete the repairs? All of this came about subsequent to the time of the discovery that it was not up to specifications?
Mr. JANOW. This was probably an agency-made estimate.
Mr. PASSMAN. That would certainly indicate the estimator did not know much about it.
Mr. JANOW. That was before they did borings to find out the condition of the base.
Mr. PASSMAN. They said this road that was going to cost $15 million actually cost about $32 million, but now they needed $2.7 million to make repairs. That was the testimony.
Plus that money, you had $7 million out of the contingency fund and $2.8 million out of deobligated funds.
Mr. GARY. Would the gentleman yield?
Mr. PASSMAN. Yes.

PHYSIOGRAPHIC FEATURES IN ROAD BREAKUP AREA

Mr. GARY. What kind of terrain was this through which this 50 miles passed?
Mr. JANOW. The bad stretch in the paddy fields, very soft ground. The problem arose here because there were no adjacent gravel pits, no place where they could get hard aggregate.

Mr. GARY. Swampy areas?

Mr. JANOW. Yes.

Mr. PASSMAN. The contractor knew he was not meeting specifications, did he not?

Mr. JANOW. I have looked into the mechanics of this.

(Off the record.)

Mr. PASSMAN. Let us go to another project.

HIGHWAY AND BRIDGE CONSTRUCTION IN VIETNAM

I shall read from the committee report of fiscal 1961.

Mr. FORD. Fiscal year, or the year the hearings were held?

Mr. PASSMAN. It is appropriations, 86th Congress, 2d session, 1961, fiscal year.

I quote:

> Last year the committee noted in its report that there was $96,519,000 unexpended funds previously appropriated for development assistance. The unexpended balance on June 30 this year in this appropriation is estimated at $57,769,000. An example of the type of project financed by the defense support appropriation is the highway and bridge construction project in Vietnam, which was initiated in fiscal year 1955. The project is to assist the Vitnamese Government in the rehabilitation and modernization of the national highway system. The original project was to construct one highway at a cost of $18,300,000. Subsequently the scope of the project was broadened to include three highway routes and certain other work. The present estimate of the cost through June 30, 1960, is $61,778,000. The budget estimate for 1961 is $6,950,000 with an additional dollar cost after 1961 of $4 million. In addition, through June 30, 1960, local currency expenditures are estimated to be $48,781,000 and $8,400,000 proposed in fiscal 1961. The total cost of the project, therefore, including both dollars and local currency cost is now estimated to be $129,900,000, an increase of approximately 600 percent above the original cost estimate for the project.

You can go all over the world and you can find plenty of situations, Mr. Director, similar to that one.

If that foulup does not indicate what we get into when you do not have proper planning and proper engineering prior to the starting of the contract I do not know what does.

Mr. GARY. Will the gentleman yield?

Mr. PASSMAN. Yes.

HIGHWAY CONSTRUCTION IN THAILAND

Mr. GARY. Did we not also have controversy over some highway in Thailand? When we were out there, Mr. Rhodes, Mr. Alexander, and I flew from Bangkok over to Laos, and we flew over this highway and observed it. Is that not correct, Mr. Chairman?

Mr. PASSMAN. That is right, sir. That was in 1961, I believe.

Mr. RHODES. We were there in 1959.

Mr. PASSMAN. I have been out there several times and flew over the highway. In 1961 we were there.

Mr. RHODES. It was in 1959 we flew to Vientiane.

Mr. PASSMAN. We had something equally as disturbing in Thailand, I believe the gentleman will remember.

Mr. GARY. That is right; the road was in Thailand. There was a lot of controversy about it. We did not have time to get out to the road, but we were going over to Laos and we flew over it for quite a distance observing the traffic and other features of the road from the air.

Mr. PASSMAN. To show you how this thing changes from one year to another, I quote from our hearings:

Mr. PASSMAN. I named the highway the Helicopter Road. You cannot drive over it because of holes in it, but you can fly over it.

Quoting further, comment by Mr. Coffin:

Again we understand it is in need of repair, but not repairs such as your graphic description would indicate.

Now we find that $12,500,000 has been added to it.

During the time that these contracts we referred to today got underway the Agency was operating on the basis of an annual slice appropriation. You would have a continuing project; you would ask for some, and then get some more?

Mr. JANOW. That is my understanding.

COMMITMENTS UNDER SECTION 202(b)

Mr. PASSMAN. Today, under the new criteria, under the development credit section, we appropriate money to a plan, not to a project or country. You establish that a country may need a certain amount of money, and that becomes known as the country plan under section 202(b) of the act?

Mr. JANOW. 202(b), yes.

Mr. PASSMAN. You are familiar with the 202(b) program?

Mr. JANOW. Yes, sir.

Mr. PASSMAN. Do you have any of these projects planned for fiscal 1963 in your region?

Mr. JANOW. There are some being considered for 202(b).

Mr. PASSMAN. Is it with reference to a country plan or to a particular project or commitment?

Mr. JANOW. It will relate to a country plan.

Mr. PASSMAN. A country plan may encompass many projects?

Mr. JANOW. Yes, sir.

Mr. PASSMAN. Is it your understanding of the law, then, that under the new criteria you would have funds committed to a country plan, not a project?

Mr. JANOW. We have been discussing this in our senior staff, and the question has been raised as to whether individual projects may be partially funded. This question, so far as I am concerned, is still unresolved as to its implementation. I think Mr. Miller may be——

Mr. PASSMAN. I have heard it discussed that you may make an appropriation, or an allotment, to a country plan.

Mr. JANOW. We made commitments to a country plan.

Mr. PASSMAN. There is one school of thought that you would make an allotment to a country plan; is that correct?

Mr. JANOW. We made a commitment to a country plan.

Mr. PASSMAN. And after you got the money, then you would go into the country and work out with them what projects may meet the plan. Is that your general understanding of it?

Mr. JANOW. That is my understanding.

Mr. PASSMAN. At least we do not have as much control if you appropriate the money without knowing what the plan may encompass as we did when you were working out these projects?

Mr. JANOW. I think the control would be, I hope, better than has characterized the Khmer-American Friendship Highway.

Mr. PASSMAN. The Congress has no idea what that plan will encompass.

Mr. GARY. He is talking about their control, and you are talking about the control of Congress.

Mr. PASSMAN. I am talking about the control of Congress. We looked at these projects many times. They could be stopped. You are familiar with the fact that we have over a period of years stopped many projects, and under this it would more or less move out from under congressional control.

Many Members of Congress have felt that you needed some long-term programing. I had always argued, as you argued today, on certain capital projects that you did have long-term planning. You planned the project, you come in and got a slice of money, you would come back at a subsequent year and get another slice to keep the project going; would you not?

Mr. JANOW. Yes, sir.

Mr. PASSMAN. Many Members thought that that is what you people had in mind, to go out in a country and have a project planned, then you would make that country a commitment to finance that project to conclusion. Then, if you made an allocation of 20 percent of it, that we had a moral obligation in subsequent years to provide the 80 percent.

Mr. JANOW. Yes, sir.

Mr. PASSMAN. But we find out that the general interpretation is you are not appropriating money to a project or to a series of projects, as such, but to a country plan that is to be worked out subsequent to the time you get the money.

Mr. JANOW. May I comment on this, sir?

Mr. PASSMAN. We want you to do so.

Mr. JANOW. We discussed this, as I mentioned, quite recently in our executive staff meeting. The item was put on the agenda at my request. In the review of the legislative history of long-term commitments, 202(b), it was discovered that most of the discussion of the Congressmen and Senators involved took place in the context of a country plan. While there were references to the application of long-term commitments to individual projects, these legislative references were few and not very clear.

It is the opinion of our legal counsel, our general counsel's office, that the legislation does not prohibit a commitment to projects, but this is just an opinion and, as I understand the condition, further examination of this intention is going on.

Now, the problem arises particularly in the case of such projects that may have a private component. For example, if an iron and steel plant or fertilizer plant or something else of that kind were financed over 4 or 5 years and there was private equity participation, the question arises: Would the private investors proceed with a com-

mitment to a project which the Government loan could not fully fund? You can see what a problem that would be.

Any of these companies, if they came in to us and asked us to lend them 50 percent of the construction costs and they were putting up the other——

Mr. FORD. Is this a local company in a country or an American company?

Mr. JANOW. Sometimes it is a local company in a country and sometimes it is an American company participating with a local company.

VOLTA RIVER PROJECT

Mr. PASSMAN. You have that situation in Ghana, I believe, a plan where you have programed and funded to completion. It is a $362 million project in total, all segments. That is a $110 million smelter plant, I think Kaiser-Reynolds Co. It has not even been started. When it is started, it will require 7 years to complete it, but it has been funded to conclusion.

Now, my point is this: In prior years you had a series of projects and an estimate as to what each project would cost to bring it to a conclusion. Is that your understanding?

Mr. JANOW. Yes.

Mr. PASSMAN. You would come in and justify funds for those projects to be continued. We had some degree of control, because in the meantime we would have some investigations and we would have your books here.

But as it is today, we appropriate funds for what we do not know about. After you get the funds, then you go into a country, or maybe prior to getting the funds you have made a commitment, we shall say, to a $600 million country plan, and until you get the money you do not work out the mechanics of the plan. Therefore, the committee is without information as to how you are going to spend the money. Is that your understanding?

Mr. JANOW. I do not wish to answer for any other region. I can say in my region in the Far East there is no case where we would be obligating funds in this way. Programing funds is a different problem as we have already explored. But there is no case where we would be obligating funds without being able to tell at the time of obligation in great detail what those funds are to be spent for.

Mr. PASSMAN. Prior to the appropriation. That is what we are talking about.

Mr. JANOW. You are speaking now in the development lending sector.

Mr. PASSMAN. Section 202(b) funds. You have different schools of thought. Some feel we are obligated now to appropriate the money. After you get the money, you will work out a country plan from which the money will be obligated, and the fact that we make a commitment for $600 million, and we allocate $100 million, makes a moral obligation for the Congress to appropriate the other $500 million.

Mr. JANOW. There are no cases yet in my region for section 202(b) commitments.

Mr. PASSMAN. You are familiar with them?

Mr. JANOW. Yes.

Mr. PASSMAN. A country plan might encompass hundreds of projects within a country?

Mr. JANOW. It could; I would like to speak to my region.

Mr. PASSMAN. Whatever the people above you say, that is what you will have to operate by?

Mr. JANOW. I have not had any instructions in this field applying to my region.

CRITERIA FOR FINALIZING 202(b) COMMITMENTS

Mr. RHODES. May I mention something here?

Section 202(b) requires by its terms before a plan is perfected that the plan has to be submitted to Congress. I would want the record to indicate the Congress feels not the least bit morally obligated or bound before a plan is submitted to Congress.

Mr. GARY. Is it not also true that plan would have to be based upon certain definite projects?

I certainly would not approve a dollar unless that were true.

Mr. RHODES. I would not approve a dollar anyway. I do not think we are obligated.

Mr. GARY. I agree with the gentleman absolutely. I have stated time and again that I would not consider us obligated until the appropriation is made.

UNDERSTANDING OF 202(b) BY AID EXECUTIVES

Mr. Fowler Hamilton is Administrator of this Agency, is he not?

Mr. JANOW. He is the Administrator.

I shall quote from page 163 of the galley proof of this year's hearings:

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.

Mr. Hutchinson, who we had before our committee for about 30 days, all along the way said "Yes."

Others have interpreted it differently.

All in all, it would certainly indicate that you people have not yet reached a decision as to an interpretation of the act.

NOTIFICATION TO CONGRESS OF SECTION 202(b) COMMITMENTS

Mr. GARY. I want to say that I, as a member of this committee and the Congress, will not consider the Congress bound by any plan, or agreement, until they have had the approval of the Congress.

Mr. PASSMAN. I subscribe to what the gentleman has said. I have never been for it. I am not for it now. I am only stating for the record that you have this new system which one interprets the one way and another person another way.

Mr. FORD. Will you let me make a comment?

As I understood the legislation when it was enacted, these plans had to be submitted to the Congress, but even if approved, directly or by implication, the plans will always be subject to subsequent appropriations. That was a condition that was understood under any

and all circumstances, including the proposed beneficiaries of a plan that was formulated, is that correct?

Mr. GARY. I would say to the gentleman, that is my understanding.

SECTION 202(b) PLAN FOR PAKISTAN

Mr. PASSMAN. Following the gentleman from that point, you have a 202(b) plan for Pakistan, do you not?

Mr. MILLER. Yes.

Mr. PASSMAN. We have not received notification of it officially, this committee, have we?

Mr. MILLER. I do not know at this time.

Mr. PASSMAN. You are asking for funds in this request this year for the Pakistan plan; is that correct?

Mr. MILLER. We are asking for funds to be appropriated for use by us on specific and discrete programs within the overall purview of the Pakistan 5-year plan.

Mr. PASSMAN. Where are those projects found specifically?

Mr. MILLER. They are within the context of the Pakistan 5-year plan.

Mr. PASSMAN. But what are they?

Mr. MILLER. There are many projects and programs within the Pakistan 5-year plan to which Mr. Gaud referred in his testimony.

Mr. PASSMAN. Which ones are we going to finance with the $225 million, specifically?

PREPARATION OF 202(b) DETERMINATIONS

Mr. MILLER. Mr. Chairman, with respect to the long-term plans and programs under section 202(b), the same information is forthcoming to this committee as is with respect to all other development loans that will be made in fiscal year 1963. This perhaps is where the area of confusion enters into section 202(b).

Section 202(b) speaks of commitment of funds. It says:

> In recognition of the need for reasonable advance assurances in the interest of orderly and effective discussion of long-term plans and programs of development assistance, the President 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.

And when we prepare a section 202(b) determination for the President, he has to make sure first that we shall enter into an agreement committing funds; we then negotiate—after the President has made the determination—these agreements. Upon the signature of the agreements they are then communicated to the Congress under the provisions of section 202(c).

Within each of the plans, or programs, of long-term nature, there are many projects and programs which are discrete within those plans.

Mr. PASSMAN. It could be for budgetary support. It could be even for balance of payments, could it not?

This plan could encompass many different things. We know you have one 202(b) plan for which you are requesting funds, and that is for Pakistan.

Mr. MILLER. And Tanganyika.

Mr. PASSMAN. And you have not yet submitted to the committee a list of projects for which you expect to obligate these funds if they are appropriated, have you?

Mr. MILLER. As is the case for all development lending funds for fiscal year 1963, we have project applications, or program applications which are before us now, or being refined at the present time, to which we will address ourselves, review them and enter into them. This is the same thing the Development Loan Fund did before us, and we are doing at the present time with respect to the development lending fund.

GENERAL COUNSEL'S OPINION ON LONG-TERM COMMITMENTS

Mr. PASSMAN. You gave us an opinion, an unsigned opinion; was that your opinion?

Mr. MILLER. No, sir.

I am not in the General Counsel's Office.

Mr. PASSMAN. This is from the General Counsel's Office.

Let me read from this opinion:

Generally speaking, technical assistance projects have been funded for the contemplated life of the project or 3 years, whichever is the least, from one fiscal year appropriation.

It is a foregone conclusion that technical aid projects have never been financed on that basis. I said, to the point, that some would run for 10, 12 or 15 years, and you would come in and get a slice for a continuing project. It is so this year. You are asking for money this year to continue technical projects underway, are you not?

Mr. MILLER. That is correct.

Mr. PASSMAN. It says here that you either fund them in full, or all in 3 years, which is incorrect. I am wondering if the same man who wrote this opinion is going to interpret the other phases of the law?

Mr. MILLER. No, Mr. Chairman.

Mr. PASSMAN. Who is going to write the decision?

Mr. MILLER. The quotation you read into the record stated, I believe, that funds would be committed in connection with long-term plans and programs. This is not the same as stating that funds are being appropriated to the plans, it is my understanding.

It is my understanding that in each case in which we come up here with a section 202(b) commitment, that there will be the same plans and programs which have been presented to the agency in a similar fashion as the Development Loan Fund, which I believe we have discussed, formally funded all its projects and programs to completion at all times.

Mr. PASSMAN. If he did not understand one part of the law, and he interpreted that erroneously, how could he understand the other?

Would you say that you are premature in asking this committee and the Congress for the appropriation of funds prior to the time you have submitted a list of projects?

Mr. MILLER. No, Mr. Chairman, because, as I stated earlier, in connection with the Development Loan Fund, and with last year's appropriation, we have, it is my understanding, brought to you a similar type of justification for the funds for which we are asking. In each

case we have attempted to the extent possible to estimate the amount of funds which are needed in various countries and where appropriate, and where we can, we have indicated to the extent we can which specific projects and programs are under consideration.

DEVELOPMENT GRANTS FOR FAR EAST REGION

Mr. PASSMAN. Under the Far Eastern program, under development assistance and development grants, both are in the grant aid portion of mutual security?

Mr. JANOW. Yes, supporting assistance and development grants.

Mr. PASSMAN. The two would amount to $424,100,000?

Mr. JANOW. That is right.

FLEXIBILITY IN PROGRAMING FUNDS

Mr. PASSMAN. Did you testify earlier that other than for the continuing projects, everything in the book is on an illustrative basis, that you may or may not spend the money on those projects, you may or may not spend the money for the countries listed, but the law was broad enough whereby you could spend it on an altogether different group of projects and in different countries; is that what you stated?

Mr. JANOW. I would like the chance——

Mr. PASSMAN. We want to know your understanding of that matter.

Is it not true—and I am going to repeat it—that all the projects in the books, under even development grants, $424,100,000 in your area, other than the continuing projects, are presented on an illustrative basis?

Mr. JANOW. Sir——

Mr. PASSMAN. Do you want to answer the question?

Mr. JANOW. Mr. Harkins has already testified, in fact our experience on projects performed has been very close to our estimates of projects to be performed.

Mr. PASSMAN. Have you not testified already today, and has it not been true that all the witnesses before you testifying for the areas stated categorically, and to the point, they were asking for these funds on an illustrative basis, that they had the right under the law to change the programs and change the countries? Is that a statement of fact?

Mr. HARKINS. It is true that we have flexibility to do this.

Mr. PASSMAN. Is it true, what I said, that you have the right, that you are not bound to fund a single project you have in this book, if it is not a continuing project and if it is on an illustrative basis; is that correct?

Mr. HARKINS. We have this flexibility.

Mr. PASSMAN. And by the same token, any project you start you could immediately cancel and take the money and start another project?

Mr. HARKINS. Well, we could. In 1962, we did start in fact 28 projects that we did not present to Congress. The total cost of these projects was $15 million.

Mr. PASSMAN. You did not send to Congress?

Mr. HARKINS. These——

Mr. PASSMAN. I have made a completely factual statement. You are asking for the money on an illustrative basis. After you get the money you may or may not fund the projects, may or may not spend it in the country you asked to spend it in. Then, you make up your mind whether you want to follow the illustrative projects or whether you may program something else in some other country; that is a statement of fact?

Mr. HARKINS. Yes.

May I just point out the total cost of these projects was $15 million. This is both development grant and supporting assistance, out of a total development grant and supporting assistance program of approximately $337 million.

Mr. PASSMAN. But, the Congress, in reality, when it appropriated this money, did not know what you were going to spend it for?

Mr. HARKINS. What we are trying to show by our records here is that we have in fact followed very closely the program we presented to Congress last year.

Mr. PASSMAN. Your illustrative program?

Mr. HARKINS. Yes.

Mr. PASSMAN. I am dealing with the flexibility you have.

Mr. HARKINS. But in point of fact, experience shows we have not used the flexibility except to an extremely limited extent—less than 5 percent.

Mr. PASSMAN. I am not talking about your experience. We are giving you, in reality, a blank check. It is perfectly obvious that you are going to spend this money on some of the projects listed in the books. As far as the Congress is concerned, however, it is not known what the projects are, or the countries?

Mr. HARKINS. But Congress can be——

Mr. PASSMAN. You did not answer my question.

Mr. HARKINS. We do from experience——

Mr. PASSMAN. What do yo mean from experience?

Mr. HARKINS. From experience in the past year, we know we have carried out approximately 95 percent of the programs we presented to the Congress.

Mr. PASSMAN. Be as evasive as you please. The record is complete that you do have the flexibility.

Mr. HARKINS. We do.

Mr. PASSMAN. To conceal the projects, take the money into another country, start projects, cancel those projects, and take the money even into a third country.

Mr. GARY. And we have the authority to cancel their entire appropriation if the Congress wants to do so, every dollar they are asking for the next year.

Mr. PASSMAN. I am indicating that the Congress does not have control of the program, and that you are making an appraisal based on

what you believe you are going to do with the money rather than on what you actually might be going to do with it.

Mr. JANOW. I hope this point has not been lost——

Mr. PASSMAN. I am not putting up any defense for any of the flexibility you have.

Mr. FORD. May I make a comment?

NEED FOR CONGRESSIONAL APPROVAL BEFORE INITIATING NEW PROJECTS

I think the gentleman's frankness is commendable. I think the only key missing in this problem is that we have not been informed of these changes, or these new projects which have been undertaken. At least in the military budget where we have to have some flexibility, we require a reprograming procedure. I think anything over $1 million, or where they are initiating a new program, they must come up and report and get authority before such activity is initiated.

Mr. PASSMAN. That is true.

Mr. FORD. If that is the key that is missing in this program, I think it ought to be tied down. We can be fully informed on a current basis and know where the money is being obligated.

Mr. PASSMAN. You started 28 new projects that you had not justified?

Mr. HARKINS. Yes, but this was new obligational authority.

Mr. PASSMAN. That could have answered every question that I have asked. It does certainly show that you do not have to come to Congress to justify a single dollar of your expenditures other than on an illustrative basis, and if you get money during the year, you start projects that you have not presented to the Congress.

COMPLETION COST OF NEW PROJECTS NOT JUSTIFIED TO CONGRESS

Give us the completion cost on the 28 projects that you reprogramed for $15 million.

Mr. HARKINS. I do not have the information with me.

Mr. PASSMAN. Do you have any of the projects with you?

Mr. HARKINS. I have a list of the projects.

Mr. PASSMAN. Let us take one project, if you will, that you allocated funds to out of the $15 million.

Mr. HARKINS. We can go back to the Indonesian project we gave you this morning.

Mr. PASSMAN. The amount, please, and the name of the project.

I want to say, while you are looking it up, that if the Congress wanted to withdraw funds, they could use the highway in Cambodia, the highway in Vietnam, and the highway in Thailand to stop it. However, I do not see any move anywhere to stop the money, and those are just a few examples of what happens with this loose program.

What project are you on?

Mr. POATS. Improvement of navigation and harbor facilities.

Mr. PASSMAN. That is a new project you did not justify to Congress. Project that project to completion.

Mr. POATS. It started during fiscal year 1962; $147,000 was the correct amount obligated.

Mr. PASSMAN. What amount did you program?

Mr. POATS. $135,000 was the original estimate.

Mr. PASSMAN. What is the cost to completion?

Mr. POATS. Total cost to completion will be an additional ———, making a total of ———.

Mr. PASSMAN. You have picked a very small project. We are talking about 28 projects that are going to cost $15 million. Let us get to one of your big ones.

Mr. HARKINS. All right.

PROVISIONS OF SECTION 634(d), AUTHORIZATION ACT

Mr. MILLER. In connection with Mr. Ford's point about reporting to the Congress changes from our presentation, there is a section, section 634(d), which requires that the President shall notify the committees of all actions taken during the preceding 12 months under this act which resulted in furnishing assistance of a kind, for a purpose, or to an area, substantially different from that included in the presentation.

Mr. FORD. That does not mean anything in this case because you can initiate a project which does not fall under the criteria of "substantially different," and it could be a project where there is an initiation at a small cost and completion at a large cost, and the Congress ought to know when those commitments are made when there was no discussion previously what the facts are, or what the cost might be.

This is what I think must be done in these cases where you initiate new programs, or projects, which you have never discussed with the committee. A reprograming process, with approval by the legislative committee and the Appropriations Committee will keep you out of trouble.

If you want to keep out of trouble, you ought to start it, and the sooner the better.

Mr. MILLER. Not out of the reporting. May I finish this one other requirement?

Mr. FORD. If the language you are going to read is no better than what you read, do not waste the time.

Mr. MILLER. We also report programs which result in obligations or reservations greater by 50 percent or more than the proposed obligations, or reservations included in such presentation for the program concerned, but to the extent we were to initiate a small program under the development grant, which would be under the only category we could, you are perfectly correct; this would be included, and we would be——

Mr. FORD. There are a lot of ways to skin a cat, and this is one way.

I think for your program's benefit, a reporting system of any new programs would be very helpful, and the sooner you do it, the better.

Mr. MILLER. I am sure the agency would like to consider that.

Mr. FORD. I suggest they do consider it.

Mr. MILLER. We will consider it.

Mr. PASSMAN. The fact is that the Congress has permitted you people to get this thing so broad that you are in 103 of the 113 nations with a fantastically high program. Then the Congress gave you the right to come in and ask for this money without justifying a single project other than on an illustrative basis.

Each year you are getting a little bit further along with the flexibility of the type we are talking about here, such as the 28 projects

you started in your area without justifying them even on an illustrative basis. Now, we are trying to find out what it will cost to bring them to completion. They may go to a quarter of a billion, when we carry this through to conclusion. Once you get them in the category of going projects, then you have a claim that it is a moral obligation to provide you the money to complete them.

Would you regard it as a moral obligation if, for example, you start a project out of this category that you have not justified to the Congress, even on an illustrative basis, and you obligate $1 million to it, and it is going to cost $18 million to complete it?

Mr. GARY. I would like to associate my views with those of Mr. Ford, that reports should be made to the congressional committees before these new commitments are made. I hope the administration will give that consideration, and if they decide not to do it, I hope we can put it into the law next time. I shall certainly do my best to bring that to fruition.

Mr. PASSMAN. You are asking for $349 million out of two spigots?

Mr. JANOW. One.

Mr. PASSMAN. You have supporting assistance—you have two?

Mr. JANOW. Yes.

Mr. PASSMAN. And whether a few continuing projects, or many, you are going to take that money and have it in your hands to do what you want with it, because you submitted a list of illustrative projects with which you may or may not proceed.

The crux of it is, you have the right to do just about whatever you want to do. You have already established in the record today that you took money out of one country's deobligations and started projects in another.

Mr. POATS. The Institute of Technology in Cambodia seems to be the largest in aggregate. I am sorry. The one I should have referred to is on page 27, the Teacher Education Center in Cambodia.

Mr. PASSMAN. You said 28 projects with $15 million, but you are not going to get any $15 million out of the addition of these small contracts you have given us here.

Mr. POATS. I will be glad to read the list to you.

Mr. PASSMAN. May we see the list? Do you have an extra copy?

Mr. POATS. We will have to give you a fresh copy.

Mr. PASSMAN. You have not added up to any $15 million, have you?

Mr. POATS. That gives both the development grant and supporting assistance.

RURAL DEVELOPMENT PROJECT, VIETNAM

Mr. PASSMAN. You have a rural development project of $1.2 million in Vietnam?

Mr. JANOW. That is in the supporting assistance category.

Mr. PASSMAN. What year will you complete that project?

Mr. POATS. 1967.

Mr. PASSMAN. What is the cost to completion?

Mr. POATS. The estimated cost to completion after fiscal year 1963 is $———.

Mr. PASSMAN. This is a new project you have never submitted to the Congress?

Mr. POATS. This is part of our counterinsurgency program in response to the situation we have in Vietnam now.

INSTITUTE OF TECHNOLOGY, VIETNAM

Mr. PASSMAN. You have a project for the Institute of Technology.

Mr. HARKINS. That was instituted in 1961. It should not be on that list

Mr. PASSMAN. Why do you have it here?

Mr. HARKINS. You will note that I have crossed out the Institute of Technology on that copy.

Mr. PASSMAN. Then you change your total figures.

RAILWAY RECONSTRUCTION PROJECT, VIETNAM

How about the railway reconstruction project?

Mr. HARKINS. In Vietnam, sir?

Mr. PASSMAN. Yes.

Mr. JANOW. This illustrates why projects of this kind must start in the middle of the year and what position we would be in if you tied our hands so we could not start a new project. The Viet Cong are shooting up trains and damaging signal equipment. Should we wait until we justify the project?

Mr. PASSMAN. What is the cost of this project to complete it?

Mr. POATS. We are obligating $1,533,000 in 1962 and are hoping to obligate $1,500,000 additional in 1963.

Mr. PASSMAN. Originally you planned to obligate only $500,000 for this project in fiscal 1962. These books are presented to us to justify an appropriation for fiscal 1963?

Mr. POATS. Yes.

Mr. PASSMAN. And you said you estimated you would obligate $500,000 in fiscal 1962.

Mr. POATS. At the time this was prepared in February that was the estimate.

Mr. PASSMAN. But you have obligated $1,533,000?

Mr. POATS. Yes, sir.

Mr. PASSMAN. Bring it up to date, please. We shall recess until tomorrow morning at 10 o'clock.

TUESDAY, AUGUST 7, 1962.

Mr. PASSMAN. The subcommittee will come to order.

Before resuming our questioning, I should like to refer again to a situation which causes me considerable concern.

TREASURY RECEIPTS AND WITHDRAWALS

During fiscal 1962, ended June 30, Federal Government revenues were the largest in the history of America, by billions of dollars. However, withdrawals exceeded by many billions of dollars any previous year in the history of America.

Some of us felt that an alltime record, by month, for withdrawals from the U.S. Treasury had been established during fiscal 1962. I hold in my hand a U.S. Treasurer's statement dated August 1, 1962, and it reveals 1 full month's operations for fiscal 1963—July—and here is what we find:

Total withdrawals from the U.S. Treasury for this 1 month, $10,088,290,298.27.

Now, we contrast that figure with the previous greatest withdrawal during any peacetime month in the history of our Nation, and that was the corresponding month in fiscal 1962, when withdrawals amounted to $8,414,945,561.30.

This indicates to me one or two things—that we have gone wild with our spending during this fiscal year, in that withdrawals from the U.S. Treasury exceeded by more than $1,600 million those of the preceding fiscal year in the same month, or else there were substantial invoices held up at the end of June.

If the executive departments did hold up invoices so as to make some prediction of the deficit pinpoint the estimate, then either one is indefensible; that is, whether we have gone wild with spending this year, over last, or whether there are invoices which did not get through for payment.

I shall submit the statement referred to for the record.

(The information referred to follows:)

87948—62—pt. 3——42

Daily Statement of the United States Treasury

AUGUST 1, 1962

The deposits and withdrawals shown in this statement are those that affect the account of the Treasurer of the United States. Operations on a budgetary basis, showing the budget surplus or deficit, are published in the Monthly Statement of Receipts and Expenditures of the United States Government.

ACCOUNT OF TREASURER OF THE UNITED STATES

ASSETS		LIABILITIES	
Gold (oz. 461,371,957.3)	$16,148,018,504.90	Gold certificates (Series of 1934), etc	$16,027,268,516.31
(Amount on August 1, 1961 was $17,526,656,441.56)		Balance of gold	120,749,988.59
Total	16,148,018,504.90	Total	16,148,018,504.90
Silver (oz.1,686,494,335.5)	2,180,517,927.10	Silver certificates (issued after June 30, 1929)	2,253,397,586.00
Silver dollars (oz. 87,918,334.5)	113,672,190.00	Balance of silver	40,792,531.10
Total	2,294,190,117.10	Total	2,294,190,117.10
Gold balance (as above)	120,749,988.59	Board of trustees, Postal Savings System:	
Silver balance (as above)	40,792,531.10	5-percent reserve, lawful money	29,500,000.00
Subsidiary coin (oz. 3,753,583.1)	5,188,986.44	Other deposits	10,802,639.52
Other silver bullion (oz. 37,133,728.5)	31,205,149.35	Uncollected items, exchanges, etc	28,411,102.04
Other coin and currency	99,753,232.71		
Unclassified-collections, etc	61,802,852.06		
Deposits in:			
Federal Reserve banks:			
Available funds	333,103,528.12		
In process of collection, etc	290,667,582.43		
Special depositaries, Treasury Tax and Loan Accounts	4,643,828,452.96		
Other depositaries	375,102,017.26		
		Balance	5,933,480,579.46
		(Balance corresponding day last year was $5,980,239,829.22)	
Total	6,002,194,321.02	Total	6,002,194,321.02

CASH DEPOSITS AND WITHDRAWALS

Classification	This month to date	Corresponding period last year [1]	Fiscal year 1963 to date (Beginning July 1, 1962)	Corresponding period fiscal year 1962 [1] (Beginning July 1, 1961)
DEPOSITS				
Internal revenue:				
Individual income taxes and Federal Insurance Contributions Act taxes withheld [2]	$74,632,313.17	[a] $83,210,114.06	$1,466,111,271.68	[a] $1,187,244,316.46
Individual income taxes other and Self-Employment Contributions Act taxes [2]	10,324,734.36	11,834,209.41	352,944,835.35	267,233,816.76
Corporation income taxes	15,723,035.73	2,196,186.14	594,596,236.85	519,400,884.12
Excise taxes	16,392,389.88	12,836,441.82	1,081,265,478.08	1,041,562,907.59
Railroad Retirement Tax Act taxes [3]	95,981.12	1,231,659.46	18,588,353.65	8,000,046.86
Federal Unemployment Tax Act taxes [4]	57,354.55	34,553.32	1,435,344.21	853,032.48
Estate and gift taxes	5,303,605.59	7,991,358.85	183,155,355.26	152,027,110.87
Customs	5,563,639.31	8,293,362.77	105,025,597.07	87,744,803.35
Deposits by States and Railroad Retirement Board in unemployment trust fund	10,667,853.27	12,779,993.76	117,048,453.20	85,767,163.89
Veterans' life insurance funds	2,489,015.01	1,607,423.55	45,196,772.51	52,157,761.49
All other	14,725,753.94	13,654,461.64	1,116,870,380.62	570,802,595.72
Total	155,975,675.93	155,669,764.78	5,082,238,078.48	3,972,794,439.59
Deduct: Refunds of receipts	2,530,159.72	17,892,109.37	185,640,392.85	213,618,646.99
Net deposits	153,445,516.21	137,777,655.41	4,896,597,685.63	3,759,175,792.60
WITHDRAWALS				
Defense Department:				
Military (including military assistance)	237,143,120.38	147,789,234.31	4,513,230,189.44	3,591,494,676.56
Civil	3,933,668.80	5,332,938.83	97,860,821.17	142,545,002.74
Foreign assistance - economic	5,184,718.55	5,053,538.19	166,143,322.89	130,095,594.39
Atomic Energy Commission	7,817,116.99	19,452,040.02	348,292,916.89	267,572,615.16
National Aeronautics and Space Administration	2,754,781.94	[a] 8,470,749.21	151,919,631.39	[a] 127,141,632.24
Veterans' Administration	5,820,892.71	6,276,796.06	420,968,611.90	474,162,162.03
Commodity Credit Corporation [5]	26,715,059.28	1,779,043.94	396,232,689.85	293,568,448.59
Health, Education, and Welfare Department	19,617,106.04	[a] 7,291,555.24	443,249,666.40	[a] 352,940,850.53
Interest on the public debt	2,778,659.84	2,230,373.37	250,417,759.15	215,101,213.86
Federal employees' retirement funds	81,124,801.69	72,944,474.34	174,769,675.92	158,032,819.92
Federal old-age and disability insurance trust funds	1,622,022.41	[a] -812,097.11	1,243,352,143.83	[a] 1,062,819,348.26
Highway trust fund	6,301,338.76	[a] 17,906,254.16	302,693,504.42	[a] 268,343,373.51
Railroad retirement account	150,027.09	414,436.73	88,705,383.50	85,145,183.45
Unemployment trust fund	6,481,590.50	16,947,471.51	210,345,208.02	256,697,665.72
Veterans' life insurance funds	1,765,624.14	3,900,331.13	61,187,500.51	217,770,012.17
All other	-9,789,206.93	[a] 198,841,680.87	1,013,833,725.50	[a] 1,272,013,628.61
Clearing account	216,691,371.85	70,059,583.23	305,087,546.49	-498,496,966.44
Total withdrawals	616,112,694.04	583,878,404.03	10,088,290,297.27	8,414,945,561.30

[1] Covers period through August 1, 1961.

[2] Distribution in accordance with provisions of sec. 201 of the Social Security Act, as amended, will be shown in the Monthly Statement of Receipts and Expenditures of the United States Government.

[3] Amounts equal to taxes on carriers and their employees (minus refunds) are appropriated to the Railroad retirement account.

[4] Amounts equal to the tax received under the Federal Unemployment Tax Act are transferred to the Unemployment Trust Fund.

[5] Includes expenditures for the soil bank and special export programs.

[a] Revised on account of reclassification.

CHANGES IN THE PUBLIC DEBT[1] -- AUGUST 1, 1962

Classification	This month to date	Corresponding period last year[2]	Fiscal year 1963 to date (Beginning July 1, 1962)	Corresponding period fiscal year 1962[2] (Beginning July 1, 1961)
Increase (+) or decrease (-) in the gross public debt:				
Public issues:				
Marketable obligations:				
Treasury bills	-$2,645,000.00	-$1,937,000.00	+$758,734,000.00	+$4,080,127,000.00
Certificates of indebtedness	.....	-7,807,839,000.00	-301,000.00	-7,809,178,000.00
Treasury notes	+1,938,000.00	+8,754,688,000.00	+11,981,000.00	+8,790,535,000.00
Treasury bonds	-1,296,200.00	-1,140,768,100.00	-62,940,900.00	-1,156,452,500.00
Other	-3.00	-17,700.00	-63,136.50	-2,222,003.00
Total marketable obligations	-2,003,203.00	-195,873,800.00	+707,409,963.50	+3,902,809,497.00
Non-marketable obligations:				
United States savings bonds	-1,647,765.94	+5,988,127.22	+39,594,974.04	+59,840,625.45
Treasury bonds, investment series	-2,000,000.00	-42,000.00	-15,762,000.00	-38,015,000.00
Other	-49,619.45	-109,905,498.85	+81,838,132.50	-43,405,081.68
Total non-marketable obligations	-3,697,385.39	-103,959,371.63	+105,671,106.54	-21,579,456.23
Total public issues	-5,700,588.39	-299,833,171.63	+813,081,070.04	+3,881,230,040.77
Special issues	-6,000,000.00	.....	-1,148,940,000.00	-844,911,000.00
Other obligations	.....	-50,000.00	-614,186.00	+96,952,469.00
Change in gross public debt	-11,700,588.39	-299,883,171.63	-336,473,115.96	+3,133,271,509.77
Gross public debt at beginning of month or year	297,876,050,193.30	292,404,093,291.45	298,200,822,720.87	288,970,938,610.05
Gross public debt this date	297,864,349,604.91	292,104,210,119.82	297,864,349,604.91	292,104,210,119.82
Guaranteed obligations not owned by Treasury	447,528,600.00	238,594,325.00	447,528,600.00	238,594,325.00
Total gross public debt and guaranteed obligations	298,311,878,204.91	292,342,804,444.82	298,311,878,204.91	292,342,804,444.82
Deduct debt not subject to statutory limitation	432,602,360.15	444,024,245.83	432,602,360.15	444,024,245.83
Total debt subject to limitation[3]	297,879,275,844.76	291,898,780,198.99	297,879,275,844.76	291,898,780,198.99

EFFECT OF OPERATIONS ON PUBLIC DEBT

Deposits (-)	-$153,445,516.21	-$137,777,655.41	-$4,896,597,685.63	-$3,759,175,792.60
Withdrawals (+)	+616,112,694.04	+583,878,404.03	+10,088,290,297.27	+8,414,945,561.30
Investment of Government agencies in public debt securities (net), excess of investments (+) or redemptions (-)	-24,284,000.00	-23,500,000.00	-956,889,500.00	-901,516,552.03
Sales and redemptions of obligations of Government agencies in market (net), excess of sales (-) or redemptions (+)	-3,558,109.33	+84,150.00	-174,732,174.47	+7,850,237.50
Accrual of disc. on sav. bonds and Treasury bills (+)	.....	.....	+284,673,044.59	+301,751,135.47
Public debt red. incl. as cash withdrawals (-)	-440,394.46	-110,001,700.00	-184,304,128.40	-216,702,955.33
Total	+434,384,674.04	+312,683,198.62	+4,160,439,853.36	+3,847,151,634.31
Increase (+) or decrease (-) in balance of the Treasurer of the United States	-446,085,262.43	-612,566,370.25	-4,496,912,969.32	-713,880,124.54
Increase (+) or decrease (-) in public debt	-11,700,588.39	-299,883,171.63	-336,473,115.96	+3,133,271,509.77

MEMORANDUM ON INTER-FUND TRANSACTIONS

Non-cash Items Omitted from Both Deposits and Withdrawals on Page 1:				
Interest on investments in Federal securities held by trust funds, etc.	.....	.....	$4,575,906.69	$3,636,954.93
Transfers between trust funds	.....	$1,000,000.00	37,036.28	10,600,000.00
Transfers from general fund to trust funds[4]	$839,619.79	.....	33,990,679.99	67,026,372.24
Transfers between general funds	.....	.....	.....	2,823,420.01
Reimbursements to general fund from trust funds	.....	.....	3,941,881.50	4,186,946.29
Transfers to employees' retirement funds	.....	.....	147,410,786.91	121,741,440.19
Interest paid to Treasury by Government agencies	10,436.14	1,769.02	80,152,989.95	62,214,670.48
Payment of capital funds by Government agencies to Treasury	.....	.....	.....	.....
Total	850,055.93	1,001,769.02	270,109,281.32	272,229,804.14
Non-cash Items Omitted from Withdrawals on Page 1 and Added to Public Debt:				
Discount accrued on savings bonds	.....	.....	136,067,924.87	134,519,597.53
Discount accrued on Treasury bills	.....	.....	148,605,119.72	167,231,537.94
Total	.....	.....	284,673,044.59	301,751,135.47
Public Debt Redemptions Included in Withdrawals on Page 1:[5]				
Discount included in savings bond redemptions	440,394.46	.....	55,951,115.28	52,066,610.28
Discount included in Treasury bill redemptions	.....	.....	128,266,842.02	99,521,201.67
Armed Forces leave bonds	.....	.....	63,475.00	94,025.00
Inter-American Development Bank notes (net)	.....	.....	.....	.....
International Monetary Fund notes (net)	.....	110,000,000.00	.....	65,000,000.00
International Development Association notes (net)	.....	.....	.....	.....
Excess profits tax refund bonds[6]	.....	.....	3,446.10	968.38
Adjusted service bonds	.....	1,700.00	19,250.00	20,150.00
Total	440,394.46	110,001,700.00	184,304,128.40	216,702,955.33

U. S. SAVINGS BONDS -- SERIES E AND H

Sales--cash issue price	$12,894,571.17	$20,475,237.50	$370,507,207.22	$362,153,594.80
Accrued discount on Series E	.....	.....	133,911,911.19	131,884,467.02
Total	12,894,571.17	20,475,237.50	504,419,118.41	494,038,061.82
Redemptions--for cash, at current redemption value[7]	13,631,930.20	13,436,860.38	411,303,645.52	371,121,252.50
Exchanges - Series H for Series E, F and J	766,000.00	821,500.00	18,461,500.00	18,101,500.00

[1] Includes exchanges.
[2] Covers period through August 1, 1961.
[3] Statutory debt limit, established at $285 billion by the Act approved June 30, 1959, has been temporarily increased from July 1, 1962, to March 31, 1963, to $308 billion; from April 1, 1963, to June 24, 1963, to $305 billion and from June 25, 1963, to June 30, 1963, to $300 billion.
[4] Does not include appropriations of receipts to Federal old-age and survivors insurance trust fund, Federal disability insurance trust fund, Highway trust fund, Railroad retirement account, and Unemployment trust fund.
[5] Minus figures represent net issues of public debt obligations. Redemptions of Armed Forces leave bonds, etc., and discount earned on savings bonds and Treasury bills are included in cash withdrawals when the securities are redeemed.
[6] Reported as refunds of receipts.
[7] Includes minor amounts of Series A through D, the last bonds of which matured in April 1951.

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GPO 930671

SECTION 202(b) COMMITMENT TO LONG-TERM PLANS

Mr. PASSMAN. It would appear that Mr. Fowler Hamilton, the Administrator of the Agency for International Development, knew exactly what he was talking about when he said that an appropriation was being made to a plan.

Others have concurred in this viewpoint, while still others have held an opposite opinion.

On yesterday we learned they were having seminars so as to establish which way to interpret the law on this point.

We finally have a White House paper, signed by President Kennedy, which, I suppose, pins it down. I quote from that statement:

> Determination under section 202(b) of the Foreign Assistance Act of 1961 is amended to enter into a long-term commitment for AID to support Tunisia's 3-year plan for economic development.

The commitment is made to the plan, rather than to projects and programs, and that is what I presume Secretary Dillon and others meant when they said that when we make a commitment, short of an economic collapse in our own country, it is expected that the money will be forthcoming; that, as I have just indicated, is also the President's determination.

CONTINGENCY FUND OBLIGATIONS IN JUNE

I want to indicate with reference to the contingency fund that during June, 1 month, the AID obligated $87,959,000, which is almost one-third of the entire contingency account.

Japanese labor exchange, even, is in there for $301,000 out of the contingency fund.

I hope there will be time for more detailed discussions.

Mr. ANDREWS. Was the fund depleted in June, Mr. Chairman?

Mr. PASSMAN. With the obligations on June 30, yes, they finally managed to deplete it.

Mr. RABIN. Actually there was a small transfer from the military assistance appropriation into the contingency fund.

TRANSFERS INTO CONTINGENCY FUND

Mr. PASSMAN. In previous years they transferred from military assistance into the contingency fund; then they transferred back out of the contingency fund into the military fund. Is that correct?

Mr. TENNANT. That is correct, sir.

There was in the fund on June 30 an unobligated balance of $2,398,000.

Mr. ANDREWS. Was that after you included the military funds?

Mr. TENNANT. Yes, sir.

Mr. ANDREWS. What was the total amount of the contingency fund for 1962?

Mr. TENNANT. $275 million.

Mr. ANDREWS. How much was transferred from the military assistance program into the fund?

Mr. TENNANT. $13,500,000, and you reappropriated $9,180,000, which is a total availability of $297,680,000.

Mr. ANDREWS. You had an unobligated balance of what?
Mr. TENNANT. $2,398,000.
Mr. ANDREWS. You obligated $295,282,000?
Mr. TENNANT. That is right.
Mr. ANDREWS. How much of that was obligated or spent in June?
Mr. TENNANT. The figure the chairman gave, $87,959,000.
Mr. ANDREWS. Thank you, Mr. Chairman.
Mr. PASSMAN. The counsel for the Agency just indicated that they had more than depleted the fund, but I believe you said you had an unobligated balance?
Mr. TENNANT. Unobligated.
Mr. Rabin indicated there was a transfer necessary from the military to cover all the requirements of the contingency fund.
Mr. PASSMAN. Then, after that transfer, you wound up with more than you needed?
Mr. TENNANT. We had an unobligated balance of $2,398,000.
Mr. PASSMAN. Use your own words. I can understand it better when I make a forthright statement.
Mr. TENNANT. Mr. Coffin will be glad to testify to these transactions in the next few days.
Mr. PASSMAN. I am sure that he will.

POSSIBLE USES OF CONTINGENCY FUNDS IN FISCAL YEAR 1963

Can you tell us, Mr. Janow, whether you have any proposed uses for the continency fund in fiscal 1963?
Mr. JANOW. Any proposed uses for the contingency fund?
Mr. PASSMAN. Yes.
Mr. JANOW. No, sir. We have some problems we can see ahead but we certainly have not programed for contingencies.
If the chairman would like me to review for him what is happening in Vietnam I should be pleased——
Mr. PASSMAN. I quote from this statement—your statement, Mr. Janow:

I have pointed out in this review some of the problems which may require calls on the contingency fund in fiscal 1963.

Evidently you do have some tentative plans by which you may require money from the contingency fund?
Mr. JANOW. There are problems in the region which certainly justify the existence of a contingency fund, sir.

ALLOCATION FROM CONTINGENCY FUND IN 1962

Mr. PASSMAN. Would you give us a list of uses you have for the contingency fund in fiscal 1963, and also insert in the record allocations you received from the contingency fund in fiscal 1962?
Mr. JANOW. All right, sir.

(The information supplied follows:)

Contingency fund allocations to Far East countries in fiscal year 1962

[In thousands of dollars]

Far East	40,978	Japan	458
		Laos	3,000
Cambodia	7,000	Thailand	1,900
Hong Kong	18	Vietnam	23,051
Indonesia	5,528	Western Samoa	23

BURMA

Mr. PASSMAN. I repeat, time will not permit detailed examination, as we had hoped we would have for all regions; but we have been going, off and on, since early March, yet we have gone into only about 20 percent of the projects. This gives you a general idea of the scope of the program, worldwide.

FISCAL YEAR 1962 PROGRAM

In 1962 you had a program schedule of $5,200,000 for Burma. Did that figure hold firm?

Mr. JANOW. Speaking of Burma, sir?

Mr. PASSMAN. Yes.

Mr. JANOW. Our actual obligations in Burma for 1962 were less than $1 million—$921,000. We did not call on the contingency fund for Burma.

In fact, we deobligated funds from prior year programs in Burma. Approximately $1,900,000 was deobligated.

Mr. PASSMAN. Can you tell us where you spent the $4,300,000 which you had originally programed for Burma, in that the total in the book indicates a higher figure, if you take it across the board, nationwide? Do you kow where you spent the $4,300,000?

Mr. HARKINS. These deprogramed funds were added to other funds available for programing. It would not be possible to ascribe specifically the uses of this $4.3 million by the Agency.

FISCAL YEAR 1963 PROGRAM

Mr. PASSMAN. Do you plan a program for Burma in fiscal 1963, as you did not need money for a program in fiscal 1962?

Mr. JANOW. We have old commitments in Burma which relate to the Rangoon-Mandalay Highway and the University of Rangoon.

The commitment we understand to be $28 million for the highway and $2 million for the university.

In addition to that we have programed $2 million for the——

Mr. PASSMAN. Let us keep it all together. Your book shows a total.

Mr. JANOW. ——— for 1963.

Mr. PASSMAN. Project 1, an old commitment. What do you mean by old commitment? Tell us where we will find it in the books.

RANGOON-MANDALAY HIGHWAY PROJECT

Mr. JANOW. The Rangoon-Mandalay Highway.

Mr. PASSMAN. What do you mean, you have an old commitment in this so-called neutral Belgrade Conference country?

Mr. HARKINS. It is shown on page 8 of the project book, Mr. Chairman.

Mr. PASSMAN. Who made the commitment?

Mr. JANOW. This was made June of 1959.

Mr. PASSMAN. Who made the commitment?

Mr. POATS. It was made by President Eisenhower.

Mr. PASSMAN. In what form?

Mr. JANOW. As a commitment to contribute to the construction costs of a highway.

Mr. PASSMAN. Is this a grant-aid commitment?

Mr. JANOW. Yes, sir; under supporting assistance.

Mr. PASSMAN. You programed $2 million in 1962?

Mr. JANOW. We programed $2 million for fiscal year 1962, but did not obligate it.

Mr. PASSMAN. You estimated obligations of $3,500,000?

Mr. JANOW. That is, what was originally estimated last year for fiscal year 1962.

Mr. PASSMAN. On what did you spend that money?

Mr. JANOW. Engineering feasibility studies have been done on this highway, sir.

Mr. PASSMAN. Was there construction out of this $3.5 million?

Mr. JANOW. No, sir; no construction.

Mr. POATS. The actual obligation under the project was zero in 1962.

Mr. PASSMAN. According to the books, though, you were going to program $2 million. Is there some uncertainty as to whether or not this program should go forward?

Mr. JANOW. This commitment is considered as established by President Eisenhower.

Mr. PASSMAN. Was there some question at the time that you canceled the funds which you programed, whether or not this project should go forward?

Mr. JANOW. There are problems with this highway.

Mr. PASSMAN. Give us the justifications which you had for the $2 million, which you originally programed for 1962.

Mr. JANOW. We have this.

Mr. HARKINS. Page 8 of the project book, sir.

Mr. PASSMAN. I quote:

> Explanation of 1962 funding: Agreement between United States and Burma is expected to be reached on the recommendations of the feasibility study and the project then will move into the second phase, detailed designs and engineering. The $2 million proposed of supporting assistance in 1962 will be needed to finance * * * the foreign exchange costs of an engineering contract for this purpose.

You note the deletion?

Mr. POATS. That deletion was made during the testimony last year. That is my understanding.

Mr. PASSMAN. You did at a subsequent date program it, did you not?

Mr. POATS. Yes, sir.

Mr. PASSMAN. How many more things like that do we have? Do you have a list of those old projects, which have been dormant and which you are now pulling out?

Mr. JANOW. This and the remaining balances of the fiscal year 1957 $25 million line of credit to Burma are the only formal commitments of this kind in my region that have not been fully funded, sir.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

UNLIQUIDATED OBLIGATIONS

Mr. PASSMAN. Can you tell us what sum you have unliquidated to the credit of Burma?

Mr. TENNANT. $13,111,000. That is based on the adjusted program downward.

(Off the record.)

U.S. POSITION ON COMPLETION OF HIGHWAY PROJECT

Mr. ANDREWS. One question on this project. Regarding the Rangoon-Mandalay project on page 8, the last sentence:

> Actual obligations will depend on negotiations with the new Ne Win government.

Is there any uncertainty about whether or not you will go forward with this program?

Mr. JANOW. There is no uncertainty about our commitment.

Mr. ANDREWS. What do you mean by the statement "actual obligations will depend upon negotiations with the new Ne Win government"?

Mr. JANOW. General Ne Win would like the road to be built out of the Sittang Valley and along the foothills on an entirely new alinement. This would increase the cost of that highway very substantially so that it cannot be constructed for anything like our commitment of $28 million.

Mr. ANDREWS. Does that mean we will have to make a new commitment?

Mr. JANOW. Sir, I have been holding this line since I assumed this job. There is no intention within our Government that I can find to escalate this commitment.

Mr. PASSMAN. What will be our position? This has been dormant since 1959?

Mr. JANOW. Except for feasibility studies; that is right.

Mr. PASSMAN. There have been two or three different types of government since that time?

Mr. JANOW. Yes, sir; there have been two changes of government.

Mr. PASSMAN. Did we make the commitment to a then-friendly Burma, or to a neutral Burma, or to a hostile Burma?

Mr. JANOW. The commitment was made to Ne Win when he was head of the government in 1959.

Mr. PASSMAN. Is he still there?

Mr. JANOW. He was out in the intervening period and has just returned last March.

Mr. PASSMAN. Now we are going back. He is back in, and we have now opened up negotiations?

Mr. JANOW. No, sir. We were in continuous negotiation with the U Nu government, the intervening government, since this commitment was made.

Mr. PASSMAN. What will be our position if we say "This is it, $28 million"?

He said "No, we want this project which will cost $85 million."

Mr. JANOW. I would like to describe our position. First of all we have pointed out that the commitment as made was for a road which was economically justified and feasible from an engineering point of view.

In the area of the new alinement there is very little population and very little agriculture.

We think that there is not enough economic justification for building a road on this new alinement.

Mr. ANDREWS. Why does he want it realined?

(Off the record.)

Mr. PASSMAN. Can you give us an abbreviated answer—what will be our position, since we do not concur in his views? You have a $28 million commitment that has been dormant for several years which you pulled out of the closet.

(Off the record.)

Mr. JANOW. During the administration of the U Nu government, the intervening government, this project was not in the closet, sir. It was under active discussion.

Mr. PASSMAN. Had you finished the engineering?

Mr. POATS. The feasibility study has been substantially completed.

Mr. JANOW. Not detailed design.

Mr. PASSMAN. Suppose we made a commitment for $28 million for a highway to Burma? We have had experiences with highways in that part of the world, and sometimes they cost 600 percent over the original estimate.

Will our position be that we will consider the $85 million highway, or are we going to stick with this?

Mr. JANOW. Sir, my position has been consistently that the highway on the new alinement is not economically justified.

Mr. PASSMAN. Then we shall say, "No, sir; it is $28 million, and that is that?"

Mr. JANOW. We have said that what has been requested is not justified on economic grounds.

Mr. PASSMAN. I know you said that, but are you going to keep your commitment to $28 million?

Mr. JANOW. So far, sir, there has been no escalation in this commitment.

Mr. PASSMAN. Is there any consideration of increasing it?

Mr. JANOW. The United States is not prepared to escalate.

(Off the record.)

Mr. JANOW. Sir, I assure you this has been my position, that this commitment will not be escalated.

Mr. PASSMAN. Thank you.

(Off the record.)

Mr. ANDREWS. If you go to the $85 million road, how much will have been lost for survey, planning, feasibility study, et cetera, on the $28 million road?

Mr. JANOW. I would not describe it as a loss. I would describe it as a necessary expenditure.

There is a road. The old Burma Road still exists.

Mr. ANDREWS. My point is this: You plan a road in a certain location which will cost $28 million. You have done some preliminary work in connection with that particular road.

If you leave that area and go to the area where the General Ne Win wants a new road, which you state will cost $85 million, how much will you have spent on the old road at the first location?

Mr. JANOW. The commitment was to create a modern road—a relatively high-speed road—to Mandalay.

Mr. ANDREWS. That is the $28 million road?

Mr. JANOW. Yes, sir. When that obligation was incurred it was not certain whether the existing highway could be improved, or whether some stretches of new alinement would be necessary.

Between the time the commitment was made and this date the central valley of Burma, the Sittang River Valley, has had very serious floods, and sections of the old existing road have been under water, and badly damaged, so it was a proper engineering investigation to determine the feasibility of the original alinement.

Mr. ANDREWS. How much?

Mr. JANOW. $950,000 for feasibility studies.

(Off the record.)

Mr. JANOW. Mr. Chairman, one more word on Burma, if I may.

I think we have been very careful and conservative in Burma. Witness our obligations in 1962 of $921,000.

COMMUNIST BLOC AID TO BURMA

Last year Communist China made an $84 million line of credit available to Burma.

Mr. PASSMAN. From time immemorial nations have made loans to other nations, and in many instances at a high rate of interest, and they have also entered into barter systems.

It never has been established before this committee that any of the Communist bloc countries have ever given as much as a sweet potato—or if it is Russia—a ruble and it has also been established that the Communist bloc is strong on promises, short on deliveries.

UNLIQUIDATED OBLIGATIONS

What is the unliquidated total for Burma?

Mr. TENNANT. $13,411,000.

Mr. PASSMAN. What has been the amount of the total assistance to Burma since the inception of the program, from all spigots?

Mr. TENNANT. $94.2 million.

Mr. PASSMAN. How about through Public Law 480?

Mr. JANOW. Are you asking if there has been any?

Mr. PASSMAN. Has there been Public Law 480 aid?

Mr. HARKINS. Yes, there has been.

Mr. TENNANT. $94.2 included Public Law 480 through 1961.
Mr. PASSMAN. What is the population of Burma?
Mr. TENNANT. Twenty-three million.
Mr. PASSMAN. You have had an aid program of around $95 million from these two spigots since its inception?
Mr. TENNANT. That is right.
Mr. PASSMAN. They are neutral, or supposed to be, are they not?
Mr. TENNANT. That is my understanding.
Mr. PASSMAN. They were one of the Belgrade Conference nations?
Mr. TENNANT. That is correct, sir.
Mr. PASSMAN. We are increasing their program this year in grant aid from $921,000 to $32.2 million?
Mr. TENNANT. That is right.

CAMBODIA

Mr. PASSMAN. You had a fiscal 1962 program of $30,200,000 for Cambodia?
Mr. JANOW. That was the program figure. The actual obligations——
Mr. PASSMAN. What were the actual obligations?
Mr. JANOW. $29.1 million.

CONTINGENCY FUND ALLOCATION

Mr. PASSMAN. You also had an allocation for Cambodia out of the President's contingency fund?
Mr. JANOW. Yes, sir.
Mr. PASSMAN. In what amount?
Mr. JANOW. $7 million, sir. This was discussed with you yesterday.

GOLD PURCHASES BY CAMBODIA

Mr. PASSMAN. In 1960 Cambodia, during the same quarter, was getting substantial grant aid from America. That was the first half of fiscal 1961, the last quarter in calendar 1960. They purchased $12 million of our gold.
Then, in the first half of fiscal 1962, which covers the last half of calendar 1961—only last December—they purchased $3,100,000 of our gold.

FISCAL YEAR 1963 PROGRAM

Do you have a program for Cambodia in fiscal 1963?
Mr. JANOW. Yes, sir; we do.
Mr. PASSMAN. How much?
Mr. JANOW. A total of ———.

UNLIQUIDATED OBLIGATIONS

Mr. PASSMAN. What is the total credit to Cambodia, in the pipeline?
Mr. TENNANT. On the economic side, $30,056,000.
The military is $11,330,000. The total is $41,386,000.
Mr. PASSMAN. You have in the pipeline to the credit of Cambodia about twice the amount of the request for fiscal 1963?

Mr. JANOW. No, sir; it is a little more than——

Mr. TENNANT. The request we are talking about is on the economic. I gave figures for economic and military.

Mr. ANDREWS. Off the record.

(Discussion held off the record.)

TOTAL AID THROUGH FISCAL YEAR 1961

Mr. PASSMAN. What has been the amount of the total aid to Cambodia since the inception of the program?

Mr. TENNANT. $295,700,000.

Mr. PASSMAN. That is the total?

Mr. TENNANT. Including military and economic. This is through 1961.

RESTRICTIONS ON GOLD PURCHASES BY AID RECIPIENT COUNTRIES

Mr. PASSMAN. If this committee could put language in its bill, and if not, would you object to its being in the report, that no receipient nation could use aid dollars to buy our gold? Do you think that would be helpful?

It appears somewhat ridiculous to see these countries buying tens of millions of dollars of our gold and at the same time getting our aid.

Mr. JANOW. May I respond to that, sir?

Mr. PASSMAN. Yes.

Mr. JANOW. I shall respond to it for my region, of course.

At the moment, no aid dollars can be used for purchase of gold. You understand that, sir.

Mr. PASSMAN. Did we not agree on the point that all nations earn dollars or other convertible foreign exchange from their exports?

If you credit people with dollars so that they may requisition their requirements, that releases their earned dollars to do with whatever they please.

My point is that any underdeveloped nation receiving aid dollars could not purchase our gold.

Mr. JANOW. I think such a requirement could be negotiated within my region with countries that are very large recipients of aid, where the aid is very important in the way of their balance of payments.

Mr. PASSMAN. That is a restriction. We are talking about making it a matter of policy. Our gold is flowing out every day. It is continuing to go, and we have devised no effective plan to stop it.

Mr. JANOW. I wish to call your attention to a few exceptional cases. Take the Philippines, which has now a truly convertible currency, and where we have a program which is entirely devoted, almost entirely devoted, to development lending. For us to——

Mr. PASSMAN. You will qualify the lending as being in that range of 40 years, no interest, 10-year grace period, et cetera?

Mr. JANOW. It is like that.

REPUBLIC OF CHINA

Mr. PASSMAN. In fiscal year 1962 what amount did you have for the Republic of China?

Mr. JANOW. Total obligations were $28.4 million.

Mr. PASSMAN. What sum did you originally program?

Mr. JANOW. For 1962?

Mr. PASSMAN. Yes, sir.

Mr. POATS. The books last year proposed——

Mr. PASSMAN. I am looking at the 1963 justification books. What did you show on these pages that you would program for China in fiscal 1962?

Mr. POATS. On page 35 you will see a figure of $3,600,000 for 1962. That is for development grants.

Mr. PASSMAN. What sum did you obligate?

Mr. POATS. $3,200,000 in that category.

Mr. PASSMAN. Now, the other categories?

Mr. POATS. Development loans.

Mr. PASSMAN. Development credits.

Mr. POATS. The development loan figure is in that section of last year's presentation dealing with the potential for development lending in that area.

DEVELOPMENT LOAN COMMITMENTS

Mr. PASSMAN. What amount did you commit in this field?

Mr. JANOW. We committed $25.2 million in 1962.

Mr. PASSMAN. Where is a list of the projects for which you committed this money?

Mr. JANOW. These consist of two loans which were made——

Mr. PASSMAN. What pages in the justifications, please?

Mr. POATS. I believe both were made after this book went to press.

Mr. HARKINS. The first loan for $5.2 million is on page 67.

Mr. JANOW. This loan was for a telecommunications project. The second loan was a program loan for $20 million.

Mr. PASSMAN. What do you mean by a program loan?

Mr. JANOW. Sir, as you will recall——

Mr. PASSMAN. What is a program loan, according to your interpretation?

Mr. JANOW. In 1961 we had supporting assistance in China of $43.2 million. We have no supporting assistance in 1962. We have transferred to a program loan——

Mr. PASSMAN. Please answer my question.

Mr. JANOW. I am trying to.

Mr. PASSMAN. What is a program loan? Is it a balance-of-payments transaction?

Mr. JANOW. Yes, sir.

Mr. PASSMAN. Thank you.

Here we are running an annual balance-of-payments deficit of billions of dollars, but we are going out into these countries and giving our money to help them maintain a balance-of-payments credit.

UNLIQUIDATED OBLIGATIONS

What amount do you have in the pipeline unliquidated for China?

Mr. TENNANT. Based on a revised program, economic is $108,812,000. Military is $282,784,000. The total is $391,596,000.

Mr. PASSMAN. You have, out of the two spigots, only to the credit of China, an unliquidated amount of $391,596,000.

Mr. TENNANT. That is correct.

Mr. PASSMAN. It is understood, I am sure, that you will put together what you find available from the other sources and give a grand total?

TOTAL AID THROUGH FISCAL YEAR 1961

Mr. PASSMAN. What has been the total aid to China since the inception of the program?

Mr. TENNANT. Total aid, military and economic, including Public Law 480 and Exim Bank, is $4,150,300,000 through 1961.

POPULATION OF TAIWAN

Mr. PASSMAN. What is the population of Taiwan?

Mr. JANOW. About 12 million.

INDONESIA

FISCAL YEAR 1962 PROGRAM

Mr. PASSMAN. Indonesia is next. We went quite a bit into that on yesterday.

Mr. JANOW. Yes, sir.

Mr. PASSMAN. You had an original program of $24,200,000 planned in 1962. Did that hold firm?

Mr. JANOW. Very close to that. We obligated $22.8 million.

Mr. PASSMAN. You are asking for a program of $——— for fiscal 1963?

Mr. JANOW. That is correct.

Mr. PASSMAN. Which is——— the 1962 program?

Mr. JANOW. That is correct. We had no development loans in Indonesia in 1962. We are anticipating some.

Mr. PASSMAN. In addition to this amount?

Mr. POATS. Included in that total.

Mr. PASSMAN. Those would be the development credit type of transactions?

Mr. JANOW. Yes, sir.

LOCAL CURRENCY REPAYMENTS CREDITED FOR USE IN RECIPIENT COUNTRY

Mr. PASSMAN. Going back to Taiwan: I think the record should show for China that the previous loans are repayable in Taiwan dollars; this is, under the old Development Loan Fund?

Mr. JANOW. I believe so; except one was repayable in U.S. dollars.

Mr. PASSMAN. When those funds are paid into the Treasury they are then credited back to Taiwan?

Mr. JANOW. Credited back to the Treasury to be used——

Mr. PASSMAN. The Treasury sets up a credit to Taiwan in the amount of the collection, and it goes back into Taiwan?

Mr. TENNANT. They are usable in Taiwan subject to agreement with the Republic of China.

Mr. PASSMAN. For projects that might be mutually agreed upon?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. But the money is to the credit of Taiwan?

Mr. TENNANT. Technically they are U.S. Government holdings for use in that area.

Mr. PASSMAN. That is right, in Taiwan.

Repayments under the new development credits will also go back into the revolving fund for the program, and none of the money comes into the U.S. Treasury to reduce the public debt or to pay our domestic expenditures. Is that statement correct?

Mr. TENNANT. Credited back to the loan account created under legislation for use——

Mr. PASSMAN. I know there is legislation, but it does not go back into the Treasury but back into the fund to be respent in the program?

Mr. TENNANT. Yes, sir.

TOTAL AID TO INDONESIA

Mr. PASSMAN. What has been the total amount of aid to Indonesia since the inception of the program?

Mr. TENNANT. $598.9 million.

Mr. PASSMAN. There is that much aid in Indonesia?

Mr. TENNANT. That includes Public Law 480, sir.

Mr. POATS. A substantial part of that is Public Law 480.

Mr. PASSMAN. That does not matter.

(Off the record.)

Mr. PASSMAN. You are dealing with two spigots only, are you not?

Mr. TENNANT. Two funds; yes, sir.

Mr. PASSMAN. Let us have the total. So, it is $598,900,000 to this Belgrade Conference so-called neutral country since the inception of the program?

Mr. TENNANT. That is correct.

Mr. PASSMAN. From those two spigots. You are going to put the others together for us, are you not, so as to get the grand total?

Mr. TENNANT. Yes, sir.

UNLIQUIDATED OBLIGATIONS

Mr. PASSMAN. What amount do you have unliquidated to the credit of Indonesia, from all spigots that you have available?

Mr. TENNANT. Our June 30 estimate is $35,383,000.

(Off the record.)

Mr. PASSMAN. Mr. Director, did you have sufficient funds allocated to your region last year to carry on an acceptable and satisfactory program?

Mr. JANOW. Yes, sir.

Mr. PASSMAN. Thank you.

KOREA

FISCAL 1962 PROGRAM

What was the fiscal 1962 program for Korea?

Mr. JANOW. Obligations——

Mr. PASSMAN. Let us get the program, if we may, sir, and see if it held firm.

Mr. POATS. The program figure total was $90 million for supporting——

Mr. PASSMAN. The total, if you will, out of the mutual security program?

(Off the record.)

Mr. PASSMAN. What amount did you finally program?

Mr. JANOW. We finally obligated $125.7 million, apart from military aid.

Mr. PASSMAN. We have three sets of figures—those in the book——

Mr. JANOW. We have updated these, sir, for actual obligations.

Mr. PASSMAN. So as to get off dead center, forgetting about the figures in the book, how much did you obligate?

Mr. JANOW. $125.7 million. I thought that was what you wanted.

Mr. PASSMAN. We always want the others, too.

Will you have a program in Korea in fiscal year 1963?

Mr. JANOW. Yes, sir.

Mr. PASSMAN. What do you envision your 1963 program will be for Korea under this grant section?

Mr. JANOW. $——— of which $——— is in the development loan category.

Mr. PASSMAN. Is that development credit category the 40-year loans, no interest, 10-year grace period?

Mr. JANOW. Yes, sir; development loans with a three-fourths of 1 percent credit fee.

Mr. PASSMAN. In what kind of currency is it to be repaid?

Mr. JANOW. Dollars.

Mr. PASSMAN. Those dollars go back into the aid program, do they not?

Mr. JANOW. Yes, sir.

Mr. PASSMAN. If any of them ever come back in?

Mr. JANOW. Yes, sir.

TOTAL AID THROUGH FISCAL YEAR 1961

Mr. PASSMAN. What has been the total of aid to Korea since the inception of the program?

Mr. TENNANT. Since the inception through fiscal 1961, military and economic, including Public Law 480, $4,958 million aid to Korea.

Mr. PASSMAN. That has nothing to do with our own military expenditures in that country?

Mr. TENNANT. No, sir.

Mr. PASSMAN This is dealing with the mutual security program?

Mr. TENNANT. That is correct.

UNLIQUIDATED OBLIGATIONS

Mr. PASSMAN. What have you unliquidated to the credit of Korea?

Mr. GARY. Will the gentleman yield. Does that include anything for their military expenditures?

Mr. TENNANT. It includes the military assistance program.

Mr. POATS. And military budget support for the Korean Armed Forces.

Mr. PASSMAN. The military assistance program is always for their own governments. If you have a military assistance program for these countries, the equipment you give them is absorbed right into their own military outfits?

Mr. POATS. That is correct, sir, but it is a very important contribution to our own security.

Mr. PASSMAN. There is agreement that it is supposed to be.

What is the unliquidated balance to the credit of Korea?

Mr. TENNANT. Our revised estimate on the economic side, $213,180,000. The military estimate, $413,865,000. The total of those two appropriations, $627,045,000.

Mr. PASSMAN. There is that much money in the pipeline to Korea?

Mr. TENNANT. That is correct, sir.

LAOS

Mr. PASSMAN. What does your project book show that you would program for Laos in 1962?

Mr. TENNANT. $39,400,000 was programed for supporting assistance.

Mr. PASSMAN. Is that grants?

Mr. JANOW. Yes, sir; it is grants.

Mr. PASSMAN. Did you have anything out of contingency fund for Laos last year?

Mr. HARKINS. Near the end of the fiscal year, we made a $3 million cash transfer.

Mr. PASSMAN. So as to make that account balance out?

Mr. HARKINS. No, sir.

Mr. PASSMAN. For that purpose?

Mr. JANOW. No, sir. That is right. It was the June payment.

UNLIQUIDATED OBLIGATIONS

Mr. PASSMAN. Did you have anything unliquidated to Laos at the end of fiscal 1962 out of this grant aid?

Mr. TENNANT. The total unliquidated for Laos based on the last program is economic, $8,531,000.

Mr. PASSMAN. That is the total?

Mr. TENNANT. Military assistance program, $33,060,000. The total of those two appropriations, $41,591,000.

Mr. PASSMAN. $41 million is in the pipeline for Laos?

Mr. TENNANT. That is correct, sir, military and economic.

Mr. HARKINS. Our actual obligations for economic assistance in Laos for 1962 was $27,500,000.

Mr. PASSMAN. I am looking at your figure here of $27,500,000, but you have two different sets of figures.

CONTINGENCY FUND ALLOCATION

Could you tell us on what day of June you obligated out of the contingency fund to the credit of Laos?

Mr. POATS. We have that figure, sir.

Mr. PASSMAN. Give us the date and the amount.

Mr. JANOW. The amount was $3 million.

Mr. PASSMAN. Out of the President's contingency for Laos on what date?

Mr. TENNANT. I show June 26, the date obligated. I believe it was programed earlier.

Mr. JANOW. Yes, it was committed earlier. It was actively obligated on June 14.

PRESIDENTIAL AUTHORITY FOR TRANSFERS BETWEEN ACCOUNTS

Mr. PASSMAN. Does the President have the right to transfer out of one fund into the other? Can he transfer from military into the economic categories?

Mr. TENNANT. Yes, sir. There is a provision for transferring between appropriations.

Mr. PASSMAN. Who is going to tell us what justifications they used 4 days before the end of the fiscal year to transfer $3 million out of the contingency fund to Laos, with an unliquidated credit of $41,591,000?

Mr. JANOW. The President made this determination himself, sir.

Mr. PASSMAN. He made it personally?

Mr. JANOW. Yes, sir.

Mr. PASSMAN. I wonder if anyone happened to tell the President that Laos had this tens of millions of dollars in unliquidated funds?

Mr. JANOW. The amount that is in that unliquidated pipeline would not have been useful for the purpose for which the $3 million was obligated.

Mr. PASSMAN. You could have deobligated from military, every penny of it, and you could have reprogramed it. You could have transferred out of military into the economic spigots. Again, this seems to me to be a question of using this procedure to dry up the contingency fund.

FISCAL YEAR 1963 PROGRAM

Do you have any program for Laos in fiscal 1963?

Mr. JANOW. Yes, sir, we have.

Mr. PASSMAN. What is the total amount?

Mr. JANOW. We have programed $———.

Mr. PASSMAN. Is any part of that for budgetary support, cash transaction support?

Mr. JANOW. There may be some for that purpose.

Mr. PASSMAN. Tell us for what projects the $——— will be spent. Let us pin it down.

Mr. JANOW. Yes, sir, I shall be happy to.

BUDGETARY SUPPORT

Mr. PASSMAN. If you go to page 153 of your own justifications, you show budgetary, or cash transactions, to Laos of $———. Am I looking at the correct figure in the book here, sir?

Mr. JANOW. Sir, there is a new government in Laos——

Mr. PASSMAN. That I know. My question is: Do you have in your justification book a budgetary support, or cash transactions, request in the amount of $———?

Mr. JANOW. That is in the book.

Mr. PASSMAN. Did the President make a specific commitment to Prince Souvanna Phouma while he was here?

Mr. PETERSON. He did not.

Mr. PASSMAN. Did you see this in the paper?

Mr. PETERSON. There are a lot of articles in the paper about Souvanna Phouma.

Mr. PASSMAN. I am talking about a commitment by our Government to this outfit.

Mr. PETERSON. It was not well founded. I do not recall seeing it.

Mr. PASSMAN. Your colleague has indicated differently.

Mr. POATS. It was in terms of no specific commitment.

Mr. PASSMAN. But they discussed it?

Mr. PETERSON. The question of aid was a matter which Souvanna Phouma wished to discuss in transiting Washington, yes, sir.

Mr. PASSMAN. Can you tell the committee whether this $——— has been recommended for increase, or will it remain as shown for fiscal 1963?

Mr. JANOW. Sir, I think the estimate of $——— is still a fair estimate.

Mr. PASSMAN. Will you tell us the difference between the $——— budgetary support and the other items involved?

FISCAL YEAR 1963 PROPOSED PROJECTS

Mr. JANOW. Yes, sir. In new obligational authority we are asking for $——— for projects, and the projects are those which——

Mr. PASSMAN. For projects?

Mr. JANOW. Yes, sir.

Mr. PASSMAN. What projects? How much did you give us as the figure?

Mr. JANOW. $———.

Mr. PASSMAN. Your book says $———.

Mr. JANOW. Yes, sir. The program has been changed.

Mr. PASSMAN. It is up to $———?

Mr. JANOW. Yes, sir.

Mr. PASSMAN. That means the entire program would move to $———?

Mr. JANOW. Not necessarily.

Mr. PASSMAN. Not necessarily, but the figures you just gave us would so indicate, would they not?

Mr. JANOW. I just said I believe $——— is a fair estimate at this time.

Mr. PASSMAN. Will you reduce the budgetary support shown here by $———?

Mr. JANOW. Sir, this book was compiled last February.

Mr. PASSMAN. That is why I am asking you the question. Do you propose to reduce it? What is your budgetary support plan at this time?

(Off the record.)

Mr. JANOW. Our plan at this time is something on the order of $——— as the minimum for import assistance. We may have to exceed that.

Mr. PASSMAN. How about the other projects? You say that is up to $———.

Mr. JANOW. Yes, sir.

Mr. PASSMAN. That is $———.

Mr. JANOW. Yes, sir.

Mr. PASSMAN. That means this is an inflated figure for fiscal year 1963. You have no planned projects, even though you have increased your project assistance from $——— up to $———. You have given us a lower figure on budgetary support. You have accounted for $———. That means this is in, reality, at this time, $———.

Mr. JANOW. No, sir.

Mr. PASSMAN. For what purpose is the $———.

(Off the record.)

COMMODITY IMPORT FINANCING

Mr. JANOW. When I say that we probably will have commodity import financing of $———.

Mr. PASSMAN. $——— you said?

Mr. JANOW. Commodity import financing of $———. That is a bracket, sir.

Mr. PASSMAN. It says cash transactions. Are we speaking about the same thing?

Mr. JANOW. No, sir. We have not come to the cash transactions as yet.

Mr. PASSMAN. You used the same figure $———. That is the reason I asked the question.

Mr. JANOW. This is based on an analysis of imports and commodities.

We think we can get into commodity flow, directly or indirectly financed, something between $——— and—

(Off the record.)

The difference of $——— between the figure of $——— that I have given you, that is $——— of new obligational authority, and $——— for direct commodity financing, the $——— total estimate is the difference.

Mr. PASSMAN. If we should appropriate $——— for this program, do you feel that you would have sufficient money?

Mr. JANOW. No, sir.

Mr. PASSMAN. For what purpose are you going to use the other $———? Is that just a reserve you have there, in case you might need it?

Mr. JANOW. Sir, I think last year we had a total of, not 1962——

Mr. PASSMAN. You are requesting $——— for fiscal 1963. You have explained that you may spend $———. What we want to know is, what do you propose to do with the other $———, if you get it?

Mr. JANOW. Sir, the Embassy has asked for a program of $———. We have submitted here a program of $———.

Mr. PASSMAN. That is correct. Now tell us for what purpose the $——— will go? That is all we are trying to find out.

Mr. JANOW. To support their budget.

Mr. PASSMAN. Then you have, in reality, in this request a total of $——— for either budgetary support or the equivalent of commodity or balance-of-payments support?

Mr. JANOW. $———, sir.

Mr. PASSMAN. Do you realize that Laos in fiscal 1962, dropping back a little over 7 months ago, while we were sending in this $3 million a month, purchased $1,900,000 of our gold? That is just another indication of why the gold reserves are flowing out. The dollars flow in to those countries and our gold flows out of the United States.

Mr. JANOW. All of that gold was for IMF and IBRD subscriptions.

Mr. PASSMAN. We established earlier that you had $41,591,000 in unliquidated funds out of the two pipeline categories. You are going to put together, are you not, for Laos, any other aid credits they have from the other spigots?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. In this accumulation in economic aid of $8,531,000, which included $3 million out of contingency funds on June 26, could you tell us what happened to the economic aid fund that you suspended earlier this year? Did you permit it to accrue, and this is part of it, or did you deobligate it and program it elsewhere?

Mr. JANOW. It was deprogramed, sir.

Mr. PASSMAN. How did you build up to their credit in economic aid $8,531,000?

UNLIQUIDATED PROJECT OBLIGATIONS

Mr. POATS. That figure is entirely unliquidated balances on projects. That does not include any financial assistance.

Mr. PASSMAN. Subject to deobligation if you should elect to do so?

Mr. JANOW. Yes, sir. A very large part of that is the necessary link in a road system paralleling the Mekong River.

Mr. PASSMAN. If you should follow my recommendation, you would get out of the roadbuilding business until you get some of these roads planned. I do not think a road project has ever been completed in that part of the world in keeping with the original estimate.

USE OF QUALIFIED PERSONNEL FOR ENGINEERING SURVEYS

Mr. JANOW. Sir, I have appointed as mission director to Burma a civil engineer that I formerly tried to hire for my company, a distinguished man. I think we are strongly represented in the engineering field there. The Corps of Engineers is acting as our agent in Burma. Our mission includes, in addition to Mr. Barnes, other qualified engineers. I am about to hire a special adviser on roads to my region. I do not think you will find this record repeated.

Mr. PASSMAN. The Corps of Engineers is available, is it not, as consultants all over the world?

Mr. JANOW. I do not know about all over the world, but we sometimes use them in my region in countries where we have arranged to do so with the host government.

Mr. PASSMAN. They are available as consultants, even out on the job?

Mr. JANOW. Yes, sir; in some countries.

Mr. PASSMAN. Could not the U.S. Corps of Engineers plan the job just as well in one country as in another?

Mr. JANOW. I hope so, sir. We have retained the corps in Burma, but obviously it would not be feasible for us to utilize their services for all of our construction projects.

Mr. PASSMAN. In the United States there are conditions similar to conditions almost anywhere else. For instance, from New Orleans to Baton Rouge we had to work out approximately a 15- to 20-foot sill even to get a road. It was properly engineered, and we did not lose a foot of it. If a U.S. engineer can properly engineer a project in the United States, he should be able to do it overseas; should he not?

Mr. JANOW. Technically, that is correct.

Mr. PASSMAN. I hope that someday a recommendation will be accepted downtown to the effect that all of these projects into which we are going to pour the American taxpayers' money, in advance of any commitment or allocation of funds, be properly engineered and be justified before the Congress on the same basis as projects in the United States. We have agreed that there should not be a double standard, that there should be the same type of system; that is, come up with a favorable cost-benefit ratio. If not, find somewhere else to spend the money. You do not quarrel with that, do you?

Mr. JANOW. I could not quarrel with that, sir, if, as I said earlier, all conditions were equal.

Mr. PASSMAN. I want to commend you, and I mean it. You have been forthright. You are the only person who has appeared before this committee as an engineer and made the positive and forthright statement that if an Army engineer could plan a project in the United States, he could plan one elsewhere. You are the only one who has recognized that the program could fall of its own weight if it is not tightened up to the point that these projects are justified. I want to commend you.

PHILIPPINES

You had a fiscal 1962 program planned of $4,200,000 for the Philippines. Did that hold firm?

Mr. JANOW. Almost, sir. Our obligations were $4 million.

Mr. PASSMAN. You have a projected program for fiscal 1963 of ———?

Mr. JANOW. That is correct.

Mr. PASSMAN. Of course, we accept the Philippines as our friends, and we know that they are, but, I wonder if the fact that we ruffled their feelings a little earlier in the year had anything to do with the tremendous increase in the program for the Philippines? It is up, I believe, by about 900 percent over last year.

Mr. JANOW. No, sir.

Mr. PASSMAN. It had nothing to do with it?

Mr. JANOW. It is entirely unrelated to that.

Mr. PASSMAN. Did this smooth things down a little bit?
Mr. JANOW. This is the amount we have programed.
Mr. PASSMAN. It is about the program you had for last year.

DEVELOPMENT LENDING

Mr. JANOW. Last year we had no development lending.
Mr. PASSMAN. Are you talking about that credit whereby we give them money on a 40-year basis, no interest, 10-year grace period, and if anything is ever paid back, it goes back into the fund?
Mr. JANOW. Yes, sir.
Mr. PASSMAN. Percentagewise, you do have about ——— as much program in all categories for the Philippines in 1963 as you had in 1962?
Mr. JANOW. That is correct.
Mr. PASSMAN. Thank you, sir.
(Off the record.)

UNLIQUIDATED OBLIGATIONS

Mr. PASSMAN. What amount do you have unliquidated to the credit of the Philippines?
Mr. TENNANT. Our June 30 estimate is $31,036,000. The greater portion of that is in the development loan category.
Mr. PASSMAN. You have that much money in the pipeline to them. Any military funds?
Mr. TENNANT. Military aid, $37,827,000. Total $68,863,000.
Mr. PASSMAN. Unliquidated to the credit of the Philippines?
Mr. TENNANT. That is correct, sir.

TOTAL AID THROUGH FISCAL YEAR 1961

Mr. PASSMAN. What has been the total of aid to the Philippines since the inception of this program?
Mr. TENNANT. Military and economic, including Public Law 480 and Export-Import loans, through 1961, $1,675,100,000.

U.S. TECHNICIAN COSTS

Mr. PASSMAN. The cost of U.S. technicians in 1962 for the Philippines, could you give us the average?
Mr. HARKINS. In 1962, $927,100.
Mr. PASSMAN. The justification book shows $915,000, does it not?
Mr. TENNANT. That is correct, sir.
Mr. HARKINS. That is correct.
Mr. PASSMAN. And you had 53. That means you have a cost out there of $17,260 per technician.
Mr. HARKINS. I have not done the mathematics, sir. It comes out to something over $17,000.
Mr. POATS. That is right, $17,000-plus.
Mr. PASSMAN. These technicians are in various fields?
Mr. JANOW. That is right.
Mr. PASSMAN. Many of them will be continued right on through 1963 in your projects?

Mr. JANOW. A good many.

Mr. PASSMAN. Those to be replaced would be in similar fields, on the whole?

Mr. JANOW. We are hoping for a very substantial program reexamination by our new Director there, former president of one of the Borg-Warner Corp., group, Ingersoll.

Mr. PASSMAN. But many of the technicians will be in the same field. Those who come in and go back will be employed more or less in the same fields of endeavor in fiscal 1963 as in 1962?

Mr. JANOW. I would say there has been no great change effected by this time, sir.

Mr. PASSMAN. This is the pattern we have run into all along the way, Mr. Janow. The pattern has been set all over the world.

In the Philippines in 1963, you will have 52 technicians, not 53, a drop of 1; but you increase your money request up to $1,375,000 and the pay per technician up to $24,520. That is the average. That is more than $7,000 per technician increase. In one area, across the board, everyone in the area went up by $6,000, on the average.

You people are given the same consideration as other branches of the Government, in that if we are late in appropriating the money each year, by a continuing resolution you can obligate funds at the same level as the previous year's appropriation. Is that a statement of fact?

Mr. TENNANT. That is correct, sir.

WORLDWIDE PIPELINE AS OF JUNE 30, 1961

Mr. PASSMAN. I believe when we came into fiscal 1961 the program had a pipeline of $5,975,397,000. That was the unexpended balance on calendar June 30, 1961, which was the last day of the fiscal year.

Mr. TENNANT. 1961, you said?

Mr. PASSMAN. Unexpended balance, June 30, 1961, last year, $5,975,397,000.

Mr. TENNANT. I thought you were talking of the Philippines, sir.

Mr. PASSMAN. I am talking about the worldwide program. Am I using the correct figures?

Mr. TENNANT. Yes; that is correct, sir.

Mr. PASSMAN. Then, last year there was a little bit of misunderstanding at the tail end, and you got $3,935,248,000 under the mutual security program. Is that correct?

Mr. TENNANT. That is correct, sir.

Mr. PASSMAN. This gave you a pipeline total available for expenditures out of this section alone, mutual security, of $9,910,645,000. Is that correct?

Mr. TENNANT. Yes; that is correct for military and economic.

Mr. PASSMAN. The total out of mutual security?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. But, in all categories of mutual security you withdrew for expenditure only $3,198,100,000; is that correct?

Mr. TENNANT. That is correct, sir.

Mr. PASSMAN. We are running into these same types of built-in inflation this year. The record indicates that we appropriated hundreds of millions of dollars more last year than you needed because your pipeline was there for you.

THAILAND

The fiscal year 1962 program in Thailand was $33,800,000. Did that hold firm?

Mr. JANOW. Our actual obligations in 1962 were $33,800,000.

CONTINGENCY FUND ALLOCATION

Mr. PASSMAN. Did you have anything out of the contingency fund for Thailand last year?

Mr. JANOW. Yes, sir; I believe we did.

Mr. TENNANT. $1,900,000.

Mr. JANOW. Yes, sir. That was for the support of border police. This is part of our effort which arose because of the situation in Laos. We thought it necessary to substantially increase their equipment.

Mr. PASSMAN. But that was for Thailand?

Mr. JANOW. Yes, sir.

Mr. PASSMAN. It had nothing to do with our own military expenditures and our Marines there.

Mr. JANOW. No, sir.

Mr. PASSMAN. We are dealing entirely with mutual security?

Mr. JANOW. Correct.

Mr. PASSMAN. You obligated out of the contingency fund $1,900,000 for Thailand in fiscal 1962?

Mr. JANOW. Yes, for the border patrol.

Mr. PASSMAN. On what date did you obligate this $1,900,000 from the contingency fund?

Mr. TENNANT. This was on a number of dates, sir.

Mr. PASSMAN. It was $1,900,000?

Mr. JANOW. I think Mr. Harkins has that information, sir.

Mr. HARKINS. Of the total $1.9 million, we obligated $332,800 in May and June.

Mr. PASSMAN. Do you have it broken down?

How much in May?

Mr. HARKINS. $290,000 was obligated the 2d day of May.

Mr. PASSMAN. And the other?

Mr. HARKINS. $42,800, sir.

Mr. PASSMAN. Obligated in June?

Mr. HARKINS. In June.

Mr. PASSMAN. How about the prior months? The total was $1.9 million.

Mr. HARKINS. The other was obligated sometime earlier. I do not have the exact dates.

Mr. PASSMAN. We want to find out when you obligated it.

Mr. TENNANT. In January, $700,000; in February, $136,000; in April, $731,000. The May figure, I think, was $290,000. And $43,000, in rounded figures, in June.

Mr. PASSMAN. That makes the total of $1,900,000?

Mr. TENNANT. That is correct, sir.

UNLIQUIDATED OBLIGATIONS THROUGH FISCAL YEAR 1962

Mr. PASSMAN. Did you have an unliquidated funds to the credit of Thailand on June 30, 1961, in the mutual security program?

Mr. TENNANT. On economic, June 30, 1962, $45,978,000 was our estimate based on the revised program.

Mr. PASSMAN. That was all either economic aid, including these development credits; is that correct?

Mr. TENNANT. Economic aid or development loans, yes, sir.

Mr. PASSMAN. Development credits or loans? Are these the items that have those 40-year, noninterest, 10-year grace, and so forth?

Mr. JANOW. No, sir.

Mr. PASSMAN. Let us break them apart. But, first, how much was the total credit in the economic field?

Mr. JANOW. Obligated in 1962?

Mr. TENNANT. The unliquidated, $26 million in the grant area, and $18 million in the loan area.

Mr. PASSMAN. How much in the grant area?

Mr. TENNANT. $26 million.

Mr. PASSMAN. $26 million of grant aid in the pipeline to the credit of Thailand on June 30?

Mr. TENNANT. June 30, 1962.

Mr. PASSMAN. Do you suppose this program would have fallen and completely crashed if they had not received this $1,900,000 out of the contingency fund?

Mr. POATS. We did not have a penny to spend for the border police in those unliquidated obligations.

Mr. PASSMAN. You know you have the right to transfer out of military assistance into that category, and you can also deobligate.

Mr. POATS. Yes, sir.

Mr. PASSMAN. It looks as if, all over the world, they just had to get rid of this contingency fund. Almost one-third of the total contingency account, or $87 million, was obligated in June of 1962.

TECHNICIAN COSTS

How about the technician cost in this area?

Mr. POATS. There are 142 technicians listed here.

Mr. HARKINS. The total figure is 144.

Mr. POATS. The cost of technicians was $2,465,000.

Mr. PASSMAN. By projecting the 1963 estimate you will increase it by four?

Mr. POATS. By four, and the cost goes just about accordingly, $2,564,000.

Mr. PASSMAN. Which moves that up to about $24,500 per year per technician?

LOANS TO THAILAND

Mr. POATS. Mr. Harkins is computing that right now. While he is doing that, you asked whether the loans to Thailand were on this no-interest basis.

Mr. PASSMAN. He gave us the grants of $26 million, and the difference would be in loans. Put in the record the spread, the complete loans and credits, whatever type you have.

Mr. JANOW. There was one dollar loan.

Mr. POATS. They are all interest-bearing.

Mr. JANOW. And high interest-bearing loans.

Mr. PASSMAN. Do the repayments go back into the funds for plowback into the program? The money does not go back into the Treasury?

Mr. JANOW. That is correct.

Mr. PASSMAN. It goes back into the fund.

Mr. HARKINS. The average technician cost for fiscal year 1962 was approximately $17,110, sir.

That was the 1962 average.

Mr. PASSMAN. How about the average for 1963?

Mr. POATS. It seems to be about the same ratio.

Mr. HARKINS. I think it is a little lower; $17,324.

Mr. JANOW. The interest rate runs from 3 to 5¾ percent.

Mr. FORD. Repayable in dollars?

Mr. JANOW. Some are, yes, sir. One made to the meat processing plant, 10 years, repayable in dollars, at 5¾ percent.

Mr. PASSMAN. You have several, have you not?

Mr. JANOW. Yes.

Mr. PASSMAN. Why do you not put those in the record.

(The information follows:)

Summary—Development loans to Thailand (through June 30, 1962)

Type	Title of loan	Amount	Date signed	Currency of repayment	Interest rate	Term
		Thousands			*Percent*	*Years*
1. DLF	Dredge facilities	1,750	Feb. 10, 1959	Baht	5	15
2. DLF	Bangkok power distribution	20,000	Mar. 6, 1959	do	5½	20
3. DLF	Meat processing plant	750	July 16, 1959	Dollars	5¾	10
4. DL (AID)	Irrigation projects	11,100	May 31, 1962[1]	do	3	30

[1] Date authorized by AID Administrator. Loan agreement not yet signed.

Mr. MONTOYA. Do you not have some old loans which were repayment in bahts and have been paid in dollars?

Mr. JANOW. In Thailand?

Mr. MONTOYA. Yes.

Mr. JANOW. As you know, sir, that currency, for all practical purpurposes, is convertible.

Mr. MONTOYA. I was in Bangkok last year, and I understood they were making some of the payments on the old loans in dollars.

Mr. JANOW. I would not be surprised. The repayment schedule is not here, I am sorry.

Mr. MONTOYA. The reason I asked that question is that I want to find out what has happened to those dollars.

Mr. JANOW. Perhaps the controller could tell you.

Mr. TENNANT. The dollars that are repaid on the old development loans go back into the U.S. Treasury. We are not using them.

Mr. PASSMAN. At page 205 of the justifications, you have the Bangkok power distribution project, No. 19. You had a $20 million loan. It has duration, 20 years; interest rate, 5½; currency of repayment, the baht. If you had a contract with Thailand, an original loan and the baht was to accrue to their account and be plowed back into projects in their country, mutually agreed upon, the very fact that it

had since become a convertible currency would not alter that contract; would it? Would you get us a decision on that matter?

Mr. MILLER. Yes, Mr. Chairman. We shall be glad to supply that. (Off the record.)

(The informaiton requested follows:)

REPAYMENT OF LOANS IN CONVERTIBLE CURRENCY

The Development Loan Fund loan No. 19 between the Metropolitan Electric Authority, the Government of Thailand, and the Development Loan Fund is repayable in local currency. The loan agreement contains, as do all the Development Loan Fund local currency repayable loans, a section restricting the use of the local currency received in repayment of the loan. Basically the section restricts the use of the currency to use by the Development Loan Fund or any agency of the U.S. Government for their expenditures in Thailand, including expenditures for loans or grants under the mutual security program. Any other use of this currency must meet with the consent of Thailand. The fact that Thailand's currency was convertible at the time of the signing of the loan agreement, or subsequently became so, would not alter the restrictions on the use of the currency contained in this loan.

VIETNAM

Mr. PASSMAN. Vietnam: In fiscal 1962, you had a program of $152 million. What did you wind up obligating?

Mr. JANOW. $124.2 million.

FISCAL YEAR 1963 PROGRAM

Mr. PASSMAN. However, you have a request for fiscal 1963, and the amount will be $———?

Mr. JANOW. That is correct.

Mr. PASSMAN. Which is ———.

Mr. JANOW. That is correct.

UNLIQUIDATED OBLIGATIONS

Mr. PASSMAN. What have you unliquidated to the credit of Vietnam in the mutual security category, Mr. Controller?

Mr. TENNANT. On the economic side, $157,410,000; the military assistance program, $142,514,000. The total of those two is $299,924,000.

Mr. PASSMAN. Does that total include the revised military program for Vietnam?

Mr. TENNANT. No, sir. These military figures have not been adjusted.

Mr. PASSMAN. What is the amount of the revised program?

Mr. TENNANT. I believe initially the program was in the presentation books at $———, and was revised, I believe, during the presentation to $———.

Mr. PASSMAN. Even with the revised figure, we still had ample military funds to carry out the program, because you had a deobligation item in two parts, amounting to $521 million—$317 million deobligated, squeezed out, recouped, or run down, any terminology you want to use; but it was taken out of a phony obligation from previous years, and plowed back in. Now, they have an additional $204 million in the air and are afraid to deobligate it, afraid they will lose it. They are waiting to see what the committee will do.

REEVALUATION OF EXCHANGE RATE

The United States has long been urging that the exchange rate of their currency be changed from 35 to $1 to 60 to $1. Did we ever accomplish that currency reform?

Mr. JANOW. Yes, sir; we have accomplished this by getting them to institute——

Mr. PASSMAN. What is the exchange rate at this time?

Mr. JANOW. The effective exchange rate is something on the order of 60 to 1.

Mr. PASSMAN. That is the rate we originally recommended?

Mr. JANOW. Yes, sir.

Mr. PASSMAN. Could you tell us the cost to the United States in prior years as a result of this artificial rate?

Mr. JANOW. I think that is a very complicated question.

Mr. PASSMAN. It surely is, but these are complicated dollars we are going to spend, because we have to borrow them, the hard way. Could you try to get that information for us?

Mr. JANOW. I have no such estimate for your presently.

Mr. PASSMAN. Will you try to get it for us?

Mr. JANOW. I can try.

(The information requested follows:)

IMPORT TAXES AND EXCHANGE RATE—VIETNAM

The purpose of the commercial import program in Vietnam is to enable that country to meet requirements for the import of essential goods which it cannot purchase because its own foreign exchange earnings are too small. This program covers a wide range of items from consumer goods to raw materials and industrial machinery. This assistance is made available in the form of dollar credits which the Government of Vietnam subauthorizes (i.e., sells) through the National Bank to Vietnamese importers for eligible importations. The U.S. assistance covers only the direct dollar cost of the imported items plus insurance and freight.

The proceeds accruing to the Government of Vietnam from the sale of the foreign exchange and the various taxes and charges on the imports constitute an important element of the total revenues received by the Vietnamese Government. It is from these revenues that the Vietnamese Government must defray the very large defense and security expenditures needed to repel Communist aggression.

The taxes paid by Vitnamese importers do not constitute a charge to the U.S. aid program which defrays the cost only of the imported items. Quite to the contrary, the value of these taxes also helps to finance the war effort and without these taxes there might be a need for even greater amounts of U.S. aid.

Prior to January 1962, the official exchange rate was 35 piasters per U.S. dollar. Aid imports generated an average of 54 piasters per dollar for deposit into the counterpart fund because these deposits include import taxes. Since January 1962 the effective exchange rate for U.S.-financed goods has been raised to 60 piasters per U.S. dollar, and deposits into the counterpart fund generated by aid financed imports average 74 piasters per dollar.

Since 1959, the level of the commercial import program to Vietnam has been related directly to the country's balance of payments requirements. In other words, the amount of U.S. assistance is directly tied to Vietnam's needs for essential imports beyond those which can be financed by the country's annual net foreign exchange earnings. Thus, as far as U.S. aid planning is concerned, the volume of generated local currency is no longer the determinant of our commercial import program aid level.

While the rate of exchange does not affect the cost to AID of financing aid imports, it could be argued that an earlier adjustment of the exchange rate would have reduced the demand for imports and consequently for American

aid by raising the prices of imported goods. But it is impossible to quantify the reduction of imports that might have resulted from such an earlier devaluation, because no precise estimate can be made regarding the effect on Vietnamese buying habits resulting from a price rise. Moreover, a precipitate price rise might have led to popular discontent, thereby exacerbating the political problems of the Vietnamese Government.

TAXES ON AID GOODS

Mr. PASSMAN. Will you tell us whether or not this country taxes our aid goods that go in?

Mr. JANOW. Yes, they do.

Mr. PASSMAN. Thank you.

Mr. POATS. The taxes go into the counterpart funds.

Mr. PASSMAN. I do not care into what funds they go. You have answered the question.

Mr. POATS. It is very desirable from our point of view.

Mr. PASSMAN. It is desirable?

Mr. POATS. Yes, sir. It puts more money into our jointly controlled counterpart fund rather than leaving it in outside control to spend for nonessential purposes.

Mr. PASSMAN. They tax our aid goods——

Mr. POATS. We insist that they do that.

Mr. JANOW. It goes into their budget.

Mr. PASSMAN. Does the money come back to us, or does it go into their budget?

Mr. JANOW. It goes into their budget.

Mr. PASSMAN. And we insist that they tax our aid goods?

TAX REVENUES DEPOSITED TO COUNTERPART ACCOUNT

Mr. POATS. We insist that the taxes be put into counterpart funds.

Mr. PASSMAN. Vietnam taxes our aid goods which are shipped in?

Mr. JANOW. With our consent.

Mr. PASSMAN. Vietnam taxes our aid shipments into the country?

Mr. POATS. That is correct; the commercial import program, yes.

Mr. PASSMAN. When they tax it, the money goes into their treasury?

Mr. POATS. That is correct.

Mr. PASSMAN. You said that we concurred or insisted they do that.

Mr. POATS. That money goes into the counterpart funds, over which we have control.

We concurred in it.

Mr. PASSMAN. We did not insist, then, that they tax our goods?

Mr. POATS. The point of insistence I was trying to make is that we insist that the tax revenues from this collection go into the counterpart funds.

Mr. PASSMAN. Certainly you should.

How much have we had to pay in taxes on our aid goods that went into their treasury?

Mr. POATS. We have not had to pay any taxes. These taxes are paid by the importers, the Vietnamese merchants.

It is not added to our cost at all. We pay for the dollar cost of the commodity, plus freight, but not for the taxes.

Mr. JANOW. I do not understand why this long-established commercial import system is being criticized.

Mr. FORD. Could we have an explanation of how this works, as a practical matter?

Mr. PASSMAN. We ship out of New York, we shall say, 100 trucks too Vietnam, at $1 million. Of course, that invoice goes eventually to the U.S. Treasury for payment. Upon receipt of these trucks in Vietnam, on what basis do they tax them before they can enter the country?

Mr. POATS. The Vietnamese importer pays for these trucks with piasters. He pays both the converted value in piasters of the dollar invoice, and the Vietnamese national taxes. There are several taxes—principally the defense and economic development tax, and custom duties. He pays the total of the taxes and the conversion of dollars into piasters. The total amount goes into the counterpart funds, over which we have control.

Mr. PASSMAN. You mean it goes into a fund of their own currency to be used in their own budget?

Mr. POATS. Which we direct.

Mr. PASSMAN. You direct their budget?

Mr. POATS. We direct all of the counterpart funds.

Mr. PASSMAN. What is the amount of tax on that million dollars?

Mr. JANOW. It depends on the commodity.

Mr. PASSMAN. The trucks?

Mr. POATS. I do not have the truck tax with me, but the general picture is that there is a total of about a 25-piaster tax as a base. This is the defense tax that was established during the war period.

Mr. PASSMAN. We are still dealing with aid goods now.

Mr. POATS. 25 piasters on the dollar is the basic tax. There is an additional customs duty.

Mr. PASSMAN. If the currency value is 60 to $1, and the tax is 25 piasters, that would be about 35 percent, would it not?

Mr. POATS. No, sir. This basic tax, as I was getting ready to finish, is included in the 60-to-$1 figure which Mr. Janow mentioned. The formal exchange rate is still 35 to 1. In addition, there is the special defense and economic development surcharge which adds an additional 25 piasters, making the effective rate of exchange 60 to $1. Then in addition to that, there are custom duties based upon whether an item is a luxury item or an essential item.

Mr. PASSMAN. We are still talking of the aid program?

Mr. POATS. Yes, sir.

Mr. PASSMAN. If you ship in commodities to Vietnam in the amount of $100 million, is that handled through an importer in Vietnam, or does it go to the Government?

Mr. POATS. Those goods which are purchased for Government account, of course, are handled directly by the Government.

GRANT AID

Mr. PASSMAN. Our grant aid is entirely to help the Vietnamese?

Mr. POATS. Yes, sir; both the Government and the general economy.

Mr. PASSMAN. How much grant aid did you have for Vietnam in fiscal 1962?

Mr. JANOW. $112.9 million in the SA category.

Mr. PASSMAN. This was grant aid to Vietnam?

Mr. JANOW. That is correct.

Mr. PASSMAN. Did we ship all of this aid, all of whatever goods were requisitioned against it, directly to Vietnam, or did it go to an importer in their country?

Mr. JANOW. A great part of this was brought in through commercial channels.

DISPOSITION OF GRANT AID GOODS

Mr. PASSMAN. This is a gift of our country to Vietnam, the Government.

Mr. JANOW. That is correct.

Mr. PASSMAN. Even though this $112 million is a gift on our part, when it reaches Vietnam you have some importer there who, in many instances, receives the goods?

Mr. JANOW. Yes; and he pays for them.

Mr. PASSMAN. Then he sells them in Vietnam, and there is a tax added.

Mr. JANOW. That is correct.

Mr. HARKINS. We are making available to the Vietnamese Government in the commercial import category, dollar credits, which can be subauthorized to Vietnamese importers.

Mr. PASSMAN. But you are not shipping directly to Vietnam, but are shipping to a second party, and they, in turn, transfer it to the Government?

Mr. HARKINS. No, sir.

Mr. JANOW. No, sir. We are trying to support a private economy in Vietnam. We are against state trading as a matter of policy. The private commercial importer buys his exchange to import items which we are willing to finance. What he pays in piasters now amounts to about 60 piasters for 1 U.S. dollar. In addition, there are other taxes.

Our reason for giving this money to Vietnam is twofold. One is to support the commodity requirement of that beleaguered country and, two, to give the Government the revenue it needs to conduct its military operations.

Mr. PASSMAN. The importer in Vietnam evidently has a profit in this transaction. We are shipping out against these credits. Nothing comes back to our country. As far as we are concerned, it is grant aid.

Mr. JANOW. It is grant aid.

Mr. PASSMAN. But it is received by one of the merchants in that country, and he, in turn, sells this to the people in the country.

Mr. JANOW. That is correct.

Mr. PASSMAN. On that basis, unless this man is good enough to tell each one of the purchasers that this is a gift from America, they never would know about it; would they?

Mr. POATS. No, sir. All items which can be labeled are labeled with the insignia of the U.S. aid program.

Mr. PASSMAN. I guess that is how that cement got into those Russian projects?

Mr. JANOW. There are no Russian projects in Vietnam, sir.

Mr. PASSMAN. I am speaking now in general terms. It is, I believe, understood that there have been any number of instances of mixing

of aid funds. We give ours, Russia sells theirs, and it winds up in a project. That is a statement of fact, is it not? The AID people have agreed to it.

Mr. POATS. The giving versus selling was the thing I was shaking my head over.

Mr. PASSMAN. A lot of this stuff could not be identified because it is in bulk.

A great many of those who receive this, of course, are not educated, because the literacy rate is low. What is it in Vietnam?

Mr. JANOW. It is not so bad in Vietnam. I think it is up to 40 percent.

Mr. PETERSON. Twenty to forty percent.

IDENTIFICATION OF U.S. GRANT AID

Mr. PASSMAN. How would those people know whether the aid is actually a gift from the United States?

Mr. JANOW. A consistent effort is made to identify our aid, not only through the emblems put on everything possible, but on the crates. You know there is a standard marking requirement which goes on the outside containers; it goes on the inside containers, and on the article itself when that is possible.

Mr. PASSMAN. If it is cleared through a church organization, or an agency of similar nature, they usually have their label on it?

Mr. JANOW. But that does not permit them to eradicate our emblem. They cannot do that.

Mr. PASSMAN. You have shipped loads of this stuff which goes out, and it is sent——

Mr. JANOW. Bulk commodity.

Mr. PASSMAN. Sent to the care of some religious or other organization. They, in turn, do the distributing. We find, almost without exception that they credit the organization for providing the aid, and not the U.S. Government and taxpayers.

Mr. JANOW. I shall be happy to investigate this, sir.

Mr. PASSMAN. I wish that you would.

I think it should be shown as coming from our Government, and not from the distributing church or organization.

(The informaton follows:)

DISTRIBUTION OF TITLE III, PUBLIC LAW 480, TO VOLUNTARY AGENCIES

Surplus agricultural commodities donated to voluntary relief agencies under the provision of title III, Public Law 480, as amended, for use in the assistance of needy persons outside the United States, are labeled with the statement "Donated by the people of the United States of America. Not to be sold or exchanged." This mandatory label is printed on all commodity containers in English and in the language of the recipient country prior to shipment in accordance with the provision of section 305, title III, Public Law 480, as amended. The specifications require that the letter size and spacing of all Government labeling occupy not less than 20 inches on both front and back of grain or grain product bags and that such labeling be not less than 6 inches from the bottom of the bag. The specifications further require that the name of the donation statement be in 1½ inch lines. Voluntary agency labeling, if requested, shall not be greater than one-half inch in height per line and shall be placed on the front of the bag below the Government marking within the allowed 6-inch space. Usually the voluntary agency markings include the name of the agency and the port of destination, using two lines. In the case of bags other than for grain, consignee markings are authorized through the use of tags attached to the containers. The source of

the donation is also publicized by the voluntary agencies in the form of posters, leaflets, and by word of mouth.

SHIPMENT OF GOODS TO LICENSED PRIVATE IMPORTERS

Mr. MONTOYA. Following up the questioning of the chairman, why is it necessary that these shipments go to an importer rather than directly to the Government?

Mr. JANOW. Sir, I think in any case it is desirable to encourage a healthy private sector. There is one established in Vietnam. They have experience even under the French.

Mr. MONTOYA. Who selects these importers?

Mr. JANOW. These importers apply for licenses to import. They have chambers of commerce; they have economic councils; they have committees of those interested in particular commodities. There is a surprising amount of economic and industrial and commercial organizations.

Mr. MONTOYA. Will you insert in the record a list of the importers handling our goods in this country?

Mr. JANOW. I would be glad to. It may take some time to get.

(NOTE.—The information was supplied to the committee.)

Mr. MONTOYA. Do these importers get a commission?

Mr. JANOW. They have to make a profit; of course, sir.

Mr. MONTOYA. What is the average commission?

Mr. JANOW. Their average profit?

Mr. MONTOYA. Yes.

Mr. JANOW. This question I cannot answer.

Mr. MONTOYA. Well, if you were not dealing with these importers it then stands to reason that what we give to these countries would take less dollars. Is that correct?

Mr. JANOW. No, sir; it does not follow. It would seem to me highly unlikely that an entirely Government-managed import program could be done as efficiently. I would suspect there would be more people involved, there would be more bureaucracy, a larger investment in warehouses and distribution. This would be a terribly complex undertaking.

What we are talking about here, sir, consists of hundreds of items which constitute a nation's import requirements.

Mr. PASSMAN. A man is in business not for his health, but to make a profit?

Mr. JANOW. Yes, sir.

Mr. PASSMAN. It would take some person who is well received by the government to get an import license?

Mr. JANOW. Of course, they have to get a license, sir.

Mr. PASSMAN. He is making a profit in receiving and sending these shipments into the local economy?

Mr. JANOW. Of course.

Mr. PASSMAN. Do you happen to know that in Laos, under a similar arrangement, it got completely out of control and we were making millionaires almost by the day under the AID program?

At one time more than 90 percent of the exports to that country were actually being received in Thailand, and a substantial amount was being channeled into other countries at a terrific premium.

How are you going to control the profits of this individual, when he makes a profit in such a way? He takes his profit and converts it, no doubt, into a type of foreign exchange for which he can get dollars. That is what they did in Laos.

This is a very serious matter, Vietnam notwithstanding. I think you have given them more than they can absorb in their economy. This was testified to last year and the year before, that we were giving them all the aid they could absorb, yet the AID program is increased.

Would you ascertain how many importers are in Vietnam, and whether there is a limitation?

Mr. JANOW. Yes, sir.

Mr. PASSMAN. Also, where there is a limitation, dollarwise, as to the amount of the imports, what his commission is, whether it is fixed, whether he has some sort of plowed-in overhead. Would you get that information?

Mr. JANOW. Yes, sir.

Mr. PASSMAN. Off the record.

(Discussion held off the record.)

Mr. PASSMAN. I yield to the distinguished gentleman from Virginia.

FAVORITISM IN ISSUING IMPORT LICENSES

Mr. GARY. Is it not true that several years ago we had evidence from another country in this general area which was using a similar system of imports, and that particular country required a license for importers, and the only importer of drugs was the wife of the Minister of Health, who was buying aspirin tablets for 1 or 2 cents each and selling them for 15 cents each?

Mr. PASSMAN. I wonder if you want to give us a report on this project?

Mr. ANDREWS. The ultimate consumer there pays for whatever he gets.

Mr. JANOW. That is correct.

Mr. ANDREWS. So far as he is concerned we are not giving him any aid.

PROFITS ON GRANT AID GOODS

Mr. JANOW. Sir, he would not get this commodity unless we gave his country aid.

Mr. ANDREWS. I say so far as he is concerned, he is not getting anything for free. He is paying for it.

Mr. JANOW. That is correct.

Mr. ANDREWS. And somebody is making a profit on it?

Mr. JANOW. That is correct.

Mr. ANDREWS. And we are giving it to them. Is that right?

Mr. JANOW. No, sir; we are not giving it to the man making a profit.

Mr. ANDREWS. We are giving it to the country.

Mr. JANOW. That is right.

Mr. ANDREWS. That country is selling it to the importer.

Mr. JANOW. These questions sound as if the Members of Congress were against the profit system, and I am sure that is not the impression you wish to convey.

Mr. ANDREWS. I don't think you get what I have in mind. We are giving that country millions of dollars worth of merchandise. Is that right?

Mr. JANOW. That is correct. We are giving dollar credits which they can use to import merchandise.

Mr. ANDREWS. We give it to the government of that country. Is that right?

Mr. JANOW. That is correct.

Mr. ANDREWS. That government sells it to the importer.

Mr. JANOW. That is correct.

Mr. ANDREWS. That importer sells it to the consumer. I speak of the man on the street who buys it, who is an ultimate consumer.

Mr. JANOW. Yes.

Mr. PASSMAN. How could that man——

Mr. ANDREWS. He should have no reason to feel grateful to the United States for our aid program. So far as he is concerned it is purchased merchandise.

That is right, is it not?

Mr. JANOW. Yes, sir.

Mr. PASSMAN. It is impossible for a large percentage of those people to know that this is a free gift on the part of America. Instead of working and developing their own economy, they have created a business by taking what we are giving that country and selling it to the people and earning a profit?

Mr. JANOW. Yes, sir.

Mr. PASSMAN. I am not against profit, but I am certainly against profiteering on something which is supposed to be grant aid to help the individuals, and they cannot know the story.

Mr. ANDREWS. I shall ask unanimous consent that we have inserted in the record at this point one or two examples of different classes of merchandise, what the original cost was and what the cost to the ultimate consumer over in the country was.

If it is aspirin, I want to know what the wholesale cost is in this country and what it cost that man who bought it there and took it for a headache.

Mr. PASSMAN. It should be broad enough to cover all categories, food, hardware, pharmaceuticals, and whether an importer is limited to a million or $5 million a year, and to what his profit is limited.

Will you get that information?

Mr. JANOW. We shall be happy to.

(The information supplied follows:)

IMPORTS INTO VIETNAM

Imports into Vietnam are strictly licensed by the Vietnamese Government. The issuance of licenses is based on estimates by Vietnamese officials, made in conjunction with U.S. officials, on the estimated requirements for imported goods needed by Vietnam in order to maintain minimum levels of economic activity.

Imports are usually made through commercial firms organized under the laws of Vietnam. There are 791 importing firms registered with the Vietnamese Government.

Import licenses are allocated to the various importing firms under a quota system. The quota, established quarterly, is based on several factors: imports during preceding years, local production, the status of the economy, and industrial requirements—the relative weight of each factor depending on the type of commodity required. The quota is divided quarterly between importers under

a point system, each importer receiving a number of points proportional to volume of business in preceding years and facilities for marketing. The quota system applies to virtually all imports except heavy machinery and equipment. In the case of capital goods imports, the importer is usually the producing firm, who may apply for capital goods imports at any time. Of the total number of importers, approximately 75 percent were granted licenses totaling less than $30,000 in fiscal year 1961.

The use of a large number of importing firms introduces a substantial element of competition which in itself contributes to the maintenance of a reasonable price level for imported goods. This competition is supplemented by strict price control regulations which limit the profit margin that may be charged by importers, wholesalers, and retailers.

There are listed below examples showing the calculations for 2 items (canned milk and rolled steel bars) financed with supporting assistance funds. The wholesale and retail markups indicated are based on official price regulations, but there may be slight variations due to fluctuations in market demand and differences in the amount of banking, domestic transportation, and other charges.

The import of these goods is financed with foreign exchange granted by the United States to Vietnam and sold by the latter to individual importers. Since the import of the goods is a responsibility of the individual importers, shipments are addressed to him rather than to the Government.

Examples of merchandise imports—Showing original cost and cost to ultimate consumer

A. Mild steel round bar, DIA, 10-millimeter length: 12M (1 metric ton):	
Supplier's price (f.o.b.)	$120.00
Ocean transportation and insurance	16.05
Cost of goods landed Vietnam (c.i.f.)	136.05
Custom tariff	11.90
Banking, domestic transportation, warehouse, and other miscellaneous costs	5.55
Wholesale markup	11.90
Retail markup	12.70
Subtotal	42.05
Final cost to consumer	[1] 178.10
B. Sweetened condensed milk (per case of 48 cans):	
Supplier's price (f.o.b.)	9.70
Transportation and insurance	.94
Cost of goods landed Vietnam (c.i.f.)	10.64
Custom tariff	([2])
Banking, domestic transportation, warehouse and other miscellaneous costs	.43
Wholesale markup	.56
Retail markup	.75
Final cost to consumer	12.38

[1] Converted from piasters at 60 piasters per U.S. dollar (including 25 piasters per dollar for defense and economic stabilization tax).
[2] Exempted.

Mr. GARY. What I was trying to point out is that this system is pregnant with possibilities for fraud, graft, and corruption, and it should be carefully policed.

Mr. PASSMAN. You will certainly understand that there have been similar conditions in other countries.

Mr. GARY. That is what I was trying to point out. It should be carefully watched in this country.

Mr. MONTOYA. I would like to request as part of the information that you also add a list of countries where this practice has been going on.

Mr. JANOW. I shall be happy to do that for my region, sir.

Mr. PASSMAN. And, whether the shipments leave with the address of the country of South Vietnam or whether they leave addressed to the importer in that country.

I am interested in the people of that country knowing where it is coming from. If I lived in Vietnam, and I had to get up $4 to buy a sack of flour, or the equivalent in their currency, it would be rather difficult for me to give Uncle Sam credit for it.

Mr. MONTOYA. I would like to have that information personally so I will not have to wait until next year to read it in the hearings. I would like a copy of that information.

EFFORTS TO PRESERVE COMPETITION

Mr. JANOW. Sir, I would like to say one word on this subject, if I may, since I am the witness here.

We are not aware that there exists in this import mechanism in Vietnam any monopoly. In fact, a deliberate effort has been made to keep the maximum amount of competition alive among the importers.

They sell their imported products through a marketplace that is pretty well organized for southeast Asia, and there is composition in this marketplace.

What the Congressman says is, of course, basically true. Wherever there is a licensing system there is the opportunity for special treatment.

Mr. MONTOYA. Do you mean to say when these products go into Vietnam that the products are made available to the entire southeast Asian market?

Mr. JANOW. No, sir; I was talking about Vietnam. I was comparing the condition——

Mr. PASSMAN. In this country investigations are going on every day, and many times prosecutions and many times confessions. You know, people frequently do get their heads together and it could easily happen over there.

Mr. JANOW. We are aware of that.

EFFECT OF GOVERNMENT CONTROLS OVER IMPORTS

Mr. FORD. What would be the alternative to this system, Mr. Janow? The alternative, as I see it, would be a complete and total Government monopoly.

Mr. JANOW. Exactly.

Mr. FORD. Which in practice and theory could be more unsatisfactory than this system. What would be your observation on that?

Mr. JANOW. I think it would be infinitely worse if this system of using private importers to the maximum extent possible were demolished and a system of Government importation and Government distribution were substituted for it.

I think, first of all, it would be far less competent.

Second, I believe it would not reach the people. It is too big a job to be organized by this Government.

Third, I think it would be full of abuses.

The fact that someone makes a profit in the course of handling an AID financed shipment seems to me, if the profit is reasonable, a reasonable opportunity.

Mr. FORD. Plus the possibility of a tax benefit to the Government from the profit that is made.

Mr. JANOW. There is an income tax system. There is an excise tax system. These taxes support the efforts of the Government in Vietnam, which is what we are trying to do.

Mr. PASSMAN. How many countries are in your area?

Mr. JANOW. Nine, sir.

COMMODITY IMPORT SYSTEM IN OTHER FAR EAST COUNTRIES

Mr. PASSMAN. Do you have the same type of system in all nine countries?

Mr. JANOW. No. sir.

Mr. PASSMAN. In how many countries do you have it?

Mr. JANOW. In Korea; there was a system like this in Taiwan when we had supporting assistance there; there is a system like this in Vietnam; there is a licensing system in——

Mr. GARY. I know there is in Laos.

Mr. JANOW. There used to be. We are trying to reestablish it now.

Mr. PASSMAN. Please provide us a list of all the nations to which we are giving aid where you have a system similar to that in Vietnam. Will you give us that information?

(The information supplied follows:)

AID GRANT FINANCED COMMERCIAL IMPORT PROGRAMS

Africa-Europe—Import license systems were in effect in fiscal year 1962 in the following countries which received AID-financed commodities: Cameroon, Guinea, Kenya, Morocco, Senegal, Spain, Tunisia, Uganda, Yugoslavia.

Latin America—Bolivia (although Bolivia uses the procurement authorization system in the importation of U.S. commodities under nonproject assistance programs, it does not have an import license system).

Far East—Cambodia, Korea, Thailand, Vietnam.

Near East-south Asia—Greece, India, Iran, Israel, Pakistan, Turkey.

Mr. JANOW. Yes. Cambodia is another one.

Mr. PASSMAN. What is sauce for the goose is sauce for the gander.

COMMODITY IMPORT CONTROLS

Mr. TENNANT. There are provisions in the Assistance Act which admonish the agency to follow the formal channels of commercial trade, and it also contains some provisions as to the price we should pay for AID commodities, and the system we are talking about for commodity imports is essentially the same system which has been used from the Marshall plan.

Mr. PASSMAN. It is worthwhile to know how many importers, the limitation on the importers, the percentage they get, and what type of control, and also the number of nations in which you have this program.

DOMESTIC REVENUES GENERATED BY FOREIGN AID PROGRAM

Mr. FORD. One question on this point, Mr. Chairman: Can you give us, for the last 2 or 3 fiscal years, how much in revenue has been derived for the Government in South Vietnam in import taxes, and also show what percentage of their total revenue is made up from these import taxes which were generated by our mutual security program?

Mr. JANOW. I shall be glad to supply that, sir.

(The information requested follows:)

REVENUES DERIVED FROM AID-FINANCED IMPORTS—VIETNAM

The following revenues of the Vietnamese Government were directly derived from AID-financed imports in fiscal year 1961 (all figures in millions of piasters):

Customs duties	816
Defense and economic development tax	616
Austerity taxes	232
Production tax	[1] 700
Total	2,364

[1] Estimated.

Provisional data for calendar year 1961 indicate that total revenues of the Vietnamese Government amounted to 20.1 billion piasters, of which import taxes derived from AID-financed imports accounted for 2.2 billion piasters, or about 10.9 percent.

Mr. PASSMAN. I still think it is well for us to get the number of nations where we have an aid program with our exports going in and it is being handled this way.

REGIONAL PROGRAM

The regional program: You had $2,880,000 for fiscal 1962. Is that holding firm?

Mr. JANOW. Total obligations on a regional basis show $520,000 for development grants. In supporting assistance it is $1,375,000. The total is $1.9 million.

Mr. PASSMAN. What is your estimate for fiscal 1963?

Mr. JANOW. $2.3 million.

Mr. PASSMAN. What amount do you have unliquidated?

Mr. TENNANT. $10,290,000 on these programs, sir, for economic aid.

TECHNICAL TRAINING PROGRAM IN JAPAN

Mr. PASSMAN. Why do you need $160,000 for technical assistance projects in Tokyo?

Mr. JANOW. Sir, this is a regional training project. Trainees are sent to Toyko from places like Vietnam, Taiwan, and Korea.

As you know, the Japanese have a very advanced economy. Being exposed to training in their shops, their schools, and in their methods it is highly applicable to the other countries of Asia, and sometimes our form of industrial organization is too complex, too big, whereas the Japanese form would be appropriate.

This training program in Japan serves our purposes in advancing the technical knowledge of the underdeveloped countries of the area.

Mr. PASSMAN. But at one time you had an actual U.S. technical aid program, there to train the Japanese?

Mr. JANOW. Yes, sir. We are not doing that now.

Mr. PASSMAN. It was understood at the time they did not need it, but that it was done to please some member of the Government.

They got it started, really, against the Japanese wishes, and they finally phased it out?

Mr. JANOW. That is right.

Mr. PASSMAN. This is not the beginning of a similar program?

Mr. JANOW. This has nothing to do with training Japanese.

Mr. PASSMAN. You are going to have several U.S. technicians in Japan?

Mr. JANOW. Five, sir.

Mr. PASSMAN. The purpose will be to train, as we think of it, participants who are sent to a third country.

Mr. JANOW. That is right. We have one other obligation——

Mr. PASSMAN. Is that correct?

Mr. JANOW. Yes, sir.

CENTRALIZATION OF SURPLUS PROPERTY IN JAPAN FOR FAR EAST REGION

One other obligation under this small team in Tokyo, and that is the handling of surplus commodities generated by the military in both Korea and Japan.

Those surplus materials are made available by the military to our aid program throughout Asia. Our coordinators in Tokyo go to the depots, be sure the list is sent out to these various countries, and the goods sent are in good shape.

TOTAL AID TO JAPAN THROUGH 1962

Mr. PASSMAN. Tell us the total amount of the aid program for Japan from its inception.

Mr. TENNANT. Through 1961, military and economic, Public Law 480, Export-Import Bank, $3,574,600,000.

Mr. PASSMAN. Can you break that apart for us when you give it to us finally? Break it down by spigots.

Mr. TENNANT. Yes, sir; along the lines we had it for India.

Mr. PASSMAN. I soft-pedaled that the other day, because the distinguished Governor did not know we had a program for Japan. I knew it was one of the most fantastic programs we ever had.

In addition, it is superfantastic in that Japan is the recipient of billions of dollars worth of our orders. Is that correct?

Mr. JANOW. That is correct. As for postwar economic aid, you realize the Japanese are to repay some portion of that.

Mr. PASSMAN. I hope that they are.

Mr. JANOW. Yes, sir.

Mr. PASSMAN. We expect somebody to repay something.

They are the recipients of very huge orders placed with us for the military assistance program in that region. Is that correct.

Mr. JANOW. This is true.

TRUCK PROCUREMENT IN JAPAN

Mr. PASSMAN. I believe one of them is about $227 million for trucks. Are you familiar with that transaction?

Mr. JANOW. I am familiar with that.

Mr. PASSMAN. We were told that the only reason for giving Japan the order for trucks was simply because we could buy them there cheaper than in America. Is that correct?

Mr. SANDRI. That is correct, sir.

Mr. PASSMAN. We shall recess until 2 o'clock this afternoon.

AFTERNOON SESSION

RECAPITULATION OF ALL CATEGORIES OF AID TO INDIVIDUAL COUNTRIES

Mr. PASSMAN. The committee will come to order.

I believe that the distinguished Comptroller recalls that from early in our hearings we have requested a recapitulation of all the aid from all the different spigots for each one of the countries. Of course, it is difficult to get that type of compilation up, but it will serve a wonderful purpose for the committee, the Congress, the AID people, and the Nation.

The final request in that connection, as we are about to move out of the areas on a very abbreviated form, because of the time limitation: When you have put all of those figures together, in an alphabetical arrangement, beginning with Algeria, if that is the first country, it is not going to be necessary, so far as I am concerned, to state specifically the 19 different categories, if you have some of them drawing out of the 19 different spigots but to state the total of aid to country A—unliquidated; let us be sure, unliquidated aid to the credit of these nations. It would be helpful, of course, if you could use a standard Government sheet on one side like this and give it to us on each country.

Mr. TENNANT. Unliquidated for all categories.

Mr. PASSMAN. For 101 countries, if there are that many, and I think there will be—or maybe more—either concluding or beginning or planned.

Specifically, what we want is the amount of unliquidated funds to the credit of all the nations in which we have an aid program. It will help us a great deal, when we are considering the bill in the mark-up, as well as later, to be able to look at one sheet and see that you have unliquidated in military to the credit of this country so much, and under economic aid, so much; under development credit, so much; under Public Law 480, so much; under the international organizations, so much.

Have we asked you to do the impossible?

Mr. TENNANT. No, sir. I would gladly do that for you, sir.

Mr. PASSMAN. Keep each country on a sheet.

Mr. TENNANT. You want more than one country on a sheet?

Mr. PASSMAN. Just one country to a sheet. I am going to arrange them alphabetically so I can run through them. Is that request clear?

Mr. TENNANT. Let me see if I have it clear. I will have a military assistance figure, an economic aid figure under the act, then Public Law 480, Export-Import Bank.

Mr. PASSMAN. Keep the Export-Import Bank separately. If you will keep the total mutual security one figure, the military aid one figure, Public Law 480 one figure—do you follow me?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. You only have three figures: Supporting assistance, development grants, and development credits; but, so as not to get this to where the members would not understand it, if you want to put one, the total under development credits, and grants regardless of the spigots it comes from; two, military; three, Public Law 480; then estimate, if you can, international organizations with which they are getting aid, including, of course, IDA and Inter-American Development Bank, et cetera. That is not an impossible job, is it?

Mr. TENNANT. No, sir.

Mr. PASSMAN. Therefore we will have for permanent records sheets on each one.

Mr. TENNANT. Yes, sir; that is the unliquidated figures.

Mr. PASSMAN. That is right.

Mr. FORD. Could each of the committee members—or at least myself—have a copy of that, too?

Mr. PASSMAN. I am going to get this; then, without objection, you may make a carbon copy and we will put it in the hearings. I do not think it will be too voluminous, do you?

Mr. TENNANT. No, sir, I will be glad to furnish it.

(The information was supplied the committee.)

Mr. PASSMAN. That will be fine.

Some members are going to be greatly surprised to realize that the actual needs of running the program last year amounted to only $3,198,100,000. You had a going pipeline in the program all over the world. You drew out only that much. You actually had a pipeline longer than the actual expenditure, by twice as much.

UNLIQUIDATED BALANCES OF U.S. CONTRIBUTIONS TO OTHER ORGANIZATIONS

We will need this data on a separate sheet: The unliquidated funds, not the country, but the unliquidate funds; the U.S. contribution to the International Development Association, the same type of information for the Inter-American Development Bank.

Mr. TENNANT. You said International Development Association and——

Mr. PASSMAN. Unliquidated. We want to know how much money is on hand in IDA and the Inter-American Development Bank for future expenditures, because actually it is just as much a part of foreign aid as mutual security. We are going to have to get up a recapitulation, and get the grand total.

This year in getting it in understandable form, Mr. Tennant, we are going to keep mutual security separated from the other organizations, then have another part on the page to show what is available from the other organizations.

(The information follows:)

U.S. SUBSCRIPTION TO INTERNATIONAL DEVELOPMENT ASSOCIATION

Statement of unexpended balance as of June 30, 1962 [1]

[In thousands of dollars]

Unexpended balance, June 30, 1961	-------
Fiscal year 1962 additional resources:	
Appropriation	$61,656
Reimbursement or transfers	-------
Total available for expenditure	61,656
Total available for expenditure	61,656
Less: Expenditures during fiscal year 1962	61,656
Unexpended balance, June 30, 1962	-------

[1] Preliminary.

NOTE.—Amounts shown above as reflected Treasury Department combined statement of receipts, expenditures, and balances for fiscal year 1961 and monthly statement of receipts and expenditures for fiscal year 1962. U.S. subscriptions to the International Development Association become merged with other resources of the Association and disbursements by the Association cannot be identified as being applicable to specific subscriptions of member nations. The preliminary unexpended balance of funds from all sources of funds available to the Association as of June 30, 1962, was $377,119,000 equivalent.

U.S. SUBSCRIPTION TO INTER-AMERICAN DEVELOPMENT BANK

State of unexpended balance as of June 30, 1962 [1]

[In thousands of dollars]

Unexpended balance June 30, 1961	$200,000
Fiscal year 1962 additional resources:	
Appropriation	110,000
Reimbursements or transfers	--------
Total	110,000
Total available for expenditure	310,000
Less: expenditures during fiscal year 1962	110,000
Unexpended balance, June 30, 1962	200,000

[1] Preliminary.

NOTE.—Amounts shown above as reflected Treasury Department combined statement of receipts, expenditures, and balances for fiscal year 1961 and monthly statement of receipts and expenditures for fiscal year 1962. U.S. subscriptions to the Inter-American Development Bank become merged with other resources of the Bank and disbursements by the Bank cannot be identified as being applicable to specific subscriptions of member nations. The unexpended balance of funds from all sources of funds available to the Bank as of June 30, 1962, was $382,437,361 equivalent.

PEACE CORPS

Statement of unexpended balance as of June 30, 1962 [1]

Unexpended (obligated) balance, June 30, 1961	$1,180,000
Fiscal year 1962 additional resources:	
Appropriation	30,000,000
Reimbursements or transfers	8,000
Total	30,008,000
Total available for expenditure	31,188,000
Less: Expenditures during fiscal year 1962	11,950,000
Unexpended balance June 30, 1962	[2] 19,238,000

[1] Preliminary figures rounded.
[2] Breakdown of unexpended based on preliminary incomplete reports:

Unliquidated obligations	$18,610,000
Unobligated funds	628,000
Total unexpended	19,238,000

U.S. SUBSCRIPTION TO INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Statement of unexpended balance as of June 30, 1962

[In millions of dollars]

Unexpended balance June 30, 1961	5,715
Fiscal year 1962 additional resources	-----
Total available for expenditure	5,715
Less: Expenditures during fiscal year 1962	-----
Unexpended balance June 30, 1962	5,715

NOTE.—Payment of the initial U.S. subscription was $635 million paid in cash and non-interest-bearing, nonnegotiable notes. The remaining unobligated balance of borrowing authority ($5,715 million) will not be called unless required to meet the Bank's obligations. The U.S. subscription became merged with other resources of the Bank and disbursements by the Bank cannot be identified as being applicable to specific contributions of member nations. The preliminary unexpended balance of funds from all sources of funds available to the Bank as of June 30, 1962, was $1,707 million.

Mr. TENNANT. I have given you some information like this on the two banks. Maybe I can go over them later.

Mr. PASSMAN. We want it on a separate sheet.

You gave me this sheet showing that all you spent last year was $3,198 million.

Mr. TENNANT. I have given you a separate sheet for the Inter-American Bank and IDA. I am not sure whether it is exactly what you want.

Mr. PASSMAN. Let us see what you have. I can tell you immediately.

Mr. TENNANT. The top figures show per the Treasury books, and down in the footnote is the Bank's unexpended balance.

Mr. PASSMAN. You have your unexpended, additional funds, total available, less expenditures, unexpended. That is good enough.

Mr. TENNANT. However, that top figure, sir, is——

Mr. PASSMAN. The total.

Mr. TENNANT (continuing). For the Treasury books and the footnote at the very end of the sentence is per the Bank's books.

Mr. PASSMAN. The Bank shows a lot more on hand than the Treasury.

Mr. TENNANT. That is correct.

Mr. PASSMAN. Is it because the footnote includes contributions by other countries?

Mr. TENNANT. That is correct, sir.

Mr. PASSMAN. We want to stay with U.S. funds. These figures here are the correct funds?

Mr. TENNANT. Yes, sir. The only figure that does not show there, I believe, is the contribution figure that I do not believe is on that sheet. I will give you that.

Mr. PASSMAN. The international organization funds are on my statement?

Mr. TENNANT. Yes.

Mr. PASSMAN. Do you have any questions, Mr. Gary?

REPAIRS TO VIETNAMESE GOVERNMENT BUILDING

Mr. GARY. I asked several days ago for some information concerning a news article which stated that South Vietnam had spent $75 million for the repair of its Government building that had been destroyed in an air raid by the Communists. Have you gotten that information?

Mr. JANOW. Yes, sir. The total expenditure is equivalent to $340,000 and of this a substantial proportion was raised by voluntary contributions. Do you remember the breakdown?

Mr. POATS. 10 million piasters raised by voluntary contributions, 14 million out of the Vietnamese funds, total 24 million piasters, which is the equivalent of $340,000.

Mr. GARY. So the figure is $340,000 rather than the $75 million?

Mr. POATS. Yes, sir.

Mr. GARY. As a matter of fact, all of that was not raised by the people. Part of it was Government funds and the people raised how much of it?

Mr. POATS. 10 million piasters is the public subscription part of the total.

Mr. GARY. How much would that be?

Mr. POATS. 10 million would be approximately——

Mr. JANOW. Divide by 60.

Mr. POATS. Ten twenty-fourths.

Mr. JANOW. Well, ten twenty-fourths of, say—about $150,000 was publicly subscribed and the rest was put up by the Government.

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

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. Mr. Ford?

COMPARISON OF FISCAL YEAR 1962 ESTIMATE WITH ACTUAL PROGRAM

Mr. FORD. I would like to take several countries, Mr. Janow, to compare the programs that were submitted to the Congress last year in the justification books and the record of execution during fiscal year 1962. Let's take several of the countries and see how we come out. Take Indonesia first. Last year in the justification book it shows that the development grants, continuing activities for fiscal year 1962, were planned at a level of $17.3 million.

Mr. JANOW. Yes, sir.

Mr. FORD. Is that correct?

Mr. JANOW. That is right.

Mr. FORD. The justification book for fiscal year 1963 shows for fiscal year 1962 that you were planning a program of $18.6 million; is that correct?

Mr. JANOW. Yes. That is correct.

Mr. FORD. What did you execute in this area?

Mr. JANOW. In 1962?

Mr. FORD. Yes.

Mr. JANOW. $17.3 million in development grants and $5.5 million in support assistance.

Mr. FORD. The justification book showed you were planning on $5.6 million for supporting assistance?

Mr. JANOW. Yes; very close to the estimate.

JUSTIFICATION FOR REVISIONS OF INDONESIA PROJECTS

Mr. FORD. What happened to bring about a reduction of $1.3 million in your development grant program between the March 1962 estimate and your actual execution?

Mr. JANOW. This program, as you know, is made up of many individual different kinds of projects. Generally speaking, it has been difficult to carry out even the continuing projects but if we wanted to reconstruct this difference we would have to go through a number of these projects.

Mr. FORD. You went right back to what you planned a year ago in dollars, whether the programs are identical or not.

Mr. POATS. The programs, sir, were identical so far as I can recall. The change made in the presentation early this year, which revised this estimated program upward, assumed some obligations which would occur on some of these projects were greater than actually occurred. The fact that we came back down to exactly the same round figure is really a coincidence. I think I can find some illustrations of this in running through the book if you would like. Running through it I see the first project in the list of Indonesia projects an estimate in February of $800,000 obligation; it actually produced a $765,000 obligation, the second project went from $65,000 originally estimated to $546,000.

Mr. FORD. Were these changes simply delays in the execution? I ask that because your 1963 program goes up to $18.6 million.

Mr. JANOW. We went over this earlier, Mr. Ford, and there are some new activities as well as increased activities but the prediction of obligation and the performance on obligation is bound to vary. The fact the figure is the same is entirely coincidental. I do not think this happened in any other case.

Mr. HARKINS. No, sir.

Mr. FORD. According to the justification books, in fiscal year 1962, you planned to obligate $5.6 million for supporting assistance, you actually obligated $5.5 million; in fiscal year 1963 you are anticipating $———.

Mr. JANOW. That is right.

Mr. FORD. In light of the present Government in Indonesia why do we give any supporting assistance?

Mr. JANOW. This obligation in fiscal year 1962 was broken out this way: $2.6 million for the Djakarta bypass—that is the road that goes from the port around the populous part of the city; and $1.3 million for relief and rehabilitation, where they had some floods and drought. In certain areas there was real distress. We have contributed $1.5 million to reequip the mobile brigade.

Mr. FORD. The mobile brigade, what is that?

Mr. JANOW. That is a police force and is a conventional part of our police program.

Mr. FORD. What are you planning in the way of supporting assistance in fiscal year 1963 to the extent of $———?

Mr. JANOW. All of that is for the mobile brigade. That is the only supporting assistance program for 1963.

Mr. POATS. Our book this year states supporting assistance for the mobile brigade is not planned beyond ———; that is, we are planning communications and transportation equipment for the mobile brigade.

Mr. FORD. I still did not get an answer to why, in light of the present Government in Indonesia, are we contributing any supporting assistance to that country?

Mr. JANOW. Why did we in 1962?

Mr. FORD. Why did we in 1962 and why are we in fiscal year 1963?

Mr. JANOW. So far as the Djakarta bypass obligation is concerned, I think you know that this was an existing obligation on a road project that was approved in previous years and to complete that road project these funds were needed.

So far as relief and rehabilitation is concerned, I think it has been our policy to have an American presence in this field.

Where the mobile brigade is concerned, that is the police, we think the country's internal security is an important element in its increasing stability.

These programs, Mr. Ford, I would like to point out, are in terms of the size of this country, extremely small programs. This is a nation of 93 million people and on a per capita basis the aid program in Indonesia may be among the smallest in the world. As I mentioned, I think yesterday, I think the aid program ought at least to receive that much recognition from the committee, that in the face of tremendous Soviet bloc aid we have contained our program and held it very small indeed and worked exclusively in the areas where we thought we were making an impact on the people, through technical training, through education, through malaria eradication, through relief and rehabilitation, through police in this case, and we were fulfilling a small, well, small or not does not matter, an obligation to finish this road.

Mr. FORD. Did we finish it in time for the Asian games that are going on now?

Mr. JANOW. Yes, sir. The Asian games begin on the 15th of August. The road is passable, in good condition everywhere. The limiting factor was bridges and they will be operable.

Mr. FORD. What are the Asian games?

Mr. JANOW. The Asian games are a kind of Asian olympics, which started some years ago and for which the Russians have donated a huge stadium. This road does not go to the Asian games. It goes around the area. I have a map of it if you would like to see it. But the President and Government of Indonesia made a great point of relieving the congestion in the city at the time the games begin and we have fulfilled our obligation to do this.

DEVELOPMENT LOAN PROGRAM IN INDONESIA

Mr. FORD. In the justifications for fiscal year 1963, the figure of $——— was mentioned for development loans. What are those?

Mr. JANOW. We have hopes that this country will be returning to something like a normal situation where, again, there will be development and where it will be concerned with questions of economic development and what we have programed is, as I mentioned in terms of the size of the problem, very modest indeed.

Mr. FORD. What are some of the projects included within this range of ———?

Mr. JANOW. These are in these various fields: Transportation, which has been grossly neglected in the course of this Western mobilization.

Mr. FORD. That is a pretty broad subject, transportation.

Mr. JANOW. Railways, air services, roads. This is the general area—maritime services, as you know; it is a series of islands and their interisland communications system has been poor, indeed.

Mr. FORD. What are some of the other areas?

Mr. JANOW. There are some coal mines that need improvement, there are management services that are required, technical services of all kinds which they should have.

Mr. FORD. You are not going to give them development loans for management services, are you?

Mr. JANOW. That might be part of loans for capital projects; yes, sir. We hope that they will set up a spare part manufacturing and maintenance series of shops in various fields. This, I am told, is one of the most critical areas. They have been importing new equipment of all kinds and have not maintained it adequately. The President's team that studied this country reported that this might be the wisest area for investment.

CONSIDERATION OF LOAN APPLICATIONS

Mr. FORD. Have we actually received applications for development loans in fiscal year 1962 and for fiscal year 1963 and if so, what are they?

Mr. JANOW. My understanding, sir, is that ———.

Mr. FORD. As of August 7, we have no actual applications?

Mr. JANOW. Not current ones. There are some applications which date back.

Mr. FORD. But I gather, then, you would not consider these that are out of date. You would expect to consider only those that would be new from now on?

Mr. JANOW. I think they would have to be updated, yes, because in some facilities there has been a very substantial deterioration.

Mr. FORD. I must say in reading the justification book the story that is told there is not a very encouraging one.

Mr. JANOW. It is not.

In the face of that situation, I think our programs in 1962 are a complement to our policy.

We have not been tempted to win their approval or to influence them by large gifts of money or stabilization funds or supporting assistance. Now in 1963 if the situation warrants we should again offer them the possibility of help in developing their economy.

This is a nation that has, ordinarily, a large export volume up to, I think $800 million a year and it has gone, the peak year in this record is $872 million.

CONTINGENCY FUND ALLOCATIONS

Mr. FORD. Did we use any contingency funds in this country in fiscal year 1962?

Mr. HARKINS. Yes, sir.

Mr. FORD. Why was it contingency when in the fiscal year 1963 justification book you have it "program"?

Mr. HARKINS. This book was put together in the course of fiscal year 1962. The funds used here were not proposed to Congress last year for the 1962 program.

Mr. FORD. That is correct.

Mr. HARKINS. They are presented in this present book, but the book was put together after we had programed these funds. We could not wait, because of the nature of the contingency, to bring this request before Congress. We are bringing it before you now for your review. The need for relief and rehabilitation was because of floods, volcanoes, the end of the rebellion, the amnesty, et cetera.

Mr. FORD. What was the date of the contingency fund obligation?

Mr. HARKINS. The obligations were——

Mr. TENNANT. $3 million was programed in October, then there were adjustments in the program in the spring.

Mr. POATS. I have the program dates on this.

The first additional programing that I show was December, $1,377,000; then in March, $1,528,000.

Mr. HARKINS. There was $3 million before this period of time.

Mr. POATS. In addition $3 million earlier than that which the Comptroller mentioned, making $5,905,000 the way I read it, but there was a reduction in November of $305,000 out of that $3 million, leaving $5.6 million as the net figure.

PUBLIC LAW 480 PROGRAM

Mr. FORD. What were the Public Law 480 programs in Indonesia in fiscal year 1962?

Mr. JANOW. The country use portion amounted to $51.5 million.

Mr. FORD. How does that break down by title?

Mr. JANOW. That is all title I.

Mr. FORD. That is what you actually executed?

Mr. JANOW. That is what was obligated, yes.

Mr. FORD. $51.5 million?

Mr. JANOW. Yes, sir.

Mr. POATS. In addition there was a title III program of $1.9 million for Public Law 480.

Mr. FORD. What are you programing for fiscal year 1963?

Mr. JANOW. A reduced figure, sir? $———.

Mr. FORD. Under title I?

Mr. JANOW. Yes.

Mr. POATS. They seek more cotton than we are able to supply under the limitations imposed.

Mr. FORD. By what?

Mr. POATS. I said they seek a great deal more raw cotton under Public Law 480 than we are able to supply under the limitation set by the U.S. Agriculture Department under availabilities of surplus cotton for title I.

Mr. PETERSON. A good deal will depend on what rice availabilities we have because it is clear in Indonesia's present situation that it requires imports of rice and imports of rice have been an important factor in Public Law 480.

COMMODITY IMPORTS UNDER PUBLIC LAW 480

Mr. FORD. Can you give us a breakdown for fiscal year 1962, the commodities that were involved in the $51.5 million under title I and the $1.9 million under title III?

Mr. JANOW. Yes. I am not sure I have that with us.

Mr. HARKINS. I have it here.

The title I total, $57.2 million, $4.6 million of that was wheat and flour, $22.2 million was cotton, $0.2 million was dairy products, $5 million was tobacco, $0.3 million was fats and oil, $17.8 million was rice, $7.1 million was transportation.

Mr. POATS. That will add up to $57.2 million, which is the total sales agreement, title I.

The figure Mr. Janow gave you of $51.5 million was the country uses of this amount; the aid portion, in effect.

Mr. FORD. How does the sale of tobacco help their economy?

Mr. JANOW. How much tobacco is that?

Mr. FORD. $5 million.

Mr. JANOW. As I think you know the custom in most of these countries is to use a cigarette tobacco which is substantially based on our Virginia leaf, and you will find in the Philippines and Vietnam, in Japan, wherever there is a tobacco industry that they have become accustomed to using or blending our tobaccos with that which they import or that they grow domestically. Tobacco is not an essential item and it is in this program because it was felt that this amount of Public Law 480 was at least an indication that we were trying to do something for the people, for the consumers in Indonesia.

Mr. FORD. I can see the commodities which are sustenance commodities as being in line with the policy that you just indicated but my imagination has to be pretty good to include tobacco.

PUBLIC LAW 480 AGREEMENTS PROGRAMED BY DEPARTMENT OF AGRICULTURE

Mr. JANOW. I would like to point out to the Congressman that the programing procedures for Public Law 480 are different than those within the aid program that we fully create and control.

Programing of the content of a Public Law 480 agreement is still substantially performed within the Department of Agriculture.

Mr. FORD. In other words, they make the agreement. Then they say, "You get the benefit of the commodities that are sold and you work out a program after that."

Mr. JANOW. That is right.

Mr. FORD. That does not give good thoughtful planning much chance to operate, does it?

Mr. JANOW. Mr. Ford, I have been saying this since I joined the program, that the actual programing of the content of Public Law 480 and the distribution of the available surpluses within, at least our region, ought to be more heavily influenced by the AID Agency but under the legislation the Department of Agriculture still maintains control.

Mr. FORD. In other words, if they wanted to get rid of $10 million worth of tobacco or substantially more rice you or the aid program have no control?

Mr. JANOW. I do not wish to overstate this proposition. We have interdepartmental committees which representatives from the AID Agency attend and these programs are a consequence of discussion and compromise but they are always a consequence of compromise. It is not always satisfactory to us. This year ahead will present very serious problems to us in the field of the allocations of cotton, for example.

Mr. PETERSON. May I add one point, Mr. Congressman, particularly in connection with foodstuffs, rice, and wheat; we do not provide Public Law 480 commodities in this part of the world without consultation with other exporters of wheat and rice because we have a public relationship problem with those countries and the Department of State has, not necessarily a controlling voice, but a pretty strong voice if a disposal is proposed that we feel will impinge greatly on our foreign relations with countries which are exporters of similar commodities.

Mr. FORD. Let us turn to Taiwan.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. Would the gentleman yield?

Mr. FORD. Yes.

Mr. PASSMAN. You were speaking of ——— in Indonesia. You have the same government now that you had ——— do you not?

Mr. JANOW. That is correct.

SOVIET BLOC TO AID INDONESIA

Mr. PASSMAN. I believe we were told yesterday, not during the direct examination on this country, but it was just something that came up on the Soviet bloc aid, that they were strong on promises, but short on deliveries, and that you actually did not know the amount of the promised aid that had reached Indonesia. Is that a statement of fact?

Mr. JANOW. We did present some figures, Mr. Chairman.

Mr. PASSMAN. Could you give us the amount, as you referred to something that sounded like a very large amount?

Mr. JANOW. I supplied those records, yes, sir.

Mr. PASSMAN. We want them again at this point, because we are now examining into detail in Indonesia.

Mr. JANOW. I will have to find those sheets again, sir. This figure is for 1961 calendar year we believe, $150 million.

Mr. PASSMAN. Are you dealing with estimates or are you dealing with actual figures, commitments or deliveries?

Mr. JANOW. These are the drawn amounts.

Mr. PASSMAN. I believe you said yesterday that you did not know the terms of these loans?

Mr. JANOW. That is correct.

Mr. PASSMAN. It could be, like most other Russian loans, short term, high rate of interest, and well tied down?

Mr. JANOW. Our information is very sketchy in this case.

Mr. PASSMAN. Thank you.

Mr. JANOW. I think they are 20 years in some instances but we do not have full information.

Mr. PASSMAN. I believe we agreed that they are strong on promises and short on deliveries, the Soviets?

Mr. JANOW. That is true.

Mr. PASSMAN. I believe that the Soviets, we were told several years ago, gave Burma a stadium. Are you familiar with that matter?

Mr. JANOW. Yes, sir.

Mr. PASSMAN. We found out later that Burma came out on the short end of the stick in that they said, "We are now going to give you the equivalent in rice." They did so. Then the Soviets sold the rice to Burma's best customer, Indonesia. Are you familiar with that deal?

Mr. JANOW. Yes. I have heard of this.

Mr. PASSMAN. So, when you said that the Soviets gave a stadium to Indonesia, do you have any information to indicate it would not be the same type of gift that they gave to Burma?

Mr. JANOW. As I have mentioned, Mr. Chairman, I do not have information.

Mr. PASSMAN. That is pertinent to have in the record, is it not?

Mr. JANOW. Yes.

Mr. PASSMAN. It may be that stadium could have been bought much cheaper from us, with dollars, than it could have been from the Soviet bloc?

GOLD PURCHASES COMPARED TO GRANT AID

We had a grant-aid program for Indonesia in fiscal year 1960, did we not?

Mr. JANOW. In 1960?

Mr. PASSMAN. Yes, fiscal year 1960.

Mr. JANOW. Yes. We did.

Mr. PASSMAN. What was the amount of that grant-aid program?

Mr. HARKINS. $10.5 million, sir.

Mr. POATS. Pardon me. That is not all grant aid. That includes some DLF loans.

Mr. PASSMAN. They are repayable in local currency; is that correct?

Mr. POATS. I will check that to be sure.

Yes, that is evidently correct.

Mr. PASSMAN. Thank you.

Let the record show that during that same fiscal year, when we gave Indonesia $10,500,000 in grant aid, they purchased $11 million of U.S. gold.

Did you have a grant aid program for Indonesia in fiscal year 1961?

Mr. JANOW. Yes.

Mr. PASSMAN. In the amount——

Mr. JANOW. $15.8 million.

Mr. PASSMAN. Let the record show that during calendar year 1960, which is the first part of fiscal year 1961, Indonesia purchased $24,900,000 of our gold.

Thank you, Mr. Ford.

REPUBLIC OF CHINA

Mr. FORD. Let's turn, Mr. Janow, to Taiwan. What was the presentation last year for development grants in Taiwan for fiscal year 1962?

Mr. JANOW. $3.2 million.

Mr. FORD. What do the justification books for fiscal year 1963 show as programed for development grants?

Mr. JANOW. $———.

Mr. FORD. 1962 I asked. What did you actually execute?

Mr. JANOW. $3.2 million.

Mr. FORD. And you are programing for fiscal year 1963?

Mr. JANOW. Less. We have reduced the program.

DEVELOPMENT LOANS

Mr. FORD. The development loans last year when you were submitting your fiscal year 1962 program, did you have any in mind?

Mr. JANOW. I do not think we programed an amount last year, did we?

Mr. HARKINS. No. We said it was expected to range from $60 to $80 million in last year's book, on page 33, Mr. Ford.

That is on the left-hand side of the page, paragraph 2.

Mr. FORD. You anticipated, according to that statement, $60 to $80 million in fiscal year 1962. What does your justification book for fiscal year 1963 show for fiscal year 1962 in development loans?

Mr. POATS. It shows $5.2 million at that time as of February 28 had been obligated.

Mr. FORD. What did you actually execute in fiscal year 1962?

Mr. POATS. $25.2 million.

Mr. FORD. Was that out of the contingency?

Mr. POATS. Out of the Development Loan Fund.

Mr. FORD. When was that obligation made?

Mr. JANOW. The first loan of $5.2 million to the telecommunications equipment, was made as one of my first acts in office as a development loan. It was committed in April, I think. It was earlier than that. It was February 9, 1962.

Mr. FORD. When was the remaining $20 million obligated?

Mr. JANOW. This was done subsequent to my visit to Taiwan early in June.

Mr. FORD. Couldn't that have been forecast at the time you prepared the justification books for fiscal year 1963?

Mr. POATS. That figure, sir, was not a forecast in the case of development lending. The ground rules under which we operated were that we would include actual loans made as of February 28 in all countries.

Mr. FORD. In other words, the development loan figures shown for fiscal year 1962 in this book show actual obligations?

Mr. JANOW. Actual obligations.

Mr. POATS. Through February 28. We were able to give an actual figure in that case, whereas in the others we could not.

DEVELOPMENT LOANS PREPARED FOR FISCAL YEAR 1963

Mr. FORD. What are you planning in development loans for fiscal year 1963?

Mr. JANOW. $——— to $———.

Mr. FORD. Do you have any of those applications on hand?

Mr. JANOW. Yes, sir.

Mr. FORD. What are they?

Mr. JANOW. A $23 million application for a thermal powerplant, there is a probable $——— program loan.

Mr. FORD. What do you mean by a program loan?

Mr. JANOW. I would like to discuss that in some depth if I may. If you will look at the 1961 obligations, you will see that the total of aid funds actually obligated amounted to $91 million in fiscal year 1961. The funds obligated in fiscal year 1962 amounted only to $28.4 million.

REDUCTIONS IN GRANT AID MADE POSSIBLE BY PUBLIC LAW 480 INCREASE

In addition, I would like to call your attention to the fact that in fiscal year 1961 we had a supporting assistance program of $43 million. This was eliminated in 1962 as we felt that this economy could now support loans instead of grants for the necessary importation of the raw materials and equipment for its industry.

In other words, we are programing those essential imported commodities and equipment, that this economy needs on a loan basis, as we anticipate that with the continued growth in Taiwan they will be able to absorb such support in the form of a loan. In fact, this transition was made possible by an increase in Public Law 480. The Public Law 480 amount for country use portion went up from $17 million in 1961 to $39.3 million in 1962, but if you will look at the totals, the total of aid including Public Law 480 was reduced from 1961 to 1962 very substantially, indeed. It came down more than $40 million.

Mr. FORD. Your fiscal year 1961 program shown here was $19 million. Does that include the Public Law 480 or not?

Mr. JANOW. No, sir; $17.3 million of Public Law 480 in addition, bringing the total, all forms of aid from United States not counting military assistance to $108.3 million, whereas the total of aid obligated in 1962 was reduced to $67.7 million.

In other words, our aid level here very much was reduced.

Mr. FORD. This had been promised a long time. I think it is fine they have made this improvement which permits us to make this reduction, but I do not see that you are going to continue this desirable trend in fiscal 1963.

Mr. JANOW. The conditions in fiscal year 1962 were forced to some extent by circumstances on Taiwan and by our policy in reacting to those circumstances.

Mr. FORD. What are those changes that you are talking about?

Mr. JANOW. We discovered in the course—and this, I may ask, Mr Chairman, if I may delete from the record subsequently.

(Off the record.)

LEVEL OF AID FOR REPUBLIC OF CHINA

Mr. FORD. I can recall vividly testimony 2 or 3 or 4 years ago to the effect that we were about to reach the point where no further economic assistance would be necessary because of the substantial growth and vigor of the Chinese Nationalist economy on Formosa. Now I see that you have made some reductions in fiscal 1962, but you are going right back up the ladder again rather than downward.

Mr. JANOW. The total figure for 1963, including Public Law 480, is still very substantially below the figure for 1961. In addition, in 1963 we will have no supporting assistance.

Mr. FORD. Unless you construe your Public Law 480 as a substitute for it.

Mr. JANOW. In any event, the figure planned for 1963 is a little less than the figure for 1962.

Mr. FORD. What are you planning for Public Law 480 in 1963?

Mr. JANOW. $ ——— country uses.

Mr. FORD. That is a $ ——— less than you executed in 1962.

Mr. JANOW. Yes.

Mr. FORD. That is not a very significant decrease.

Mr. JANOW. But it is a decrease.

Mr. FORD. Yes.

Mr. JANOW. It is a decrease in the face of what you know, Mr. Ford, is a serious internal problem in Taiwan, that is, a very high rate of population increase, amounting to about 3½ percent per annum.

Mr. FORD. If you take the program which is laid out on page 23 for fiscal 1963, you have $ ——— for development grants, and development loan estimates running from a minimum of ——— ———.

REQUIREMENTS FOR CAPITAL INVESTMENT FROM INTERNAL SOURCES

Mr. JANOW. These are capital requirements, Mr. Ford, and they respond to industrial and economic requirements. When this agency in the past said the time was in sight when our aid program to Taiwan should change, I do not think it was intended to imply that they would have no further requirements for capital investment or capital equipment. When I was there a month and a half ago, the Chinese were talking with the Japanese about a credit with them. The ministers gave me a schedule of commodities and equipments which they hoped could be financed in part by European countries. There is no doubt that for some years to come there will be a need for external capital in Taiwan.

I would like to call again to your attention the fact that our development grant program shows a steady decline—$8.9 million in 1961, $3.2 million in 1962, $——— in 1963; that our supporting assistance is entirely gone; that the question of how much capital they need in a single year is most difficult to estimate, particularly because, as I have mentioned, we have some carryover from our restricted programs of 1962.

TOTAL AID TO REPUBLIC OF CHINA

Mr. GARY. I wonder if you could give us the figure for the total expenditures in Taiwan as you did for Korea.

Mr. TENNANT. The total obligations—military, economic, Public Law 480, and Export-Import?

Mr. GARY. Yes.

Mr. TENNANT. $4,150,300,000.

Mr. GARY. Since the inception of the program?

Mr. TENNANT. That is right.

Mr. GARY. How much of that was military assistance?

Mr. TENNANT. Of that, $3,300,900,000.

Mr. JANOW. The great bulk of it.

Mr. GARY. Thank you, sir.

Mr. POATS. May I add one thought here, Mr. Ford. We have used the low figures in the development lending estimates to arrive at the totals for fiscal year 1963.

Mr. TENNANT. I am sorry. The military figure is $2,180 million.

Mr. GARY. What was the $3 billion?

Mr. TENNANT. That was the total mutual security program.

Mr. PASSMAN. Does that include Public Law 480?

Mr. TENNANT. The $3 billion did not, but the $4 billion did.

Mr. PASSMAN. So, only a little more than half of it was military?

Mr. TENNANT. Of the total program, that is correct.

Mr. GARY. Did any of the Public Law 480 program go to feeding the Army?

Mr. JANOW. Yes. I think Mr. Harkins can give some breakdown of this. There is a direct feeding program, too, through the volunteer services on Taiwan.

Mr. FORD. What kind of program?

Mr. JANOW. The volunteer agencies do feed refugees.

GROWTH RATE IN TAIWAN

I would like to point out that we are very proud of the growth of Taiwan. There has been a 40-percent increase in gross national product in the past 5 years, a 20-percent increase in per capita income, a 20-percent rise in agricultural production, and an 80-percent gain in industrial output.

Mr. FORD. I concur entirely. I am also a great believer in their military strength and their willingness to stand up when the chips are down. But there was some expectation, based on previous testimony, that we could phase out our economic assistance, and it concerns me that, despite this program, despite all these successes, we are not doing it. In fact, we are tending to go the other way.

PRINCIPAL AREAS OF ASSISTANCE IN FISCAL YEAR 1963

Mr. JANOW. Sir, in the program for 1963 are two items which are very largely in the area of assistance. There are the development grants, of course, which are projects, and the Public Law 480. The Public Law 480 provides wheat, flour, cotton, barley, and vegetable oils. In addition to the wheat, flour, barley, and vegetable oils, and cotton used for domestic fabrics, are only the capital lending that we think this economy needs.

DEVELOPMENT LOAN PROJECTS

Mr. FORD. What are the projects that will make up the figure between $———?

Mr. JANOW. They consist of the proposals I have mentioned, program loans primarily—a very substantial thermal plant, petrochemicals, a possible fertilizer plant. There is an application for a tourist hotel.

Mr. FORD. I should not think we would.

Mr. JANOW. Tourism is a very valuable earner of exchange.

COMMODITY COSTS UNDER PUBLIC LAW 480 FOR FISCAL YEAR 1962

Mr. FORD. Will you put in the record the actual commodities and the dollar amounts involved for Public Law 480 up to the figure of $39 million, which I believe was given for fiscal 1962?

Mr. HARKINS. $25.2 million for wheat and flour, $19.9 million for cotton, $1.8 million for feed grains, $0.1 million for dairy products, $1.7 million for tobacco, $2.6 million for fats and oils, and $4.4 million for transportation.

Mr. FORD. When you say transportation, what do you mean?

Mr. HARKINS. This is ocean transportation, paying——

Mr. FORD. These are dollars we pay to get these commodities shipped to that country?

Mr. HARKINS. Yes, sir.

Mr. FORD. That comes out of what part of your dollars? Out of your development grants, loans?

Mr. HARKINS. No. It comes out of Public Law 480.

Mr. FORD. In other words, the Department of Agriculture actually pays for it?

Mr. JANOW. That is right.

Mr. FORD. How do they get that money?

(Off the record.)

Mr. POATS. This transportation cost is paid by the recipient government, just as the other elements of these figures are paid by the recipient country.

Mr. ROONEY. If and when.

Mr. JANOW. In local currency, counterpart.

Mr. FORD. That is all, Mr. Chairman.

USE OF LOCAL CURRENCY LOAN REPAYMENTS UNDER FORMER DEVELOPMENT LOAN FUND

Mr. PASSMAN. Briefly, on Taiwan, you have referred many times to loans. Under the old Development Loan Fund, the loans were repayable in the Taiwan dollars; is that correct? And the Taiwan dollars that the Treasury collects are allocated back to Taiwan for projects in Taiwan. Is that correct?

Mr. JANOW. I do not know that they all go back to Taiwan.

Mr. PASSMAN. I say they do. Either verify it or not.

Mr. TENNANT. This is the old deal.

Mr. PASSMAN. I am talking about the old Development Loan Fund. Any collection the Treasury makes of Taiwan dollars is then allocated, or earmarked, or set aside, or credited, to Taiwan for subsequent use. Is that correct?

Mr. TENNANT. I would like to say it this way: The repayments we receive back go into the U.S. Treasury and can only be used by the U.S. Government upon agreement with Taiwan.

Mr. PASSMAN. That is exactly what I said. You cannot spend it in any other country, can you?

Mr. TENNANT. That is correct, sir.

Mr. PASSMAN. It is plowed back in Taiwan on contracts mutually agreed upon by the two countries?

Mr. TENNANT. That is correct, sir.

Mr. PASSMAN. I just wanted the record to show what kind of loan we were talking about under the new program.

Mr. ROONEY. Development loan.

PRESENT TERMS FOR DOLLAR REPAYABLE LOANS

Mr. PASSMAN. I know it is the Development Loan Fund. We have amply stated that for the record. In the Development Loan Fund, under new criteria after the world bankers took a complete about-face overnight, we are to get it back in dollars. When you talk about Taiwan, are you talking about that thing that Secretary Dillon calls development credits, for 40 years, no interest, a 10-year grace period? Is that the type of credit or loans you have there?

Mr. JANOW. The loans are all for 40 years.

Mr. PASSMAN. Then if they should ever pay any of it back, it would go back into the program, not back into the Treasury. Is that correct?

Mr. JANOW. I do not believe so.

Mr. PASSMAN. It is so, anyway, whether you believe it or not.

Mr. TENNANT. It would go back into the program under the section——

Mr. PASSMAN. It would not go back into the Treasury to pay my salary?

Mr. TENNANT. No, sir.

Mr. PASSMAN. Just so we understand it.

TOURIST HOTEL PROJECT

You mentioned a tourist hotel. Could you give an estimate of what the cost of this hotel may be, if and when this should ever be brought into being?

Mr. JANOW. Yes. A million and a half.

Mr. PASSMAN. It has advanced to the stage that at least we have an estimate as to what it would cost if we go through with it.

Mr. JANOW. That is true.

Mr. PASSMAN. I believe you finished a new tourist hotel, or a new general hotel, 3 or 4 years ago out on Taiwan. Not you, but the Government of Taiwan.

Mr. JANOW. The Grand Hotel.

Mr. PASSMAN. You were speaking about the need for additional funds. You will deal with the same government in the future that you have dealt with in the past in Taiwan.

Mr. JANOW. That is correct.

(Off the record.)

SAWMILL PROJECT

Mr. PASSMAN. While we are waiting for the gentleman to return to the hearing room, could you tell us about that sawmill they built on the mountain? I did not intend to get into these country programs. There are 101 nations, and we went into about 50 of them. We thought we would skip them because we thought we had made the case, but let us go ahead with this. Are you familiar with the sawmill that was started in Taiwan, and after we got the mill set up we found out it would not saw the logs which they produce out there?

Mr. JANOW. I shall have to find that project.

Mr. POATS. It is not an active project, and it is not in the project book. I will see if we have any papers on it.

Mr. PASSMAN. You have heard some talk of that sawmill?

Mr. JANOW. Yes, I have.

Mr. PASSMAN. As far as you know, there is no sawmill there now?

Mr. JANOW. I do not believe it is an active project, and I have not reviewed it.

Mr. PASSMAN. It was a project at one time. Are you familiar with it, Mr. Controller?

Mr. TENNANT. I have heard of that project. I cannot talk in detail on it, sir.

Mr. PASSMAN. There was a lot of bad engineering. Would that be mild enough to put it?

Mr. GARY. It was during the previous administration, was it not?

Mr. TENNANT. I believe it was, sir. I think there were some problems with the project.

Mr. PASSMAN. I want to ask the engineer if he would agree with me that if he built a sawmill on Taiwan, out in the mountains, at tremendous expense, and found it would not do what it was intended to do, and it had to be dismantled—if that is the case—if it had been previously properly engineered you would not have had such a situation as that?

Mr. JANOW. It is very disappointing that any project like that——

Mr. PASSMAN. I am talking to you as an engineer. We discussed several of them today on which, if they had been properly engineered,

a lot of money might have been saved. If you had been in charge of the program, I have every reason to believe that you would have had this thing possibly differently engineered. You might want to have a look at that sawmill project.

DEVELOPMENT LOANS APPROVED IN 1962

We discussed last year—and this will be a good place to cut off the regional hearings—that you had a range in the development credit category and you have, of course, the same this year. The range last year ran from $1,090 million to $1,210 million. How much did you actually finally obligate to these 13 specific countries that you identify on this sheet? That was the list you gave us last year for the development credit fund. Is that your sheet?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. I think 13 countries are listed there?

Mr. TENNANT. That is correct, sir.

Mr. PASSMAN. Is this data classified?

Mr. TENNANT. It was classified confidential at that time, sir.

Mr. PASSMAN. Has it been declassified?

Mr. TENNANT. I would have to check that, sir.

Mr. PASSMAN. I can use the totals, may I not, and name the countries, as long as I do not show the amount scheduled to each individual country? That would not be classified, would it? I am talking about the development credit proposal you submitted to the committee last year.

Mr. MILLER. I do not believe so, Mr. Chairman, subject to reviewing it again.

Mr. PASSMAN. Thank you.

Here are the countries you justified last year for development credits, those things that you call loans: China, Korea, Thailand, Iran, Israel, United Arab Republic, India, Pakistan, Nigeria, Tunisia, Argentina, Brazil, and Colombia.

Now tell us how much you obligated to these 13 countries out of fiscal year 1962 funds.

Mr. TENNANT. I will have to take those countries individually, sir. What was the first country?

Mr. PASSMAN. China.

Mr. TENNANT. $25.2 million. I am using loans approved in this case.

Mr. PASSMAN. That is right, out of 1962 funds. China, $25.2 million.

The next one is Korea.

Mr. TENNANT. $25,150,000.

Mr. PASSMAN. Thailand?

Mr. TENNANT. $11,100,000.

Mr. PASSMAN. Iran?

Mr. TENNANT. $6 million.

Mr. PASSMAN. Israel?

Mr. TENNANT. Israel, $45 million.

Mr. PASSMAN. United Arab Republic?

Mr. TENNANT. United Arab Republic, $20 million.

Mr. PASSMAN. India?

Mr. TENNANT. India, $445,900,000.
Mr. PASSMAN. Nigeria?
Mr. TENNANT. Nigeria—I do not show anything for Nigeria. Zero.
Mr. PASSMAN. Tunisia?
Mr. TENNANT. Tunisia, $12,400,000.
Mr. PASSMAN. Argentina?
Mr. TENNANT. Argentina, $20 million.
Mr. PASSMAN. Colombia?
Mr. TENNANT. Colombia, zero.
Mr. PASSMAN. Give us your total, please.
Mr. TENNANT. $610,750,000.

FISCAL YEAR 1962 REQUEST IN EXCESS OF ACTUAL LOAN APPROVALS

Mr. PASSMAN. Gentlemen, this is a most important thing we shall discuss to show you how completely inaccurate this information was last year. Under these development credits you asked for a range of $1,010 million up to $1,210 million. You have given us figures on 12 countries, is that right, Mr. Controller?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. Where you asked for this range up to $1,210 million last year, you actually obligated $610,750,000.

Mr. TENNANT. That is right, sir. Several did not get any loans.

Mr. PASSMAN. It just gives you an idea how much in excess of the actual needs you requested last year for specific countries. I am dealing with these specific 13 countries. You wanted $1,210 million, and you finally obligated $610 million.

Mr. MILLER. Mr. Chairman, could I review that once more. You said 12 countries or 13 countries?

Mr. PASSMAN. Thirteen countries. One of them you deleted.

Mr. MILLER. Yes.

Mr. PASSMAN. For some of these countries you only obligated as much as 40 percent of what you said you would need?

Mr. MILLER. Mr. Tennant's $610 million figure is only for nine countries. I think we must have——

Mr. PASSMAN. Let us go back over it to be sure. How much did you have for China?

Mr. TENNANT. $25.2 million.
Mr. PASSMAN. Korea?
Mr. TENNANT. $25.15 million.
Mr. PASSMAN. Thailand?
Mr. TENNANT. $11.1 million.
Mr. PASSMAN. Iran?
Mr. TENNANT. $6 million.
Mr. PASSMAN. Israel?
Mr. TENNANT. $45 million.
Mr. PASSMAN. United Arab Republic?
Mr. TENNANT. $20 million.
Mr. PASSMAN. India?
Mr. TENNANT. $445.9 million.
Mr. PASSMAN. Pakistan?
Mr. TENNANT. We missed Pakistan the first time through, sir; $207.9 million.

Mr. PASSMAN. Of course, you had a range of only $100 million, but that is all right.

Nigeria?

Mr. TENNANT. Nigeria, nothing.

Mr. PASSMAN. Tunisia?

Mr. TENNANT. $12.4 million.

Mr. PASSMAN. Argentina?

Mr. TENNANT. $20 million.

Mr. PASSMAN. Colombia?

Mr. TENNANT. Zero.

That makes a total of $818,650,000.

Mr. PASSMAN. Whereas you had a top range of $1,210 million. Is that correct?

Mr. TENNANT. $1,210 million; yes, sir.

Mr. PASSMAN. Could you find out whether or not this information could be declassified? I am not going to do anything to endanger the security of our country.

LOANS TO COUNTRIES NOT LISTED IN ORIGINAL FISCAL YEAR 1962 PLANS, WORLDWIDE

Did you make any commitments out of the development credit section that you did not justify last year? We have gone over the 13 countries that you gave the committee. Have you obligated any other funds to any other countries out of the development credits?

Mr. TENNANT. I do not know that that was presented as being the complete usage of the fund.

Mr. PASSMAN. This is what you used to justify the funds.

Mr. MILLER. Mr. Chairman——

Mr. PASSMAN. Did you obligate funds out of the development credits to any countries other than the 13 that we have listed here?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. Would you give us the list of those, and tell us where we will find the justifications from last year similar to this sheet?

Mr. MILLER. Mr. Chairman, perhaps I could shed a little light on that.

Mr. PASSMAN. Let it come.

Mr. MILLER. Last year you may recall that when we presented these ranges to you, we presented a memorandum at that time that emphasized several things. One is that these, of course, were estimates, and that they would be subject to the criteria involved.

Mr. PASSMAN. Is this the sheet that you gave us last year for the 13 nations? Is that complete as you gave it to us?

Mr. MILLER. It is my understanding, Mr. Chairman, this is the sheet which was presented to you along with a classified memorandum.

Mr. PASSMAN. You did not have any supplement to that by way of another sheet, did you?

Mr. MILLER. My understanding, Mr. Chairman, is that we did pass around last year a classified memorandum which did include the figures or estimates of the magnitude involved in this particular sheet and, in addition, stated that there were a number of other countries that would have, if they met the criteria, development lending.

Mr. PASSMAN. Where is the list of the countries, though? Let us be sure we do not get off on some technicality. This was the sheet you gave the committee to justify the funds, 13 countries, by amount and range. Is that correct so far?

Mr. MILLER. For these countries, Mr. Chairman, that is correct.

Mr. PASSMAN. Where is your supplement to this sheet, by range and by country?

Mr. MILLER. Could I provide that for the record?

Mr. PASSMAN. Do any of you have it with you?

Mr. MILLER. I have here in my hand——

Mr. PASSMAN. I am interested in your justification sheets. Are you not using the language of the law and the criteria, which you have a right to do, I am sure; but you are including other nations by the criteria and the legislation, are you not, in addition to the ones you listed?

Mr. MILLER. Mr. Chairman, my recollection of what we told the committee last year was that for these 13 countries we could foresee requirements in approximately this amount.

Mr. PASSMAN. We are in complete accord on that point. Have you a list of the other countries, a sheet that you gave us similar to this, or are we dealing now with some criteria beyond this sheet of justifications?

Mr. TENNANT. I thought Mr. Coffin's testimony—and I was looking to see if I could find it in last year's hearing—was not directed at attempting to justify the program by individual country.

Mr. PASSMAN. That is true.

Mr. TENNANT. He merely gave this as illustrative.

Mr. PASSMAN. At the time you justified this money, so far as you knew, this would be the list of nations which would receive aid out of the development credit category; is that right?

Mr. MILLER. Mr. Chairman, did we include Brazil in this particular——

Mr. PASSMAN. Was Brazil on that sheet?

Mr. MILLER. Yes, Mr. Chairman.

Mr. PASSMAN. Then I called it.

Mr. MILLER. I think we should include Brazil, then, Mr. Tennant. Would you want to add that?

Mr. PASSMAN. I am going to turn this sheet over to you and ask you to take Brazil and all the others. Then, you indicate by the amounts shown here the amount that you allocated to each country, whether it is up or down. Can you do that for us?

Mr. TENNANT. Yes, sir.

(The information requested follows:)

Development lending anticipated for fiscal year 1962 compared with loans approved during fiscal year 1962

[Millions of dollars]

Country	Tentative plan (range)	Conditional commitments	Loans approved
China	60- 80		25.2
Korea	40- 50		25.2
Thailand	15- 25		11.1
Iran	20- 30		6.0
Israel	15- 25		45.0
United Arab Republic	30- 40		20.0
India		500	445.9
Pakistan		200	207.9
Nigeria	20- 30		0
Tunisia	25- 35		12.4
Argentina	50- 75		20.0
Brazil		100	74.5
Colombia	15- 20		0
Total	290- 410	800	
Conditional commitments	800- 800		
Total (including conditional commitments)	1090-1210		893.2

ADDITIONAL LOAN APPROVALS

Mr. PASSMAN. Can you tell us what other countries you allocated funds to out of the development credit fund?

Mr. TENNANT. Yes, sir. We have all of the countries that we have allocated to.

Mr. PASSMAN. Give us the other countries, over and above this list.

Mr. TENNANT. Over and above the listing that you have. In the Far East you have China, Korea, and Thailand. We had a small loan to the Philippines for $100,000.

In the Near East, on your sheet you have Iran, Israel, and the United Arab Republic. We made allocations, in addition to those, to Greece, Syria, and Turkey.

Mr. PASSMAN. How many would that be, in total?

Mr. TENNANT. That is three countries.

Mr. MILLER. With the addition of Brazil——

Mr. PASSMAN. Did you not miss your estimates an average of about 50 percent, with the exception of about three of the countries?

Mr. TENNANT. With Brazil, the total comes to $893 million.

Mr. PASSMAN. But you are still dealing with $1,210 million. Will you tell us in how many of those countries you missed it by half?

Mr. TENNANT. This range was between $1.09 to $1.210 billion.

Mr. PASSMAN. Out of the 13 nations, in how many did you miss it by 100 percent? Is it not about 8 out of the 13?

Mr. TENNANT. By 100 percent?

COMPARISON OF LOAN APPROVALS WITH FISCAL YEAR 1962 ESTIMATES

Mr. PASSMAN. Yes. Let me have the list. We will get a good record on this.

Country No. 1—China: What amount did you obligate?

Mr. TENNANT. We approved loans for $25.2 million.

Mr. PASSMAN. And you had a range from $60 to $80 million?
Mr. TENNANT. That is correct.
Mr. PASSMAN. Korea. How much did you obligate?
Mr. TENNANT. $25,150,000.
Mr. PASSMAN. You had a range from $40 to $50 million?
Mr. TENNANT. That is correct.
Mr. PASSMAN. Thailand?
Mr. TENNANT. $11.1 million.
Mr. PASSMAN. You had a range from $15 to $25 million?
Mr. TENNANT. That is correct.
Mr. PASSMAN. Iran?
Mr. TENNANT. Iran, $6 million.
Mr. PASSMAN. You had a range from $20 million to $30 million?
Mr. TENNANT. Correct.
Mr. PASSMAN. Israel?
Mr. TENNANT. $45 million.
Mr. PASSMAN. You had a range from $15 to $25 million, and you went over on that one?
Mr. TENNANT. Yes, sir.
Mr. PASSMAN. United Arab Republic?
Mr. TENNANT. $20 million.
Mr. PASSMAN. And you had a range from $30 to $40 million?
Mr. TENNANT. Yes, sir.
Mr. PASSMAN. India?
Mr. TENNANT. $445.9 million.
Mr. PASSMAN. And you had a flat figure of $500 million?
Mr. TENNANT. Yes, sir.
Mr. PASSMAN. Pakistan?
Mr. TENNANT. $207.9 million.
Mr. PASSMAN. You had a flat amount of $200 million?
Mr. TENNANT. Yes, sir.
Mr. PASSMAN. Nigeria?
Mr. TENNANT. Nigeria, nothing, sir.
Mr. PASSMAN. But you had a range of from $20 to $30 million?
Mr. TENNANT. I believe that is correct.
Mr. PASSMAN. Tunisia?
Mr. TENNANT. Tunisia, $12.4 million.
Mr. PASSMAN. You had a range from $25 to $35 million?
Mr. TENNANT. That is correct.
Mr. PASSMAN. Argentina?
Mr. TENNANT. $20 million.
Mr. PASSMAN. You had a range of from $50 to $75 million?
Mr. TENNANT. That is correct.
Mr. PASSMAN. For Brazil, you had a flat amount of $100 million. What sum did you obligate?
Mr. TENNANT. Brazil, $74.5 million.
Mr. PASSMAN. Colombia: How much did you obligate?
Mr. TENNANT. No obligations.
Mr. PASSMAN. But you had a range of from $15 to $20 million?
Mr. TENNANT. That is correct.
Mr. PASSMAN. So, I repeat, out of the 13 nations, I think you will find maybe 7 where your estimate was double, or more, your obligations.

Mr. MILLER. On that subject, Mr. Chairman, I know the committee would want to have pointed out that the total range of difference is about 10 percent. When we stated this—I think if you will look on pages 803——

Mr. PASSMAN. You mean 10 percent after you transferred the funds.

Mr. MILLER. Mr. Chairman, I think in this connection, pages 802 through about 805 of the committee hearings last year, in which Mr. Coffin explained this particular categorization——

Mr. PASSMAN. The point is, if you had pinpointed this right by going into other nations, it still follows that you justified and gave us the range of $1,090 million to $1,210 million on only 13 nations, and on 7 or 8 of the 13 nations you estimated requirements about 100 percent more than the amount you obligated, which would certainly indicate that you were guessing all the way through.

Mr. MILLER. Mr. Chairman, I do not think one confidential insert taken out of the context of the hearings——

Mr. PASSMAN. I am not taking it out of the context of the hearings.

Mr. MILLER. On pages 802 through 805——

Mr. PASSMAN. Are you dealing with this statement you gave me?

Mr. MILLER. Yes, Mr. Chairman.

Mr. PASSMAN. All right; what did you say in the statement on these nations?

Mr. MILLER. I will read from Mr. Coffin's testimony which he was giving on this subject:

> I should now like to turn to the amount of borrowing authority requested for fiscal year 1962 and the budget program for that year already presented to this committee.
>
> We are seeking approximately $1.2 billion for fiscal year 1962. As this committee realizes, a lending operation cannot be and should not be programed in advance.

He goes on and describes this and categorizes the countries to which we anticipate development lending will be given in three groups. The first group of countries which are involved includes India, Pakistan, and Brazil, and he points out some statistics.

> Loans to these countries will reach at least the figure between $700 million and $800 million. This is the range of assistance to these three countries.

The second group includes a number of countries, and there he categorizes Tunisia, Nigeria, Argentina, Colombia, Israel, United Arab Republic, Greece, Turkey, Taiwan, and the Philippines. He discusses these and says for these——

Mr. PASSMAN. The Philippines is not on this list.

Mr. MILLER. For this second group of countries, which he is trying to explain——

Mr. PASSMAN. Trying to is right. Go ahead.

Mr. MILLER (continuing). To this committee why it is we need the money and the ranges involved, he says:

> It is our best current judgment that these countries will warrant lending assistance for between $300 million to $400 million in loans during fiscal year 1962.

Then the third category of countries as he was testifying before this committee:

> Beyond those major claimants there are between 30 and 40 additional countries for which individual project loans—

Mr. PASSMAN. Thirty or forty additional ones?

Mr. MILLER. Yes—

would probably be warranted in fiscal year 1962 were the funds available. Twenty-two of these nations now have pending before the Development Loan Fund applications in excess of $300 million, and additional proposals are now in preparation.

The point of this is, I was trying to place this particular piece of paper in the context that it deserves in terms of the hearings last year.

Mr. PASSMAN. That is your opinion. What have you proven so far as answering my question concerning this tentative fiscal year 1962 development loan plan? This is what you submitted to this committee to mark up the bill by. I am going to deal with the sheet that you people gave us.

I shall direct the question again to the Controller: Of the 13 nations on this sheet where you have a range from $1,090 million to $1,210 million, how many of those nations did you estimate the requirements at double what you obligated?

Mr. TENNANT. I would say five.

Mr. PASSMAN. How many of them did you give a goose-egg obligation?

Mr. TENNANT. Two.

Mr. PASSMAN. That is seven, is it not?

Mr. TENNANT. Excuse me.

Mr. MILLER. In this connection, Mr. Chairman——

Mr. PASSMAN. I cannot listen to Mr. Tennant and to you at the same time.

Mr. TENNANT. One in addition to the five.

Mr. PASSMAN. That is six. So, for approximately 50 percent, 6 out of 13, you overestimated the requirement by over 100 percent, according to the figures you have there in this sheet?

Mr. TENNANT. I believe if you limit it to these pieces of paper, that is correct.

Mr. PASSMAN. I limit it to these two pieces of paper, because this is what we worked by to mark up our bill. I realize you have the authority to go into the other 40 nations, but we are trying to get this to the point that we shall have some general idea of where you will obligate these funds.

Mr. MILLER. Mr. Chairman, that is what I tried to explain, that Mr. Coffin last year in his testimony indicated that these were ranges and estimates, and that these particular facts as brought out by the sheet which you have in your hand also were estimates and ranges to which——

Mr. PASSMAN. This is the sheet you gave to us, and it is the sheet about which we have been talking.

Thank you very much, all of you.

For the first time in years, I have a little ray of hope that out of your direct testimony may emerge some type of program that will abandon the double standard for projects in America and abroad. I think that just the hearings today would indicate the Congress would be wise to amend the legislation immediately, and get this thing back under some degree of control, and bring in projects that had been properly engineered by a cost-benefit factor. I think that by such

an approach we could keep this thing from falling in on the heads of all of us.

PROCEDURE FOR DEVELOPMENT LOAN APPROVALS

Mr. FORD. May I ask Mr. Janow a question? I presume the procedure for the approval of development loan projects is the same in your area as it is in the other areas of the world.

Mr. JANOW. I think substantially the same.

Mr. FORD. As I understand the testimony by Mr. Gaud and the testimony by Mr. Hutchinson, all development loan projects went through their office, and I presume go through your office.

Mr. JANOW. Yes.

Mr. FORD. From there, they went up to some loan committee. Is that correct?

Mr. JANOW. That is correct.

Mr. FORD. Have you rejected any project so far that was subsequently approved above your position?

Mr. JANOW. No, sir.

Mr. FORD. And the reverse, too: Have you approved projects which they have rejected?

Mr. JANOW. No. There have been no projects like that, none that we have rejected that have been approved by the Administrator, and he has not set aside any of my recommendations.

Mr. FORD. I hope the same will be true next year.

Mr. JANOW. I am confident it will be.

Mr. PASSMAN. Of course, I would like to see you vetoed occasionally.

Mr. JANOW. In what way?

Mr. PASSMAN. You told us yesterday that no project you had approved had been vetoed at a higher level.

Mr. JANOW. That is correct.

Mr. PASSMAN. I would feel better to know they had turned down some recommendations.

Mr. JANOW. Mr. Chairman, may I say just 2 or 3 minutes' worth on the nonproject side?

SUPPORTING ASSISTANCE PROGRAM FOR FAR EAST

Mr. PASSMAN. What do you mean, "nonproject side"?

Mr. JANOW. In connection with supporting assistance.

As you know, about 75 percent of the total of supporting assistance requested by the Agency will be expended in the Far East region. In fiscal year 1962, we obligated in supporting assistance $270 million. We are asking for an increase in this category to $349 million.

Mr. FORD. This is for this region?

Mr. JANOW. Just for my region.

Mr. FORD. And the $270 million is for your region, too?

Mr. JANOW. That is right. I am testifying only for my region, Mr. Ford.

I would like to point out that the total of that increase takes place in four countries—Korea, Vietnam, Laos, and Burma. In every other country of my region, supporting assistance has either been reduced or eliminated. Therefore, the total of increase in supporting assistance asked for by the Far East region relates to our security in Korea, Vietnam, Laos, and fulfills this old commitment in Burma.

Mr. PASSMAN. The supporting assistance succeeded the defense support?

Mr. JANOW. Yes, substantially.

Mr. PASSMAN. Originally, the defense support went into a limited number of countries?

Mr. JANOW. That is correct.

Mr. PASSMAN. But now, in addition to the supporting assistance, you also have the "Development grant" category; have you not?

Mr. JANOW. That is correct. Development grants are somewhat analagous to the old "Technical cooperation" appropriation.

Mr. PASSMAN. You also are supplementing out of Public Law 480 certain projects which heretofore you programed out of other categories of aid. Is that a statement of fact?

Mr. JANOW. It is a statement of fact.

The total of Public Law 480 requested for the region for next year is reduced over this year by more than $20 million.

Mr. PASSMAN. You do have these other categories, which to some extent offsets the original limitation on defense support, does it not?

Mr. JANOW. I realize, Mr. Chairman, that the supporting assistance category is not popular with this committee, and probably not with the Congress, but I think when you consider this category you should bear in mind that for 75 percent of the category you are really dealing with four countries in the Far East. These four countries are Korea, Vietnam, Laos, and Burma.

Mr. PASSMAN. But, have I stated it correctly: At one time you had only the defense support to a limited number of countries, but now you can supplement it out of the development grant category and you can also supplement it out of this inflated contingency fund——

Mr. JANOW. No, sir.

Mr. PASSMAN. The contingency fund can be given, can it not, as direct grant aid?

Mr. JANOW. It can, of course.

Mr. PASSMAN. Also, I believe you stated that Public Law 480 to some extent, in some parts of your area, is replacing original grant aid. So, when you are doing that, deal with the aggregate.

Mr. JANOW. I am dealing with the aggregate, sir. Let me complete the point by reminding you that there is no development lending in Laos. There is no development lending in Vietnam. There is no development lending in Burma. So far as the Public Law 480 is concerned, the amount for next year is less than this year. In other words, sir, I wish to call to the committee's attention that if they take a harsh attitude toward supporting assistance, they will be directly affecting our military position in Korea, Vietnam, and Laos.

Mr. PASSMAN. (Off the record.)

Mr. PASSMAN. I want to say, respectfully, if I had let you get your conclusions in, one would think we were placing a limitation on just your area. This is appropriated on a worldwide basis, is it not? It is so diversified, if you happen to reduce the supporting assistance, there are other accounts by which it can be supplemented on a grant aid basis, could it not? Are we not dealing in totals?

Mr. JANOW. We are not using development grants to supply what is required for supporting assistance.

Mr. PASSMAN. You can do it out of the contingency fund?

Mr. JANOW. Yes, we can do it out of the contingency.

Mr. PASSMAN. In Laos, since you opened that up—you do still have to the credit of Laos, unliquidated, $33,060,000 in military. We hope that can be utilized.

Mr. JANOW. Thank you.

Mr. PASSMAN. While you are working out these programs, if you happen to find the time, tell us where we are going to get the money to pay for all of them, will you?

REDUCTION IN FUNDS FOR FAR EAST

Mr. ROONEY. So I understand all your testimony, how much do you feel should be appropriated by the Congress for your area?

Mr. JANOW. Sir, we have made a total request of $624 million.

Mr. ROONEY. Do you think that can be reduced?

Mr. JANOW. I have just said, sir, a reduction in supporting assistance, I think, would be dangerous. I hope, in my testimony, I have made it clear that the estimates for development lending are just estimates. They depend on developing economic situations. If things go well in Korea and Taiwan and in the Philippines, we may use all this money and more. If they go badly, we may use less.

I think it very difficult to expect in my region that the development lending estimate should be a very close one. It is not the kind of region in which a close estimate can be made.

Mr. ROONEY. Thank you.

Mr. PASSMAN. We make our recommendations, and the Congress finally agrees upon a certain amount of aid for the mutual security program. It is on a worldwide basis. Yours is illustrative. The allocations are made downtown, are they not, Mr. Janow?

Mr. JANOW. That is correct.

Mr. PASSMAN. We do make the appropriation and the people downtown allocate the funds. We have no control after we appropriate the money as to what nations get the money and in what amounts. This is up to the Executive. Are we in agreement?

Mr. JANOW. Yes.

OPERATION OF AGENCY ON CONTINUING RESOLUTION

Mr. PASSMAN. You are familiar with the continuing resolution that we pass—if you do not get the money bills by the beginning of the new fiscal year we pass a continuing resolution to provide for the AID Agency the same amount of money, at the same level, as they had in the previous year, until the new appropriation is received.

Mr. JANOW. Yes, sir.

Mr. PASSMAN. Last year under the amended figures you had unexpended on June 30, 1961, $5,975,397,000. There was a terrific fight last year on this bill, but finally we appropriated under the mutual security section $3,935,248,000. Are those figures correct, Mr. Tennant?

Mr. TENNANT. Yes, sir; they are correct.

Mr. PASSMAN. It gave you available for expenditures $9,910,645,000?

Mr. TENNANT. Yes, sir. This is for both economic and military, sir.

Mr. PASSMAN. I am talking about the mutual security section of the bill only. It has nothing to do with Public Law 480 or international organizations. This deals directly with mutual security. Is that correct?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. You said earlier that you had sufficient funds in your area to carry on satisfactory programs and projects?

Mr. JANOW. In 1962.

Mr. PASSMAN. We have had similar testimony from other witnesses.

ACTUAL EXPENDITURES IN 1962

The actual expenditures in fiscal 1962 amounted to $3,198,100,000. Is that correct, Mr. Tennant?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. Which means, of course, that you increased the pipeline, or available funds, for subsequent years up to $6,712,545,000. Is that correct, Mr. Tennant?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. Would it follow that, had deliveries been made and had you needed to expend more funds than the $3,198,100,000, they would have been available?

Mr. TENNANT. The expenditures relate to the terms of the contracts and the outstanding orders.

Mr. PASSMAN. Had deliveries been made and invoices presented and services rendered in any category, you had funds on hand to meet those payments. Is that correct?

Mr. TENNANT. Yes; that is so.

Mr. PASSMAN. Thank you, and a lot of good luck to you.

Mr. JANOW. Thank you. It has been very educational.

TUESDAY, AUGUST 7, 1962.

INTERREGIONAL EXPENSES

WITNESSES

LESTER E. GORDON, DEPUTY DIRECTOR, PROGRAM REVIEW AND COORDINATION STAFF, AID
EDWARD F. TENNANT, ACTING CONTROLLER, AID
LEIGH M. MILLER, LEGISLATIVE PROGRAMS COORDINATOR, AID
ALBERT D. NEMECEK, CHIEF, ADMINISTRATIVE BUDGET BRANCH, AID

Mr. PASSMAN. The subcommittee will come to order.

"Interregional expenses" is a category to which we refer as the "jackpot," that is, it can be allocated anywhere in the region?

Mr. GORDON. I think my statement will make that clear, sir.

INTERREGIONAL PROGRAMS FOR FISCAL YEAR 1963

Mr. Chairman, members of the subcommittee, I am here to discuss the estimate of $30 million for the costs of interregional programs in fiscal year 1963.

This estimate, which is a part of the development grant request, includes activities performed mainly in the United States which are clearly program operations but are not readily attributable to specific country or regional programs. Given the nature of these activities, it is practicable to fund them only on a centralized basis, although, as I will demonstrate in my subsequent description of the nature of these activities, they constitute essential elements of the development grant program around the world.

There are nine interregional activities. The fiscal year 1963 estimate for each, and comparable figures for prior years, are shown in the table attached to this statement.

AID WASHINGTON PROGRAM STAFF

The AID Washington program staff, as distinguished from the administrative staff, comprises the segment of the domestic operations of AID which directly supports program operations. This includes personnel concerned with the implementation and support of assistance programs, as opposed to program planning, control, and the normal administrative functions of any U.S. Government agency. Contract officers, training officers, technicians, and research personnel are considered to be engaged in program operations.

We are requesting an increase of 48 percent in this category for fiscal year 1963, due largely to a net increase of 211 positions which results from the realinement of staffing between the administrative and program funding categories of staff to implement the proper assignment of the program implementation and support functions in the new AID organization. A total of 258 positions which had been carried on the administrative roll were found on examination to be concerned with program implementation and support. Forty-seven positions were abolished, leaving a net addition of 211 proposed for funding from the program budget in fiscal year 1963. The shift was delayed in order to permit congressional review, as part of the budgetary process.

A secondary factor in the increase is the financing for a full year in fiscal year 1963 of the Research, Evaluation, and Planning Assistance Staff which was in existence only part of the year in fiscal year 1962.

PROGRAM SUPPORT BY OTHER U.S. GOVERNMENT AGENCIES

Interagency agreements are negotiated by AID with other U.S. Government agencies to capitalize on their technical competencies in furnishing assistance to cooperating countries. These arrangements parallel contracts for services with universities and other private institutions but in this instance are funded annually as the costs are primarily for the services of U.S. Government personnel. Domestic support for two basic program objectives is provided by participating agency technical personnel, as follows: (1) development of specific training of foreign nationals, and (2) technical support of oversea technicians and projects. Interregional funds compensate the participating agencies for the program services provided.

Special problems, requiring more individual attention in training, orientation, and community relations, are arising as the numbers of participants from less developed countries increases.

PARTICIPANT SERVICES

Facilities of universities and colleges, industrial plants, local and Federal Government institutions, and other facilities throughout the United States are used for training of participants from foreign countries. To the extent such facilities are available on a tuition fee basis, these expenses and others, identifiable with specific participant projects, are paid from country or regional project funds. Normal training services of U.S. Government agencies are financed under "Program support by other U.S. Government agencies," which I have just described. However, certain other training services of a more specialized character are funded on a worldwide basis from this category of interregional program funds. These services include orientation of participants, reception services, English language training, interpreters, fees for health and accident insurance covering participants while in the United States, and training in such specialized fields as public safety and community water supply.

COMMUNICATIONS RESOURCES SERVICES

The Agency conducts a vigorous program of training, guidance, and supply of materials designed to improve communication across the barriers of language and cultural difference, illiteracy, and distance. It provides for the location, evaluation, acquisition, and/or production, and the dissemination of books, technical publications, films, tapes, and other visual materials to be used by participants, technicians, and their foreign counterparts in all types of AID field programs. It develops and tests new and more effective devices, materials, and systems for training and education at all levels but with special emphasis on how to train illiterates and new literates in new ways to solve many kinds of problems.

PROGRAM SUPPORT BY THE DEPARTMENT OF STATE

The Department of State performs certain common services in Washington and overseas such as communications, health, fiscal, transportation, and custodial services for which it charges all agencies serviced on a pro rata basis. The cost of these services applicable to program personnel and operations is charged to the interregional program. The principal reason for the increase in this item in fiscal year 1963 over fiscal year 1962 is the continued expansion of programs in tropical Africa. Existing facilities in this area are severely limited and health conditions are more hazardous than usually found in less developed countries, requiring an extensive buildup of facilities.

AID STAFF TRAINING AND DEVELOPMENT

Through this activity, the Agency provides both preservice and inservice training for selected employees engaged in program operations, as distinguished from administrative operations.

Principal emphasis in the past has been on language training and the development of particular technical skills. Coincident with the reorganization of the total foreign aid effort, the staff training and development program is being given new emphasis and direction.

Increased attention is being given to language training, including training for wives and adult dependents of employees, and for contract

personnel. A considerable expansion is being achieved in basic preservice orientation, in reorientation for onboard employees, and in foreign area indoctrination studies for all personnel. The 3-week preservice orientation conducted in fiscal year 1961 has been expanded to a 6-week program in fiscal year 1962, including the addition of 2 weeks of special area cultural studies conducted by the Foreign Service Institute of the Department of State. For fiscal year 1963, plans are being developed for expansion to an 8-week preservice orientation program, and to include special indoctrination in new organizational and program concepts.

AID FOREIGN SERVICE STAFFING COMPLEMENTS

Three temporary or transitional staffing complements have been utilized during the past 5 years to meet practical operational needs. These consist of the recruitment, reassignment, and medical complements.

Through the availability of the recruitment complement, the Agency is able to employ qualified candidates at the time they are available, thus avoiding their loss to competitive employers while specific placement determinations are being negotiated and cleared. The reassignment complement enables the Agency to retain experienced personnel on its rolls in a duty status when specific reassignments have been delayed for a number of practical reasons, including reprograming of country needs. The medical complement provides an administrative solution for retaining employees who have suffered medical disability overseas during their periods of treatment and convalescence prior to return to new oversea assignments.

The considerable expansion of the AID program into the less developed and more unhealthful areas has produced an increasing number of cases requiring absence from a specific oversea post for a period longer than can be maintained without replacement.

U.S. MISSION TO THE NORTH ATLANTIC TREATY ORGANIZATION AND EUROPEAN REGIONAL ORGANIZATION (USRO) STAFF

A small AID staff of approximately 10 persons is attached to USRO in Paris to advise the Ambassador to the Organization for Economic Cooperation and Development (OECD) with respect to economic development problems. This same group also maintains contact with Germany, Switzerland, and other countries in respect to their bilateral programs, as well as with the U.N. specialized agencies in Europe, such as UNESCO, FAO, and WHO. In addition to coordinating the U.S. bilateral program with those of other OECD members, the USRO office services African, Middle Eastern, and other missions in respect to third country training in Europe, recruitment of technicians, and furnishing technical literature and films.

The work of the USRO liaison group is expected to increase considerably during fiscal year 1963 as the work of the OECD and of its Development Assistance Committee (known as DAC), with respect to the lesser developed countries, becomes established and organized.

TRAINING IN COOPERATIVES

An International Cooperative Training Center is being established in the United States to conduct seminars, workshops, and training

courses in cooperative principles and practices. These courses will be combined with on-the-job training in cooperative facilities such as savings and loan institutions, agricultural cooperatives, and housing cooperatives.

Interregional programs

[In thousands of dollars]

	Fiscal year 1961, actual	Fiscal year 1962, preliminary obligations	Fiscal year 1963, estimated
AID Washington program staff	5,459	6,499	10,200
Program support by other U.S. Government Agencies	4,924	4,844	5,460
Participant services	3,312	3,525	4,560
Communications resources services	672	1,030	900
Program support—Department of State	5,189	5,532	5,700
AID staff training and development	1,241	1,630	2,200
AID foreign service staffing complements	456		590
AID USRO staff	286	202	250
Training in cooperatives		140	140
Total	21,539	23,402	30,000

Mr. PASSMAN. Thank you, Mr. Gordon.

INTERREGIONAL PROGRAM FOR FISCAL YEAR 1962

What was the amount of the fiscal year 1962 program for the interregional expenses?

Mr. GORDON. $24,105,000, Mr. Chairman.

Mr. PASSMAN. What was the original estimate submitted to Congress this year?

Mr. GORDON. I am sorry; I gave the wrong figure. The actual obligations at the end of fiscal year 1962 were $23,402,000.

Mr. PASSMAN. Thank you.

Mr. GORDON. The original estimate, as it appears in the presentation book, showed $24,105,000.

Mr. PASSMAN. All departments operate in the same way. They prepare their justifications for the next fiscal year in January, February, and March?

Mr. GORDON. That is right.

Mr. PASSMAN. And they all stick by the books until the bill is finally worked out?

Mr. GORDON. I assume so, Mr. Chairman, yes.

Mr. PASSMAN. Too often you people discredit your own books. We want to go by them if they are accurate.

INTERREGIONAL PROGRAM FOR FISCAL YEAR 1963

What is your estimated program for fiscal year 1963?

Mr. GORDON. That is laid out on page 7, Mr. Chairman.

Mr. PASSMAN. Give us the amount.

Mr. GORDON. $30 million.

Mr. PASSMAN. That is an increase of $6,598,000, or approximately 28 percent, over fiscal year 1962?

Mr. GORDON. That is true, Mr. Chairman.

Mr. PASSMAN. What sum did you have in fiscal 1961?

Mr. GORDON. $21,539,000.

UNLIQUIDATED OBLIGATIONS

Mr. PASSMAN. Mr. Tennant, what amount do you have unliquidated for interregional expenses?

Mr. TENNANT. $17,677,000.

Mr. PASSMAN. That is almost a 1 year's pipeline prior to 1961?

Mr. TENNANT. Yes, sir, almost correct.

Mr. PASSMAN. What amount did you have in 1960 for this program?

Mr. TENNANT. I haven't that figure with me, sir. I will have to supply it.

Mr. PASSMAN. You went from $21 to $23 to $30 million estimated in fiscal 1963.

JUSTIFICATION FOR INCREASE IN INTERREGIONAL PROGRAM

What was your estimate last year?

Mr. GORDON. I haven't last year's presentation book.

(Discussion held off the record.)

Mr. PASSMAN. The amount was $24,400,000.

What factors, in your opinion, justify such a tremendous increase in this interregional expense for fiscal 1963?

Mr. GORDON. Mr. Chairman, the detail on page 7 of my statement shows the components of this program, and it is the basis for explaining the specific reasons for the increase.

For example, the expenses for the AID Washington program staff will have increased to $10,200,000 in fiscal year 1963 from a total of $6,499,000 in fiscal year 1962.

Mr. PASSMAN. What are the reasons for this increase?

Mr. GORDON. As I indicated in my statement there are essentially two reasons for this:

First, there is a determination, based on the reorganization of the AID program and reassignment of functions, which has resulted in the shift of 258 positions from the administrative to the program rolls—on the grounds that these positions in the new organization structure more nearly contribute to the purposes that program funds are intended to carry out than to the purpose for which we use administrative funds.

The second factor is an increase in financing for a full year in fiscal year 1963 of our Research, Evaluation, and Planning Assistance Staff which, as you know, was activated for the first time in fiscal 1962 and really didn't get started until midyear.

I might say that the figure I provided of 258 positions is the best estimate we can make now on the basis of our present staffing pattern.

REORGANIZATION OF AID

However, this is the result of a rather drastic and complete reorganization of the whole Agency, Mr. Chairman; I think this was the most fundamental reorganization that the AID program has undertaken since 1953.

Mr. PASSMAN. Fundamental in what respects?

Mr. GORDON. Basically there were two major changes. One was the merger of the Development Loan Fund organization and the Cooley loans from the Export-Import Bank with ICA into a new organization.

Secondly, there was a complete change in the philosophy of or-

ganization which now makes the four regional offices the sole operating units and the centers of responsibility of the Agency.

Mr. PASSMAN. Would that action not tend to reduce the expense, rather than increase it?

Mr. GORDON. No, sir, it does not; but I am not here in a position to justify the administrative expenses for the total agency.

The fact is, however, that it has not——

Mr. PASSMAN. You had a satisfactory program last year with the funds that were allocated?

Mr. GORDON. For interregional program; yes, sir.

Mr. PASSMAN. Is this an inflated figure, because you recognize that there will be reductions?

I note that for AID, the Washington program staff estimate is $10,200,000. That is an increase of 48 percent over the previous year, is it not?

Mr. GORDON. I believe so; yes, sir.

Mr. PASSMAN. Has there been a corresponding reduction in administrative expenses for the AID Agency for fiscal 1963? Considering the transfer of workload to interregional expense category?

Mr. GORDON. There are 258 positions which had previously been funded under administrative expenses which no longer will be funded with administrative expenses.

Mr. PASSMAN. What is the total cost of that item?

Mr. GORDON. Of the 258 positions?

Mr. PASSMAN. Yes.

Mr. GORDON. I don't believe I have that in dollar figures; $2,735,000, I am told.

ADMINISTRATIVE EXPENSES FOR FISCAL YEAR 1962 AND FISCAL YEAR 1963

Mr. PASSMAN. What was the AID administrative expense in fiscal 1962?

Mr. TENNANT. The appropriation was $47,500,000.

Mr. PASSMAN. What amount are you requesting for fiscal 1963?

Mr. TENNANT. $55 million; $47.5 million for fiscal year 1962 was augumented by unobligated balances reappropriated and by a transfer from the contingency fund.

Mr. PASSMAN. What amount are you asking for fiscal 1963?

Mr. TENNANT. $55 million.

Mr. PASSMAN. What sum do you have unobligated in the administrative expense account?

Mr. TENNANT. $465,000 of current-year money.

Mr. PASSMAN. Who prepares the budget for the administrative expense?

Mr. TENNANT. That is worked up under the direction of the Assistant Administrator for Administration.

Mr. PASSMAN. Would you remind him that he forgot to take into account the fact they had been relieved of 258 positions, saving $2,735,000? And if he concurs that this is sound, then to drop us a note recommending the amount that we shall reduce the funds available?

Mr. TENNANT. I believe that amount has been taken into consideration in the budget that he has presented, sir.

In connection with the $55 million——

Mr. PASSMAN. But the budget is going up and the personnel is going down?

Mr. TENNANT. Generally, yes.

Mr. PASSMAN. That would not be unusual?

Mr. TENNANT. Personnel is going up, too, as well as the budget.

Mr. GORDON. The administrative personnel is going up. Mr. Coffin, when he appears later, will testify on this in detail.

Mr. PASSMAN. They lost 258 by transfer and should save $2,735,000. You say that personnel is going up and the money request is going up. We are talking now about the administrative item.

Mr. TENNANT. Yes, sir.

When I said $55 million, I should have mentioned that the authorizing language cut us below the $55 million request.

ADMINISTRATIVE EXPENSES FROM CONTINGENCY FUND

Mr. PASSMAN. Were there any allocations from the contingency fund last year which went into the administrative expense account?

Mr. TENNANT. Yes, sir; $3 million.

Mr. PASSMAN. If that is not a bowl of fish I never smelled one.

Mr. TENNANT. I believe that was indicated as a possibility in last year's hearings.

Mr. PASSMAN. You always indicate you are going to eat the golden egg, or the hen that laid the golden egg, but that is getting to be pretty good when we make moderate reductions in the administrative expense and you offset it by direct transfer out of the contingency fund.

When did you make the transfer?

Mr. NEMECEK. March 22, 1962.

Mr. GORDON. I might add, Mr. Chairman, that the indication to the committee that we might have to resort to the contingency fund was made——

Mr. PASSMAN. Who indicated that possibility, and for what reason?

Mr. GORDON. I think we can find it in the hearing.

Mr. PASSMAN. Is this just a threat—if you cut it, we will offset it from the contingency fund?

Mr. TENNANT. Mr. Sheppard indicated it last year in the testimony in response——

Mr. FORD. Will the chairman yield? This was an allocation made in March of this year from the contingency fund?

Mr. GORDON. Yes, sir.

Mr. FORD. That is 9 months after the beginning of the fiscal year.

Mr. GORDON. That is right.

Mr. FORD. Does that mean you didn't try to plan your program to fit the cloth so far as dollars were concerned?

Mr. TENNANT. I think this relates to the total problem of the presentation of the administrative budget last year.

As you perhaps recall, the amounts put in the budget were put on the basis of just the continuation of the existing staff and did not recognize the changes, since it was early in the period of reorganization.

When Mr. Sheppard testified, he so indicated that this was the situation.

Mr. PASSMAN. This would be appropriate to take up when Mr. Coffin appears.

Mr. GORDON. Mr. Chairman, since there was a reference to the passage in last year's hearings, would you mind if I just read this particular passage?

Mr. PASSMAN. Wait until I get a copy.

Mr. GORDON. Page 1167:

Mr. PASSMAN. Do you, by any chance, have any items directed to any supplemental requests that would be termed administrative expenses?

Mr. SHEPPARD. No, sir, if we needed extra money we would transfer it from other appropriations.

Mr. PASSMAN. You would if the language this year permitted it, you mean.

Mr. SHEPPARD. Yes. I should like to point out, Mr. Chairman, that what our budget officers faced in the spring of this year was analogous to the merger of several businesses which are required to file a budget with a corporation commission in a State, but the merger is held up for a variety of reasons. Our merger has been held up, and our budget officers did, I think, what was the only honest and prudent thing to do. They did not try to pull a figure out of the air or dummy a figure. They tried to merely project June 30 employment.

On page 1191 it reads as follows:

Mr. PASSMAN. At the bottom of page 1 of the justification you state: "This may well lead to additional manpower requirements during fiscal year 1962 which cannot be met within the limits of this budget."

You also state: "Additional administration funds and staff which may be required during fiscal year 1962 for any of these reasons would be provided through transfers from other appropriations under authority of section 610 of the act."

Have you ever transferred any of the funds to administrative expenses in the past?

Then it goes on after that.

Mr. PASSMAN. You skipped over an important part of this, and reading as fast as you did it is only natural you would skip that, and you are forgiven. However, I shall quote it:

Mr. PASSMAN. You projected the highest figure, did you not?

Mr. SHEPPARD. It turned out that way. We did not know at that time. It has increased since the estimate.

I know it is just an oversight that you left that statement out which appears at the bottom of the page.

RESEARCH, EVALUATION, AND PLANNING STAFF

What is the 1963 cost of the Research, Evaluation, and Planning Assistance Staff?

Mr. GORDON. Fiscal year 1963 it will be $908,000 compared to $432,000 in fiscal year 1962.

Essentially the positions in these figures, the difference, is in total man-years served. The positions——

Mr. PASSMAN. In effect, the 1963 program is almost double the 1962 program in this category?

Mr. GORDON. Yes, sir; marking the first year's operation of this staff.

PROGRAM SUPPORT FROM OTHER FEDERAL AGENCIES

Mr. PASSMAN. Are there any personnel involved in the $5,460,000 estimate for program support by other U.S. governmental agencies?

Mr. GORDON. These are payments to other U.S. Government agencies, Mr. Chairman.

Mr. PASSMAN. This is a payment to other agencies of Government for services rendered?

Mr. GORDON. That is right.

Mr. PASSMAN. Can you give us a breakdown of the payments, by agency?

Mr. GORDON. Yes, sir. I have a breakdown by agency, sir, for fiscal year 1961, fiscal 1962, and fiscal 1963.

Mr. PASSMAN. We shall insert it in the record at this point.

(The information referred to follows:)

Interregional program expenses—Program support by other U.S. Government agencies—Breakdown by agencies

Agency	Fiscal year 1961			Fiscal year 1962			Fiscal year 1963		
	Training services	Technical consultation and support	Total	Training services	Technical consultation and support	Total	Training services	Technical consultation and support	Total
Agriculture, Department of:									
Man-years	149.7	19.0	168.7	157.3	20.7	178.0	162.7	23.8	186.5
Total cost	$1,394,667	$180,041	$1,574,708	$1,457,200	$207,800	$1,665,000	$1,506,700	$238,300	$1,745,000
Commerce, Department of:									
Man-years	22.8	12.7	35.5	23.6	16.2	39.8	24.7	17.5	42.2
Total cost	$209,923	$136,723	$346,646	$217,600	$158,400	$376,000	$230,800	$181,200	$412,000
Defense, Department of:									
Man-years	0.2		0.2	0.2		0.2	0.2		0.2
Total cost	$1,741		$1,741	$2,000		$2,000	$2,000		$2,000
Farm Credit Administration:									
Man-years	1.6		1.6	1.6	0.1	1.7	1.6	0.1	1.7
Total cost	$41,082	$373	$41,455	$44,000	$1,000	$45,000	$47,000	$1,000	$48,000
Federal Aviation Agency:									
Man-years	41.2	9.3	50.5	21.6	12.3	33.9	22.8	12.8	35.6
Total cost	$361,106	$104,314	$465,420	$200,600	$132,300	$332,900	$216,000	$137,400	$353,400
Federal Communications Commission:									
Man-years	5.3		5.3	5.8		5.8	6.0		6.0
Total cost	$54,633		$54,633	$58,400		$58,400	$62,000		$62,000
Health, Education, and Welfare, Department of:									
Man-years	94.0	9.9	103.9	97.6	9.6	107.2	98.9	11.5	110.4
Total cost	$755,538	$114,877	$870,415	$782,700	$114,100	$896,800	$792,800	$133,800	$926,600
Housing and Home Finance Agency:									
Man-years	16.0	5.6	21.6	16.0	6.8	22.8	16.8	7.0	23.8
Total cost	$130,756	$50,684	$181,440	$128,800	$63,600	$192,400	$136,900	$71,100	$208,000
Interior, Department of:									
Man-years	26.9	10.4	37.3	28.3	11.1	39.4	37.1	12.7	49.8
Total cost	$178,224	$116,545	$294,769	$193,700	$121,800	$315,500	$285,700	$138,300	$424,000
Labor, Department of:									
Man-years	101.6	3.3	104.9	109.7	4.2	113.9	120.5	4.2	124.7
Total cost	$1,025,972	$35,270	$1,061,242	$1,093,300	$42,400	$1,135,700	$1,195,000	$50,000	$1,245,000
Tennessee Valley Authority:									
Man-years	1.5		1.5	1.5		1.5	1.5		1.5
Total cost	$14,000		$14,000	$14,000		$14,000	$14,000		$14,000
Treasury Department:									
Man-years	1.7		1.7	1.5		1.5	1.9		1.9
Total cost	$18,084		$18,084	$16,300		$16,300	$20,000		$20,000
Total, all agencies:									
Man-years	462.5	70.2	532.7	464.7	81.0	545.7	494.7	89.6	584.3
Total cost	$4,185,726	$738,827	$4,924,553	$4,208,600	$841,400	$5,050,000	$4,508,900	$951,100	$5,460,000

PARTICIPANT TRAINING

Mr. PASSMAN. The justifications indicate on page 242:

Initial enthusiasm in the United States has declined, particularly in certain industrial areas in connection with participant training.

Would you comment on that statement, sir?

Mr. GORDON. This is a difficult phenomenon to explain, Mr. Chairman, but the fact is that it is becoming more difficult to place participants and maintain them in certain industrial areas, such as ceramics, leather goods, and textiles. This simply requires more work on our part to make these arrangements. Without the cooperation of private industry, the agency could not carry out its training programs.

Mr. PASSMAN. The initial enthusiasm cools after they have been here a while. Is that what this implies?

Mr. Gordon. I wouldn't want to generalize.

We simply have some difficulty in placing some of these people with some industries.

Mr. PASSMAN. By participants, we mean people coming in from other countries to our country for training?

Mr. GORDON. That is right.

Mr. PASSMAN. There are many people, educated people, religious leaders, even a college president from Africa, who think this practice is harmful. The college president came to my office and spent several hours pleading with me, as though I had any control over it, to stop bringing these people to this country. Invariably, he said, they came here and they were dissatisfied when they were asked to go home.

He said that much more could be accomplished if we would train these people in their own country.

What do you think about that viewpoint?

Mr. GORDON. I think you put your finger on a very important problem, Mr. Chairman, and we are well aware of it.

Mr. PASSMAN. Putting my finger on it would do no good unless you have a plan, and unless you concur that it would be desirable, where possible, to train these people in their own country.

Mr. GORDON. We agree with you and we are doing it to a great extent.

During fiscal year 1961——

INCREASE IN NUMBER OF PARTICIPANTS

Mr. PASSMAN. How much have you reduced the participants in 1963 below 1962?

Mr. GORDON. I haven't that figure but I do have——

Mr. PASSMAN. We want to know how many participants you had in 1962 and to what figure you have reduced it for fiscal 1963.

Mr. GORDON. We have not reduced the participants. We anticipate an increase in participants in 1963.

Mr. PASSMAN. I see. You just agreed with me that we should train participants in their own countries. The record does not indicate steps being taken in that direction.

How many participants did you have in fiscal 1962?

Mr. GORDON. We had in training in this country approximately 10,000—about 5,500 new arrivals and 4,600 carryovers from 1961.

Mr. PASSMAN. How many did you have as of June 30?

Mr. GORDON. I haven't the precise figure. It was approximately 3,900.

Mr. PASSMAN. How many do you contemplate bringing over in fiscal year 1963?

Mr. TENNANT. Approximately 6,000.

Mr. PASSMAN. That is almost 10 percent more than you brought over last year?

Mr. GORDON. That is right.

I merely wanted to make the point that we are training a number of participants in other countries that are closer to their own natural environment.

Mr. PASSMAN. That is true, Mr. Gordon, but the participant item is increasing in the interregional program, is it not?

Mr. GORDON. Yes; it is, sir.

Mr. PASSMAN. Thank you.

How many participants did you have in fiscal 1961?

Mr. TENNANT. 6,510 arrivals in 1961, sir.

Mr. PASSMAN. When did you detect the decline in enthusiasm?

Mr. GORDON. I believe this decline is limited to certain industrial areas, Mr. Chairman.

PARTICIPANT SUPPORT COSTS

Mr. PASSMAN. What is the cost of each element of participants' service? Give us a breakdown for one participant.

Mr. GORDON. The average cost per participant in fiscal year 1962 was $4,560.

Mr. TENNANT. $500 of this amount is the support cost you are talking about.

Mr. PASSMAN. What does it cost for each participant we bring over, train, and send home?

Mr. TENNANT. The average cost per participant, and this is over and above the support cost that Mr. Gordon talks about, is $4,030.

Mr. PASSMAN. What is the support cost per participant?

Mr. GORDON. That would be, the program support figure which I am talking about now, on the order of $500 per participant.

Mr. PASSMAN. Are any other costs involved?

Mr. TENNANT. No, sir.

Mr. GORDON. The support costs are essentially payments for insurance, interpreters, orientation, and specialized training programs in universities and colleges.

Mr. PASSMAN. It has nothing to do with expenses of the participant?

Mr. GORDON. They are in effect all the costs that are incurred which cannot be attributed to a particular country program.

UNIVERSITY COSTS FOR TRAINING PARTICIPANTS

Mr. PASSMAN. Can you tell us what a university, college, or institution gets per year for training a participant?

Mr. GORDON. I haven't the data but we can supply some information for the record.

Mr. PASSMAN. Have you the information, Mr. Tennant?

Mr. TENNANT. I have no figure for the cost to the universities.

Mr. PASSMAN. We have never received an average of what the college or university would get in the way of tuition per year per participant. If you could give us some information on it we would appreciate it.

Mr. FORD. May we have it identified per institution, per student? Show the duration of the participant's stay at the institution.

Mr. GORDON. The difficulty with this category, although we can average it out, is that the participants are not normally engaged in full-year programs. They often undertake special courses of 1 month, 5 or 6 months. But we can get you an average.

Mr. PASSMAN. Give us the best information you can on it.

Many people believe, and I agree with them, that this phase of the program may do more harm than good, because they become very envious and jealous and many may actually go home with strong feelings against us.

They know they may live their lifetimes out in their own country, and it is impossible for them ever to acquire such a standard as we have.

Mr. GORDON. That is an important point, Mr. Chairman.

(The information follows:)

Representative tuition costs in colleges and university training AID participant

Name of institution	Academic year 1957–58	Academic year 1959–60	Academic year 1961–62	Percentage of increase in last 5 years
Columbia University, New York City	$974	$1,174	$1,146	49.9
Franklin and Marshall College, Lancaster, Pa	800	975	1,175	46.9
Georgetown University, Washington, D.C	750	900	1,100	46.7
Beloit College, Beloit, Wis	700	950	1,275	82.1
Tulane University, New Orleans, La	650	880	1,230	89.2
Syracuse University, Syracuse, N.Y	900	1,100	1,230	25.6
University of Chicago, Chicago, Ill	900	960	1,140	26.7
University of Michigan, Ann Arbor, Mich.:				
In State	200	280	[1] 280	40.0
Out of State	470	750	750	59.6
Michigan State University, East Lansing, Mich.:				
In State	255	255	279	9.4
Out of State	550	550	679	23.5
University of Colorado, Boulder, Colo.:				
In State	200	212	232	13.8
Out of State	570	612	732	10.9
University of Vermont, Burlington, Vt.:				
In State	225	225	416	89.3
Out of State	500	700	700	40.0

[1] For 1962-63 the University of Michigan tuition has increased to $1,000.

COMMUNICATION RESOURCE SERVICES

Mr. PASSMAN. The communication resource srevices estimate is $900,000.

Can you give us the number of personnel in this category?

Mr. GORDON. There are no personnel in this category, Mr. Chairman. These people who carry out the communication resources function are funded under the AID Washington program staff.

However, the $900,000 which shows is for particular projects laid out in the gray book which you have starting on page 899.

Mr. PASSMAN. Do you not indicate in your books that this service trains illiterates?

Mr. GORDON. What it does, Mr. Chairman, is to develop a variety of means for improving our communications with other nationals and helping the teachers in the other countries to communicate better.

The book does indicate that one of the activities involved is to communicate to people who are illiterate such skills as they are able to pick up, through pictures and through other devices.

Often, while it would be desirable to make people more literate, you cannot afford the time.

PROGRAM SUPPORT BY STATE DEPARTMENT

Mr. PASSMAN. Program support by the State Department is up $168,000 to $5,700,000?

Mr. GORDON. Yes, sir.

Mr. PASSMAN. What is the basis for that increase?

Mr. GORDON. Primarily the expansion of our programs in Africa. As you know, this particular transfer to the State Department is for certain functions they perform for us by way of housekeeping, communications, health, fiscal, transportation, custodial services, and things of that nature.

Mr. PASSMAN. It would be remarkable if, somewhere along the way, we could ever get a recapitulation of the funds other agencies, particularly the State Department, draw off from other appropriations.

What is the basis for the increase, simply stated?

Mr. GORDON. Extension of the AID programs in Africa.

JUSTIFICATION FOR STATE DEPARTMENT SERVICES

Mr. PASSMAN. If the number of State Department personnel assigned to the country is not increased, how could they justify the additional funds?

Mr. GORDON. The basic reason is that there is a leadtime involved between our obligating funds and when the State Department has to provide these services for our people on the spot.

Mr. PASSMAN. This is going up every year. You are increasing it this year by $168,000. It has gone up from 1961, when it was $5,189,000; in 1962 it was $5,532,000, and in fiscal year 1963 it is up to $5,700,000.

We would like to know whether or not they are just milking this AID program for more funds or whether it is necessary for them to increase the personnel and other related expenses so as to perform the services required of them by the AID people.

Can you give us some information on that matter, whether or not there is an increase in State Department personnel?

Mr. GORDON. I would hesitate to reply to your question for the Department of State.

Mr. PASSMAN. You are asking for the money.

You should demand of them information as to why they ask for the increase?

Mr. GORDON. When you hear Mr. Coffin on administrative expenses there will be a separate justification presented by Mr. Lewis, of the Department of State, who also will be able to talk to this item.

Mr. PASSMAN. But this is your field. You are testifying today for these funds, are you not?

Mr. GORDON. They fall in this category.

Mr. TENNANT. I think for this particular item there are additional costs by the Department of State to us.

Mr. PASSMAN. We want to know what they are, because this item is continuing to go up. Would you try to get those figures for us?

Mr. TENNANT. Yes, sir.

(The information follows:)

ADMINISTRATIVE SUPPORT SERVICES BY DEPARTMENT OF STATE

The following schedule shows for fiscal years 1962 and 1963 the total administrative and program funded costs of the administrative support services provided by the Department of State to the Agency for International Development. Although the information requested pertains specifically to interregional expenses, this schedule is furnished for the following reasons:

The costs to be borne by the Department relative to support services to be provided to AID are computed at the total AID level. It is neither feasible nor practical to attempt to allocate each of the numerous and variable items of expense to administrative and program funding. The total costs are then prorated to the funds chargeable on the basis of personnel distribution. The schedule therefore shows (*a*) breakdown of total costs of the support services by item of expense, followed by (*b*) allocation of the total costs to sources of financing.

The overall increase of $385,000 projected for this item is attributable to (*a*) increased staff and operating expenses required by State to service the increased level proposed for AID oversea personnel and (*b*) normal wage and price increases. This amount represents 4 percent of the 1962 estimate. This is in line with the percent increase proposed for AID oversea staffing, both administrative and program. In terms of sources of financing, $205,000 of this increase is chargeable to administrative and $180,000 to program funding. These amounts represent 8.7 and 2.8 percent respectively, of the applicable 1962 estimates. These percentages are in line with the percentages of increase in AID staffs chargeable to these fund sources.

Administrative support services by Department of State (support of oversea operations)—Total administrative and program financing

[Dollars in thousands]

	Fiscal year 1962 estimate			Fiscal year 1963 estimate		
	Positions	Man-years	Cost	Positions	Man-years	Cost
Breakdown of requirements:						
A. General oversea support services:						
1. Departmental staff and related costs for support to oversea support operations	134	131	$966.0	141	134	$1,000.0
2. Centralized costs of oversea support operations:						
(a) Communication facilities	1	1	263.0	1	1	266.6
(b) Medical care for Foreign Service personnel			615.0			650.0
(c) Vehicle replacements			27.0			27.0
(d) Expenses of Department of State Foreign Service personnel (AID share of personnel engaged in supporting services):						
(1) Post assignment and home leave travel			743.0			775.0
(2) Education and home service and transfer allowances			60.0			64.0
(3) Medical and recruitment complements	6	6	47.0	6	6	50.0
(4) Language training			12.7			13.0
Total centralized costs			1,767.7			1,845.0
	Positions			Positions		
	American	Local		American	Local	
3. Oversea costs of support operations:						
(a) Latin America	29	63	580.0	35	70	720.0
(b) Near East and South Asia	87	326	1,850.0	87	340	1,900.0
(c) Africa	79	150	1,660.0	90	175	1,860.0
(d) Europe	18	63	449.3	10	40	350.0
(e) Far East	72	161	1,160.0	74	165	1,196.0
Total oversea support at posts	285	763	5,699.3	296	790	6,026.0
B. Special support services (includes Tehran hospital, Kabul hospital, etc.)			293.0			240.0
Total requirements			8,726.0			9,111.0
Source of financing:						
AID administrative funds			2,356.0			2,561.0
AID program funds:						
Dollar financing			5,525.0			5,700.0
Foreign currency trust funds			845.0			850.0
Subtotal, program funds			6,370.0			6,550.0
Total financing			8,726.0			9,111.0

REQUEST FOR FUNDS FOR SERVICES FOR VARIETY OF PROGRAMS

Mr. FORD. Is this request for $30 million a line item in the proposed appropriation bill?

Mr. GORDON. Not in the appropriation bill. It is a line item in the breakdown we have provided on page 219, that part of the "Development grant" category in other programs which is not distributed to country programs. It cannot be attributed easily to any country program.

What this category does essentially is to provide common services for a variety of programs.

Mr. PASSMAN. It supplements?

Mr. GORDON. It does, sir.

Mr. PASSMAN. In reality, if the time should ever come when we just have a limited amount of money, and the program must go on, a good part of this interregional program could be absorbed into the country programs, could it not?

Mr. GORDON. No, sir. Let me give you an example. Take participant training. The country programs absorb such expenses for individual participants as they can.

They pay their transportation to this country, provide certain allowances, and so forth.

The country program will also pay tuition fees at a U.S. university if it involves a normal course at the university and the cost can be predicted in advance, in other words, if you can simply pay for one person to go to a university.

The program I am talking about here essentially provides special courses that universities, factories, or Government agencies have to construct especially to meet peculiar needs of a group of participants, and these payments are made to these institutions or Government agencies in a lump sum for the service performed for a special course.

These cannot then be attributed to all the country programs.

CONTRACT SERVICES—INSURANCE FOR PARTICIPANTS

Mr. PASSMAN. Let us take health and accident insurance for participants.

You have contract services, $205,000. What services are rendered for this $205,000?

Mr. GORDON. This is a contract, as the text indicates, with a particular insurance company which provides a number of benefits.

Mr. PASSMAN. This has nothing to do with training of participants; it is merely insurance to cover the participants?

Mr. GORDON. That is right.

Mr. PASSMAN. Why could not the regular AID program, which originally provides the participants, include the insurance costs in its request?

Mr. GORDON. These would then have to be individually negotiated contracts for each participant.

Mr. PASSMAN. You can certainly have a master policy, can you not, by which this could be worked out?

Mr. GORDON. That is essentially what this is. This is a contract signed by AID with Consolidated Mutual Insurance Co.

In any case, we would have to enter into a contract with some insurance company.

Mr. PASSMAN. You do not handle this directly as part of the country program, though. You have to go back and pick up this appropriation to find out how much goes into the country, do you not?

Mr. TENNANT. These items are not portioned out to the individual country programs. It would be a terrific accounting job to charge these out to each individual country program.

Mr. PASSMAN. This is not part of the cost of the country program which the regional people justify. This is in addition?

Mr. GORDON. That is right.

Mr. PASSMAN. So, in reality, when we are trying to figure out the cost of aid for a particular country, to get an accurate figure we would have to go back and have a breakdown on this, would we not?

Mr. GORDON. You would have to make some arbitrary allocations.

COST OF AFRICAN PROGRAM

Mr. PASSMAN. You are asking for $150,250,000 for the African region; is that correct?

Mr. TENNANT. For what field of activity?

Mr. PASSMAN. I am talking about the total request.

Mr. MILLER. Mr. Chairman, I think that is the total of development grants and supporting assistance programs for Africa in fiscal year 1963.

Mr. PASSMAN. If you are ever to ascertain the real cost of the program per country then you would have to do research and allocate this $30 million, by country, to get the total?

Mr. TENNANT. That is technically correct. We just do not, as a matter of practice, do that.

Mr. PASSMAN. This amounts to plus funds for the countries in Africa, and you would have to make a complete spread and analyze this to know how much each country got of this additional money?

Mr. GORDON. Yes, sir; you would.

Mr. PASSMAN. You would need that data to finally firm up the total that the country got. Is that a statement of fact?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. Mr. Ford?

Mr. FORD. Under what paragraph or item in the appropriation bill does this $30 million come?

Mr. TENNANT. It comes under the heading of "Development grants."

Mr. FORD. In other words, this $30 million will be funded out of the development grant portion of the appropriation?

Mr. GORDON. That is correct.

Mr. FORD. That request as shown in this document is $335 million?

Mr. GORDON. That is right, sir.

Mr. FORD. That has since been reduced by the authorization bill?

Mr. GORDON. To $300 million.

Mr. FORD. That is all, Mr. Chairman.

Mr. PASSMAN. What type of training do you give wives of dependents?

PROGRAM FOR ORIENTATION OF DEPENDENTS

Mr. GORDON. We are inaugurating, Mr. Chairman, a program for orienting the wives and dependents of employees who are going overseas so that they become familiar with the area they are going to and, where necessary, that they at least get a beginning in the language they will have to know.

Mr. PASSMAN. How much do you propose to spend for training of wives and adult dependents of employees?

Mr. GORDON. I do not believe we have that breakout, sir. It is in a larger category. I could supply it to you, however.

Mr. PASSMAN. We want that information. You cannot give us the total?

Mr. GORDON. I cannot give you a total for dependents as such. They are in a general category.

Mr. PASSMAN. Let us get the general category.

Mr. GORDON. We have a regular orientation course, Mr. Chairman, which is estimated to cost $120,000 out of program funds in fiscal year 1963 and in addition we have a program, the so-called executive orientation, for people who are going out in senior positions.

Mr. PASSMAN. You say specifically that you are going to inaugurate a training program for the wives and adult dependents of employees?

Mr. GORDON. That is right, sir.

Mr. PASSMAN. How broad is this going to be? How long will the course be, and how much will it cost? Can you get that information, in total, for us?

Mr. GORDON. I cannot give you the dollars, but I can give you the breakout in numbers of people who would be trained. I can get you the dollars later on. However, in fiscal year 1963 we would send through our regular orientation course, or at least a portion of it, an estimated 850 dependents. Now the course for employees would last a total of 8 weeks; the dependents would go through it for a shorter period. They would go through a 2-week period having to do with the culture, geography, and politics of the area they are going to and also receive some language training. This is under a new legislative authority, which we have just acquired. Do we have the citation of what that authority is?

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. Say that "Joe Doakes" is assigned to Tanganyika and he has four small children. They want to learn the language of the country. For how long a period does the course extend?

Mr. GORDON. I can assure you the four small children won't be sent through the course, but his wife will. Dependents really mean wives and adult dependents.

Mr. PASSMAN. How long will the course be?

Mr. GORDON. This will vary depending on the language required and the time available for the training.

SENIOR OFFICER COURSE

Mr. PASSMAN. Page 243 indicates that you propose to establish a senior officer course in fiscal year 1963.

Could you give us some information on that matter?

Mr. GORDON. Yes, sir.

This is a 10-month program for personnel who are actually designated as mission directors, mission deputy directors, or some other high leadership positions.

Mr. PASSMAN. Do you presently have a contract?

Mr. GORDON. No, sir. We did obligate some money in fiscal year 1962 for a consultant to advise us on the design and structure of this course and for preparing for it.

Mr. PASSMAN. With whom did you enter into that contract?

Mr. GORDON. I do not know the name of the consultant.

Mr. TENNANT. I cannot tell you the name of the consultant, sir.

Mr. PASSMAN. How much did you pay the consultant?

Mr. GORDON. I do not have the figure for the consultant sir, but I can get it.

Mr. Tennant, do you have any information on that?

Mr. TENNANT. No, sir.

Mr. GORDON. I have the information, Mr. Chairman. In fiscal year 1962, we obligated $6,000 for the compensation of consultants.

Mr. PASSMAN. You are using that plural or singular?

Mr. GORDON. One consultant.

Mr. PASSMAN. Who was that consultant?

Mr. GORDON. I do not have his name. I can supply it for the record.

Mr. PASSMAN. When did you obligate this money?

Mr. GORDON. I do not think we have that information. We can get that, however.

(The information follows:)

SENIOR OFFICER COURSE

Charles P. Whitlock, of Harvard University, was engaged as a consultant to offer assistance to AID in formulating the senior officer course. Mr. Whitlock was paid $75 per day. He was employed a total of 12 full or part days and was paid $818 for his services. In addition to the payment for professional services AID spent $612 for transportation for Mr. Whitlock; thus the total expense for the consulting service was $1,430.

Mr. PASSMAN. Is the consultant a member of the AID or is he an outside man?

Mr. GORDON. A consultant is from the outside, sir.

Mr. PASSMAN. You hired a consultant who is not a member of AID?

Mr. TENNANT. That is correct, sir.

Mr. PASSMAN. You in AID understand the different programs and the purpose of the programs in the various countries?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. Yet you go outside the AID, and get a consultant. You paid one $6,000 last year to come into the AID to set up a senior officer course.

Mr. GORDON. Well, sir, we employ consultants quite frequently for specialized tasks.

Mr. PASSMAN. This consultant was brought in particularly to set up a course to train senior officers in the AID to perform AID work, was he not?

Mr. GORDON. That is right, sir.

Mr. PASSMAN. Your book says:

For filling top positions overseas will be provided a specially designed 10-month program of intensive study in international economic development, management techniques, and cross-cultural communications.

The subjects that this man will coordinate are essential to AID. You would have to impart to him the knowledge of AID before he could coordinate a course?

Mr. GORDON. He would certainly have to tap the AID Agency to know for what kind of things we want a person trained.

Mr. PASSMAN. He does not come in with the information?

Mr. GORDON. He comes in with expertise and training techniques.

Mr. PASSMAN. He knows nothing about the AID program at all?

Mr. GORDON. I do not know who the individual was. He may have known a lot about it.

Mr. PASSMAN. He might have been a man you kicked out and brought back in.

How far has this matter gone? Have you entered into a tentative contract with any school or university?

Mr. GORDON. No. I understand it is being looked at very hard at this point.

Mr. PASSMAN. Has the consultant come up with recommendations yet?

Mr. GORDON. I do not know that he has. We can check on that.

Mr. PASSMAN. Could you inform us as to the content of the course?

Mr. GORDON. Of the senior officer course, sir?

Mr. PASSMAN. That is right.

Mr. GORDON. Since the consultant whom we brought on was supposed to design the course, I cannot tell you any more than we already have.

Mr. PASSMAN. Has he designed it yet?

Mr. GORDON. My impression is that his report is not ready yet.

This is, I gather, one of the points we are going to check on for you.

Mr. PASSMAN. Would you make available to us a copy of his recommendations to the committee?

Mr. GORDON. I will certainly see if that is possible, sir, if there is a report.

Mr. PASSMAN. There had to be a tentative report prepared or you would not have given the man the $6,000.

Mr. GORDON. I am sure of that.

Mr. PASSMAN. Do you know how long he worked for the $6,000?

Mr. GORDON. No, sir.

Mr. PASSMAN. Would you get that information for us?

Mr. GORDON. May I add one point——

Mr. PASSMAN. I have not finished my request yet. Would you get the information as to the length of time he worked?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. Then project the cost of his recommendations. You would have to implement them with an appropriation.

Mr. TENNANT. I understand. You know this is being carefully weighed at this point. I do not know whether the Agency has determined how far it will go in connection with his recommendations, but we will do our best in terms of what you say, sir.

Mr. FORD. What interests me is how these senior officers have been trained heretofore.

Mr. GORDON. Mr. Ford, there has been, according to the judgment of some competent people who were on the President's task force last summer, too little training of senior officers going abroad. Some of them may have gone through the 3-week orientation course, some of them may have gone to the Foreign Service Institute for a quick language course. The task force that was established last summer and chaired by Mr. James Mitchell, formerly of the Civil Service Commission, now of Brookings Institution, came up with the very strong recommendation that one of the problems AID had confronted was that of improving its personnel. In improving it, one of the tasks it had before it was not only to get people who had good training in particular techniques but to train them in a way that they are simply not trained in institutions in this country; to train them, in effect, to understand how to translate what they know into terms that these different cultures appreciate. This was a very strong recommendation of this group. On this particular course they said, and I am quoting from their report—they were referring to AID.

> Unless its senior officers have a deep understanding of the development process and the ways in which underdeveloped societies can be transformed into modern societies, of the manner in which U.S. interests are involved in this transformation and how this country can legitimately and effectively participate, their subordinate staff no matter how able will operate significantly below their capabilities.

In short, they were saying because of the peculiar nature of the AID business you cannot simply pull people out of American society and expect them automatically in all cases to operate effectively overseas.

Mr. PASSMAN. I do not disagree with a sound program, but we ran into two or three contracts locally here a couple of years ago that were practically unbelievable.

You say you had this course previously. Was it for about 6 or 8 weeks?

Mr. GORDON. The senior officer course.

Mr. PASSMAN. Yes.

Mr. GORDON. There was a one-shot course this year given for new executive recruits.

Mr. PASSMAN. Now it is a 10-month course as it is tentatively planned?

Mr. GORDON. Yes, sir.

TECHNICAL ASSISTANCE STUDY GROUP

Mr. PASSMAN. Do you have a technical assistance study group?

Mr. GORDON. There has been a technical assistance study group under Mr. Ohly that has been in effect for several years, now.

Mr. PASSMAN. When was it started?

Mr. GORDON. I do not have the exact date.

Mr. PASSMAN. Do you know when it started, Mr. Tennant?

Mr. TENNANT. I do not have the exact date. I think it was several years ago.

Mr. PASSMAN. Do you know the group's function?

Mr. GORDON. Their function basically has been to collect in one spot the technical assistance experience that the Agency has accumulated.

Mr. PASSMAN. Do you know the cost to date?

Mr. GORDON. No, sir.

Mr. PASSMAN. Do you know the 1963 estimate of the cost?

Mr. GORDON. I do not believe that we have that broken out separately. It is very small. I know it is reduced. It is down to just a few people.

Mr. PASSMAN. But you have a 1963 program, do you not?

Mr. GORDON. I am told it is about $134,000.

Mr. PASSMAN. Let us see what they said when they came in to get this thing started:

FUNCTIONAL ROLE OF THE TECHNICAL ASSISTANCE STUDY GROUP

The Technical Assistance Study Group is a temporary unit established within the Office of the Deputy Director of Program and Planning. Its sole function is that of conducting a 14- to 18-month study in depth designed to answer the following general questions.

Then they go along.

This is just as straight to the point as it could be—14 to 18 months. This was in 1960. So there you go. There is just no such thing as ever stopping any of these little things when they get started.

Thank you.

Mr. Ford?

Mr. FORD. No questions.

Mr. PASSMAN. Thank you very much, gentlemen.

Mr. FORD. May I ask one question?

Mr. PASSMAN. Certainly.

Mr. FORD. Since this proposed $30 million for the program comes out of the development grant portion of the bill, is there any reason why in the language we could not earmark X amount, whether it is $30 million, $20 million, or any other figure, so that we clearly know how much is made available and how much can be spent, no more or no less?

Mr. PASSMAN. I think it is an excellent idea.

Mr. GORDON. I might point out, Mr. Chairman, in connection with Mr. Ford's point that we actually obligated somewhat less in fiscal year 1962 than we estimated for this category.

Mr. PASSMAN. Thank you very much.

We shall recess until tomorrow morning at 10 o'clock.

MONDAY, AUGUST 13, 1962.

CONTINGENCY FUND

WITNESSES

HON. FRANK M. COFFIN, DEPUTY ADMINISTRATOR FOR OPERATIONS, AID
EDWARD F. TENNANT, ACTING CONTROLLER, AID
BARTLETT HARVEY, CHIEF, ECONOMIC PROGRAM DIVISION, PROGRAM REVIEW AND COORDINATION STAFF, AID
LEIGH M. MILLER, LEGISLATIVE PROGRAMS COORDINATOR, AID
LOUIS FRECHTLING, PROGRAM REVIEW AND COORDINATION STAFF, AID
KENNETH M. RABIN, PRESENTATION COORDINATOR, AID

Mr. PASSMAN. The committee will come to order.

FISCAL YEAR 1963 REQUIREMENTS FOR SECTION 202(b) COMMITMENTS

What is the amount of funds required in fiscal 1963 to meet our commitments under section 202(b)? I refer to Tanganyika, Tunisia, and Pakistan. I think Pakistan is $225 million. Can you fill us in on the other two?

87948—62—pt. 3——48

PAKISTAN

Is Pakistan actually a 202(b) commitment yet?

Mr. MILLER. Neither Pakistan nor Tunisia have yet been communicated to the committee, it is my understanding, although the Pakistan commitment, the agreement, is presently on its way back from Pakistan. As soon as it is received here and signatures are verified——

Mr. PASSMAN. It will be a 202(b) commitment?

Mr. MILLER. That is right.

Mr. PASSMAN. That is in the amount of $225 million?

Mr. MILLER. My recollection is that that is correct.

TANGANYIKA

Mr. PASSMAN. How about Tanganyika?

Mr. MILLER. That is—let me review my record, Mr. Chairman.

My understanding is that in fiscal year 1963, $5 million is expected to be needed to fulfill the commitment under section 202(b) commitment.

Mr. PASSMAN. To what country?

Mr. MILLER. Tanganyika.

Mr. PASSMAN. $5 million?

Mr. MILLER. Yes, Mr. Chairman.

TUNISIA

Mr. PASSMAN. How about Tunisia?

Mr. MILLER. I will have to supply that for the record, Mr. Chairman. I haven't the statistics with me at the present time.

Mr. PASSMAN. Off the record.

(Discussion held off the record.)

Mr. PASSMAN. The maximum under the commitment to Tunisia would be $180 million?

Mr. MILLER. That is correct, Mr. Chairman, although I would like to get the estimate for fiscal year 1963.

Mr. PASSMAN. We are talking about that now.

Mr. MILLER. That $180 million is for 3 years.

Mr. PASSMAN. You do not know what part will be for fiscal 1963?

Mr. MILLER. I haven't the estimates at the present time.

Mr. PASSMAN. As it stands now, if Pakistan should be transferred to a 202(b) commitment for $225 million, Tunisia $180 million, and $5 million to Tanganyika, that would be a total of $410 million under 202(b).

One other matter before we proceed with the contingency fund:

TREASURY RECEIPTS AND WITHDRAWALS

It is a good idea that the Treasury Department started publishing a daily statement a few years ago showing the intake, net deposits to the credit of the Treasury, and the withdrawals for the same number of days.

On August 7, 1961, we had established a record up to that time for net deposits in the Treasury from the beginning of the new fiscal year, but we also established another record, and that was in the amount of withdrawals from the Treasury.

However, on August 7, 1962, for the first 37 days of this new fiscal year, total withdrawals from the Treasury had amounted to $12,149,313,747.27, whereas withdrawals for the corresponding period last year, 37 days, amounted to $10,351,461,661.03.

I think the more often we look at these statements, the contrast what we are doing this year with previous years, it might be worthwhile for all of us.

We shall insert this statement in the record.

(The Treasury statement referred to follows:)

Daily Statement of the United States Treasury

AUGUST 7, 1962

The deposits and withdrawals shown in this statement are those that affect the account of the Treasurer of the United States. Operations on a budgetary basis, showing the budget surplus or deficit, are published in the Monthly Statement of Receipts and Expenditures of the United States Government.

ACCOUNT OF TREASURER OF THE UNITED STATES

ASSETS	
Gold (oz. 461,347,776.2)	$16,147,172,168.11
(Amount on August 7, 1961 was $17,526,644,113.34)	
Total	16,147,172,168.11
Silver (oz. 1,686,494,335.5)	2,180,517,927.10
Silver dollars (oz. 87,839,397.5)	113,570,130.00
Total	2,294,088,057.10
Gold balance (as above)	117,179,701.80
Silver balance (as above)	40,045,343.10
Subsidiary coin (oz. 4,233,185.8)	5,851,993.47
Other silver bullion (oz. 36,546,013.7)	30,444,323.89
Other coin and currency	95,425,860.15
Unclassified-collections, etc.	63,305,273.35
Deposits in:	
Federal Reserve banks:	
Available funds	496,587,907.11
In process of collection, etc.	323,771,976.31
Special depositaries, Treasury Tax and Loan Accounts	4,253,526,216.79
Other depositaries	439,916,499.91
Total	5,866,055,095.88

LIABILITIES	
Gold certificates (Series of 1934), etc	$16,029,992,466.31
Balance of gold	117,179,701.80
Total	16,147,172,168.11
Silver certificates (issued after June 30, 1929)	2,254,042,714.00
Balance of silver	40,045,343.10
Total	2,294,088,057.10
Board of trustees, Postal Savings System:	
5-percent reserve, lawful money	29,500,000.00
Other deposits	10,804,841.54
Uncollected items, exchanges, etc.	28,524,348.64
Balance	5,797,225,905.70
(Balance corresponding day last year was $5,507,738,225.63)	
Total	5,866,055,095.88

CASH DEPOSITS AND WITHDRAWALS

Classification	This month to date	Corresponding period last year[1]	Fiscal year 1963 to date (Beginning July 1, 1962)	Corresponding period fiscal year 1962[a] (Beginning July 1, 1961)
DEPOSITS				
Internal revenue:				
Individual income taxes and Federal Insurance Contributions Act taxes withheld[2]	$1,074,737,356.55	[a] $817,518,821.61	$2,466,216,315.06	[a] $1,921,553,024.01
Individual income taxes other and Self-Employment Contributions Act taxes[2]	45,614,570.22	44,890,172.80	388,234,671.21	300,289,780.15
Corporation income taxes	49,034,573.84	24,086,549.51	627,907,774.95	541,291,247.49
Excise taxes	426,512,756.42	398,991,973.20	1,491,365,844.62	1,427,718,438.97
Railroad Retirement Tax Act taxes[3]	16,008,613.11	10,128,492.84	34,500,985.64	16,896,880.24
Federal Unemployment Tax Act taxes[4]	256,100.24	153,178.42	1,634,089.90	971,657.58
Estate and gift taxes	40,036,870.13	31,656,593.26	217,888,619.80	175,692,345.28
Customs	31,464,116.36	29,156,193.46	130,926,074.12	106,607,634.04
Deposits by States and Railroad Retirement Board in unemployment trust fund	137,599,710.81	119,249,168.58	243,980,310.74	192,236,338.71
Veterans' life insurance funds	7,932,037.73	8,754,646.74	50,639,795.23	59,304,984.68
All other	123,073,967.43	122,567,912.22	1,235,218,594.16	679,716,046.30
Total	1,952,270,672.89	1,607,153,702.64	6,878,533,075.44	5,424,278,377.45
Deduct: Refunds of receipts	20,779,156.30	33,395,781.45	203,889,389.43	229,122,299.07
Net deposits	1,931,491,516.59	1,573,757,941.19	6,674,643,686.01	5,195,156,078.38
WITHDRAWALS				
Defense Department:				
Military (including military assistance)	1,095,357,128.76	1,058,742,177.80	5,371,444,197.82	4,502,447,820.05
Civil	19,095,631.70	22,466,385.53	113,022,784.07	159,678,449.44
Foreign assistance - economic	58,718,397.37	31,894,165.45	219,677,001.71	156,936,221.65
Atomic Energy Commission	48,546,021.33	45,304,932.91	289,021,821.23	293,425,508.05
National Aeronautics and Space Administration	19,608,972.05	[a] 16,982,503.10	168,773,821.50	[a] 137,653,386.13
Veterans' Administration	51,052,872.11	57,596,586.81	466,200,591.30	525,491,982.78
Commodity Credit Corporation[5]	119,258,135.19	-10,880,045.87	488,775,765.76	280,909,358.78
Health, Education, and Welfare Department	52,065,284.71	[a] 24,605,145.40	475,697,825.07	[a] 370,254,443.69
Interest on the public debt	27,061,774.88	196,638,524.75	274,700,874.19	409,509,365.24
Federal employees' retirement funds	83,571,998.27	74,415,730.95	177,216,872.50	159,504,166.53
Federal old-age and disability insurance trust funds	17,621,853.30	[a] 13,457,532.87	1,259,351,974.72	[a] 1,077,089,078.24
Highway trust fund	26,842,115.42	[a] 30,220,637.95	323,234,281.08	[a] 278,657,957.30
Railroad retirement account	94,482,402.16	81,387,268.35	173,037,758.57	166,118,015.07
Unemployment trust fund	43,958,000.55	52,260,558.36	247,821,618.07	292,010,752.57
Veterans' life insurance funds	8,650,490.58	10,693,359.79	68,072,366.95	224,563,040.83
All other	346,643,877.82	[a] 428,493,429.50	1,370,266,810.25	[a] 1,501,665,377.24
Clearing account	574,601,207.84	384,070,317.11	662,997,382.48	-184,488,232.56
Total withdrawals	2,677,136,144.04	2,520,349,503.76	12,149,313,747.27	10,351,416,661.03

[1] Covers period through August 7, 1961.
[2] Distribution in accordance with provisions of sec. 201 of the Social Security Act, as amended, will be shown in the Monthly Statement of Receipts and Expenditures of the United States Government.
[3] Amounts equal to taxes on carriers and their employees (minus refunds) are appropriated to the Railroad retirement account.
[4] Amounts equal to the tax received under the Federal Unemployment Tax Act are transferred to the Unemployment Trust Fund.
[5] Includes expenditures for the soil bank and special export programs.
[a] Revised on account of reclassification.

CHANGES IN THE PUBLIC DEBT[1]--AUGUST 7, 1962

Classification	This month to date	Corresponding period last year[2]	Fiscal year 1963 to date (Beginning July 1, 1962)	Corresponding period fiscal year 1962[2] (Beginning July 1, 1961)
Increase (+) or decrease (-) in the gross public debt:				
Public issues:				
Marketable obligations:				
Treasury bills	+$196,103,000.00	+$5,194,000.00	+$957,482,000.00	+$4,087,258,000.00
Certificates of indebtedness	-11,000.00	-7,820,059,000.00	-312,000.00	-7,821,398,000.00
Treasury notes	+3,910,000.00	+8,754,305,000.00	+13,953,000.00	+8,790,152,000.00
Treasury bonds	-8,747,600.00	-1,143,647,850.00	-70,392,300.00	-1,159,332,250.00
Other	-5,256.50	-53,500.50	-68,390.00	-2,257,803.50
Total marketable obligations	+191,249,143.50	-204,261,350.50	+900,662,310.00	+3,894,421,946.50
Non-marketable obligations:				
United States savings bonds	-50,969,417.39	-41,164,526.48	-9,726,677.41	+12,687,971.75
Treasury bonds, investment series	-4,917,000.00	-7,708,000.00	-18,679,000.00	-45,681,000.00
Other	+24,438,123.70	-110,629,357.15	+106,325,875.65	-44,128,939.98
Total non-marketable obligations	-31,448,293.69	-159,501,883.63	+77,920,198.24	-77,121,968.23
Total public issues	+159,800,849.81	-363,763,234.13	+978,582,508.24	+3,817,299,978.27
Special issues	-69,995,000.00	-4,937,000.00	-1,212,935,000.00	-849,848,000.00
Other obligations	-247,655.00	-76,500.00	-861,841.00	+96,925,969.00
Change in gross public debt	+89,558,194.81	-368,776,734.13	-235,214,332.76	+3,064,377,947.27
Gross public debt at beginning of month or year	297,876,050,193.30	292,404,093,291.45	298,200,822,720.87	288,970,938,610.05
Gross public debt this date	297,965,608,388.11	292,035,316,557.32	297,965,608,388.11	292,035,316,557.32
Guaranteed obligations not owned by Treasury	450,682,525.00	240,009,925.00	450,682,525.00	240,009,925.00
Total gross public debt and guaranteed obligations	298,416,290,913.11	292,275,326,482.32	298,416,290,913.11	292,275,326,482.32
Deduct debt not subject to statutory limitation	432,351,001.65	443,963,645.33	432,351,001.65	443,963,645.33
Total debt subject to limitation[3]	297,983,939,911.46	291,831,362,836.99	297,983,939,911.46	291,831,362,836.99

EFFECT OF OPERATIONS ON PUBLIC DEBT

Deposits (-)	-$1,931,491,516.59	-$1,573,757,941.19	-$6,674,643,686.01	-$5,195,156,078.38
Withdrawals (+)	+2,677,136,144.04	+2,520,349,503.76	+12,149,313,747.27	+10,351,416,661.03
Investment of Government agencies in public debt securities (net), excess of investments (+) or redemptions (-)	-90,065,500.00	-57,036,000.00	-1,022,671,000.00	-935,052,552.03
Sales and redemptions of obligations of Government agencies in market (net), excess of sales (-) or redemptions (+)	+14,852,165.67	-50,157,730.67	-156,321,899.47	-42,391,643.17
Accrual of disc. on sav. bonds and Treasury bills (+)	+20,332,911.54	+14,160,937.79	+305,005,956.13	+315,912,073.26
Public debt red. incl. as cash withdrawals (-)	-18,896,073.66	-137,267,529.98	-202,729,807.60	-243,968,785.31
Total	+671,898,131.00	+716,291,239.71	+4,397,953,310.32	+4,250,759,675.40
Increase (+) or decrease (-) in balance of the Treasurer of the United States	-582,339,936.19	-1,085,067,973.84	-4,633,167,643.08	-1,186,381,728.13
Increase (+) or decrease (-) in public debt	+89,558,194.81	-368,776,734.13	-235,214,332.76	+3,064,377,947.27

MEMORANDUM ON INTER-FUND TRANSACTIONS

Non-cash Items Omitted from Both Deposits and Withdrawals on Page 1:				
Interest on investments in Federal securities held by trust funds, etc.	$134,147.54	$39,583.44	$4,710,054.23	$3,676,538.37
Transfers between trust funds	1,317,439.18	3,650,000.00	1,354,475.46	13,250,000.00
Transfers from general fund to trust funds[4]	839,619.79	279,779.91	33,990,679.99	67,306,152.15
Transfers between general funds	.....	.....	.....	2,823,420.01
Reimbursements to general fund from trust funds	9,317.94	2,395.93	3,951,199.44	4,189,342.22
Transfers to employees' retirement funds	27,775,402.85	24,438,798.96	175,186,189.76	146,180,239.15
Interest paid to Treasury by Government agencies	7,129,733.97	384,291.07	87,272,287.78	62,597,192.53
Payment of capital funds by Government agencies to Treasury	.....	.....	.....	.....
Total	37,205,661.27	28,794,849.31	306,464,886.66	300,022,884.43
Non-cash Items Omitted from Withdrawals on Page 1 and Added to Public Debt:				
Discount accrued on savings bonds	.....	.....	136,067,924.87	134,519,597.53
Discount accrued on Treasury bills	20,332,911.54	14,160,937.79	168,938,031.26	181,392,475.73
Total	20,332,911.54	14,160,937.79	305,005,956.13	315,912,073.26
Public Debt Redemptions Included in Withdrawals on Page 1:[5]				
Discount included in savings bond redemptions	1,519,148.85	14,124,980.22	57,029,869.67	66,191,590.50
Discount included in Treasury bill redemptions	17,264,924.81	13,034,824.76	145,531,766.83	112,556,026.43
Armed Forces leave bonds	80,250.00	104,975.00	143,725.00	199,000.00
Inter-American Development Bank notes (net)	.....	.....	.....	.....
International Monetary Fund notes (net)	.....	110,000,000.00	.....	65,000,000.00
International Development Association notes (net)	.....	.....	.....	.....
Excess profits tax refund bonds[6]	.....	.....	3,446.10	968.38
Adjusted service bonds	1,750.00	2,750.00	21,000.00	21,200.00
Total	18,866,073.66	137,267,529.98	202,729,807.60	243,968,785.31

U. S. SAVINGS BONDS -- SERIES E AND H

Sales--cash issue price	$78,482,381.17	$80,668,395.35	$436,095,017.22	$422,346,752.65
Accrued discount on Series E	.....	.....	133,911,911.19	131,884,467.02
Total	78,482,381.17	80,668,395.35	570,006,928.41	554,231,219.67
Redemptions--for cash, at current redemption value[7]	110,337,792.51	97,707,412.55	508,009,507.83	455,391,804.67
Exchanges - Series H for Series E, F and J	3,917,000.00	4,043,500.00	21,612,500.00	21,323,500.00

[1] Includes exchanges.
[2] Covers period through August 7, 1961.
[3] Statutory debt limit, established at $285 billion by the Act approved June 30, 1959, has been temporarily increased from July 1, 1962, to March 31, 1963, to $308 billion; from April 1, 1963, to June 24, 1963, to $305 billion and from June 25, 1963, to June 30, 1963, to $300 billion.
[4] Does not include appropriations of receipts to Federal old-age and survivors insurance trust fund, Federal disability insurance trust fund, Highway trust fund, Railroad retirement account, and Unemployment trust fund.
[5] Minus figures represent net issues of public debt obligations. Redemptions of Armed Forces leave bonds, etc., and discount earned on savings bonds and Treasury bills are included in cash withdrawals when the securities are redeemed.
[6] Reported as refunds of receipts.
[7] Includes minor amounts of Series A through D, the last bonds of which matured in April 1951.

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GPO 930671

Amount of Contingency Fund, 1962 and 1963

Mr. Passman. We have with us this afternoon our former colleague, Mr. Frank M. Coffin. He is the Deputy Administrator for Operations, Agency for International Development.

I believe Mr. Coffin, this afternoon, will testify for the request for the contingency fund for the fiscal year 1963.

Is that correct, sir?

Mr. Coffin. Yes, Mr. Chairman.

Mr. Passman. You had a contingency fund in fiscal 1962 in the amount of $275 million. That was the line item new appropriation, and there were some unobligated funds from prior years. The estimate submitted to the Congress this year calls for $400 million. Is that correct, sir?

Mr. Coffin. That is correct.

Mr. Passman. We would be pleased to hear from you at this time, Mr. Coffin.

Mr. Coffin. Thank you, Mr. Chairman.

General Statement on Contingency Fund

Mr. Chairman, members of the subcommittee, my purpose today is to support the President's request for a substantial contingency fund for use this year under the Act for International Development. As you know, the President requested in his budget $400 million for this purpose in fiscal year 1963 but the recent authorization act provides only $300 million. I want to stress to you as strongly as I can the vital nature of this element of the foreign assistance program and the great importance that the full amount authorized be appropriated.

NEED FOR CONTINGENCY FUND

The need for a contingency fund has been recognized for a number of years in the aid program and has won increasing acceptance from Congress as a tool of extraordinary usefulness to the President in the conduct of foreign affairs in this troubled world. For this past year the Congress approved contingency funds totaling $284 million which proved to be insufficient to meet the urgent requirements that arose, and late in the year it was necessary for the President to exercise his authority to supplement this fund with a transfer from the "Military assistance" appropriation.

The need for a contingency fund is widely recognized and accepted. It has again been authorized for this year by the Congress in the Foreign Assistance Act for 1962. Furthermore, in their report on that bill the Foreign Relations Committee of the Senate stated:

> The committee believes that a contingency fund of this size is essential to the purposes of the foreign aid program and overall U.S. foreign policy. In every part of the world, hostile pressures against independent societies are capable of producing combustible situations. In coping with such situations—Vietnam is an example—the President must have considerable scope and flexibility, plus the authority to commit resources as swiftly as he deems necessary.

In their report on the same bill, the Foreign Affairs Committee of the House cited with favor the testimony of the Secretary of State on this subject:

> The Secretary of State, in testimony on aid matters, simply and effectively described to the committee the tremendous advantage of having this fund for contingencies:
>
> "During the past year, for example, it was a life-saver to us to have a contingency fund with which we could move promptly as the situation developed in the Dominican Republic, and as the pace of pressures and infiltration stepped up in Vietnam, it was very important to us to have a chance to respond there. When a new Syrian Government came into existence it was possible for us to move promptly in giving them minimum assistance in getting off with a start on their balance of payments arrangements.
>
> "We do not look upon the contingency fund as an addition to those appropriations which the Congress has limited in one way or another, but a genuine effort to put ourselves in a position to respond promptly to fast-moving situations in different parts of the world."

Furthermore, the President has repeatedly expressed his feeling of the urgent necessity for an adequate contingency fund, recognizing that "many of those whom we help live on the 'frontlines' of the long twilight struggle for freedom—that others are new nations poised between order and chaos—and the rest are older nations now undergoing a turbulent transition of new expectations," and recognizing further that all of the urgent requirements for American assistance to these nations, old and new, cannot be foreseen 12 to 18 months in advance and that we must be in a position to meet such urgent requirements if the cause of freedom and progress is not to meet serious setbacks.

BASIS FOR SIZE OF CONTINGENCY FUND

The need for a large contingency fund is related to the strictness we have observed in estimating requirements for supporting and other assistance. We have tried to make clear to you in our detailed testimony on the regional and country programs that the amounts requested for supporting assistance are based on rather optimistic assumptions and were held to the minimum amounts necessary to meet U.S. interests in a series of difficult situations. Our estimates make no allowance in the requests for supporting and development assistance for needs other than those which can be foreseen with reasonable certainty. We are counting heavily on the availability of the contingency fund to handle the inevitable series of unforeseen, urgent requirements stemming from the continuing flux of economic conditions and political pressures which we face throughout the world. In the absence of an adequate contingency fund, the President would have no alternative as new needs arise which have the priority of urgent necessity, to undercutting needed support for U.S. interests elsewhere, or diverting programed funds to purposes which do not contribute to the basic contructive purposes of this act. It is the contingency fund which gives the President the flexible resources to meet urgent and unforeseen requirements for economic assistance while at the same time carrying forward without interruption the basic investment, technical assistance, and security programs, which we hope will result in a better world.

USES OF CONTINGENCY FUND

The contingency fund is not used to replace funds requested for other purposes but denied by the Congress. On completion of action on the appropriation, program requirements are reviewed and those described to the Congress are adjusted to fit within the limitations of appropriations provided by the Congress for those purposes. At that early stage as well as later in the year the contingency fund is reserved to meet needs which had not been foreseen in the preparation of the request to the Congress, situations which confront us with different circumstances than those on which earlier estimates had been based, or situations anticipated in general terms but not in sufficient detail as to nature, timing, and amount as to justify their inclusion in programed assistance.

By their very nature it is impossible for me to tell you with any precision what these situations may be. As in earlier years it is likely that the contingency fund will be used to support major U.S. interests in a wide variety of situations:

1. Communist China and the Soviet Union may step up covert support of "liberation armies" seeking to bring countries along the bloc's Asian perimeter under their domination. To survive, the countries under attack may need special economic, as well as military, aid.

2. The Kremlin may apply heavier pressure on the West Berlin economy or probe weak spots elsewhere in the free world, as it has done in Cuba.

3. Newly independent countries in Africa, Asia, and the Caribbean, or countries which may soon become independent may be faced with pressing needs for assistance to maintain essential public services and minimum levels of economic activity.

4. Countries which have accepted substantial Sino-Soviet aid and since become disillusioned or apprehensive over the implementation of these programs may seek extraordinary assistance from the United States to disengage from Communist bloc influence.

5. During the difficult and sensitive process of adopting and achieving economic changes, in such fields as tax reform, landownership, and mobilization of capital, countries may undergo stresses requiring emergency external aid to preserve stability.

6. Earthquakes, floods, hurricanes, and other natural disasters may warrant the use of contingency funds to meet immediate relief needs and to assist in reconstruction.

DELEGATION OF AUTHORITY TO USE CONTINGENCY FUND

The authority of the President in section 451 to use the contingency fund has been delegated by him through the Secretary of State to the Administrator of the Agency for International Development. All major uses of the fund are reviewed by Mr. Hamilton or by his Deputy. I want to assure you that we at AID are acutely conscious of the special nature of this fund and of the particular prudence and careful judgment with which it is expected to be used. We feel that our record in the use of this fund during the past year is a good one and I am prepared to discuss any of the particular uses in which you may be interested.

USE OF CONTINGENCY FUND AND RELATIONSHIP TO SUPPORTING ASSISTANCE APPROPRIATION

I have here, and would like to insert for the record at the end of this statement, a table showing all of the uses of the contingency fund during the past fiscal year and their relationship to the appropriations for supporting assistance, since most of the fund was used for supporting assistance purposes.

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

We have a table which was previously prepared for us, but we shall also insert the one now before us.

(The table referred to follows:)

Use of contingency funds as of June 30, 1962, compared with congressional request for supporting assistance funds for fiscal year 1962

[In thousands of dollars]

Country	Fiscal year 1962 congressional presentation	Initial programing, Oct. 10, 1961		Programing changes			Adjustments to June 30, 1962 obligations (contingency fund)	Obligations as of June 30, 1962 (preliminary)		
		Regular appropriation	Contingency fund	Regular appropriation	Contingency fund			Supporting assistance	Contingency fund	Total
					Amount	Date				
SUPPORTING ASSISTANCE										
Latin America:										
Bolivia	11,000	15,774	0	+226	0		0	16,000	0	16,000
British Honduras	0	0	0	0	+300	November	−56	0	244	244
Colombia	0	0	0	0	+30,000	February	0	0	30,000	30,000
Dominican Republic	0	0	0	0	+10,000	January				
				0	+15,000	February	0	0	25,000	25,000
Ecuador	0	0	0	0	+8,000	November	0	0	8,000	8,000
Haiti			0	−77		March				
						June	−72	4,923	2,178	7,101
Honduras					+25	do	0	0	25	25
Panama	0	0	3,400	0	−3,400	November				
					+9,900	January	0	0	9,900	9,900
Peru	0	0	10,000	0	−4,000	do	0	0	6,000	6,000
East Caribbean			0		0		0	2,026	0	2,026
Total, Latin America	34,500	27,774	18,400	−4,825	+63,075		−128	22,949	81,347	104,296
Near East and south Asia:										
Afghanistan		7,500	0	−63	+23,700	June	0	7,437	23,700	31,137
Greece		0	0	0	+20,000	January	0	0	20,000	20,000
Iran		15,000	0	0	+15,000	November				
					+14,000	January	0	15,000	29,000	44,000
Jordan		37,000	0	0	0		0	37,000	0	37,000
Pakistan		25,000	0	0	0		0	25,000	0	25,000
Saudi Arabia	0	0	0	+150	0		0	150	0	150
Syria	0	0	0	0	+9,000	February	0	0	9,000	9,000
Turkey		58,600	0	−600	0		0	58,000	0	58,000
UAR (Egypt)	0	0	0	+5,000	+15,000	May	0	5,000	15,000	20,000
Yemen	5,000	5,000	0	0	+1,800	April	0	5,000	1,800	6,800
CENTO	2,000	1,400	0	+630	0		0	2,030	0	2,030
Regional	0	0	0	+150	0		0	150	0	150
Total, Near East and south Asia	216,400	149,500	0	+5,267	+98,500		0	154,767	98,500	253,267

Far East:										
Burma	2,000	2,000	0	−1,893	+300	February				
					+2,500	March				
					−2,800	June	0	107	0	107
Cambodia	10,300	10,300	0	0		February		10,300	7,000	17,300
Indonesia	0	0		0		November				
						December				
						March				
					−72	June	0	0	5,528	5,528
Japan	0	0	0	0	+533	January	−75	0	458	458
Korea		90,000	0	+2,500	0		0	92,500	0	92,500
Laos			0		3,000	June	0	24,441	3,000	27,441
Thailand		11,300	1,800	0	+100	November	0	11,300	1,900	13,200
Vietnam			0	+4,807	+30,000	do				
					+20,000	January				
					+4,226	March				
					−14,000	April				
					−16,830	June	−45	89,807	23,051	112,858
Western Samoa	0	0	0	0	+25	December	−2	0	23	23
SEATO	2,500	1,800	0	−424	0		0	1,376	0	1,376
Total, Far East	286,100	229,400	4,800	+431	36,282		−122	229,831	40,960	270,791
Africa:										
Algeria	0	0	0	0	+157	May				
					+205	June	−29	0	333	333
Cameroun		3,000	0	−1	0		0	2,999	0	2,999
Guinea	0	0	3,500	0	0		0	0	3,500	3,500
Kenya	0	0	0	0	+16	November	−2	0	14	14
Libya			0		0		0	9,000	0	9,000
Mali	0	0		0		May				
						June	0	0	2,581	2,581
Morocco			0	0	+10,000	January	0	20,000	10,000	30,000
Somali Republic		0	0	0	+315	November				
					+38	December	−14	0	339	339
Tanganyika	0	0	0	0	+250	April				
					+45	June	0	0	205	205
Togo	0	0	0	0	+300	March	0	0	300	300
Tunisia		10,000	0	−5	0		0	9,995	0	9,995
Total, Africa	68,100	44,000	6,600	−2,006	+10,717		−45	41,994	17,272	59,266
Europe:										
Germany (Berlin)	0	0	0	0		March				
						May				
						June	−10	0	2	2
Spain	5,000	15,000	0	0	0		0	15,000	0	15,000
Total, Europe	5,000	15,000	0	0	+12		−10	15,000	2	15,002

Use of contingency funds as of June 30, 1962, compared with congressional request for supporting assistance funds for fiscal year 1962—Con.

[In thousands of dollars]

Country	Fiscal year 1962 congressional presentation	Initial programing, Oct. 10, 1961		Programing changes			Adjustments to June 30, 1962 obligations (contingency fund)	Obligations as of June 30, 1962 (preliminary)		
		Regular appropriation	Contingency fund	Regular appropriation	Contingency fund			Supporting assistance	Contingency fund	Total
					Amount	Date				
SUPPORTING ASSISTANCE—Continued										
Nonregional programs:										
Civic action	0	0	0	+59	0			59		59
Disaster relief	0	0	[1] 200	0	0		−95	0	125	125
Inspector General	0	250	0	−60	0		0	190	0	190
Classified projects	0	0	0	0	+550	March	0	0	550	550
Total, nonregional programs	0	250	220	−1	+550		−95	249	675	924
Total, supporting assistance	610,100	465,924	30,020	−1,134	+209,136		−400	464,790	238,756	703,546
INTERNATIONAL ORGANIZATIONS AND OTHER PROGRAMS										
Indus waters			0		+3,700	June	−318		3,382	3,382
UNTA			0		+5,000	do	0		5,000	5,000
Project Hope			0		+855	do	−6		849	849
Escapee program (State)			0		+1,442		−802		1,256	1,256
					+566	June				
					+50	do				
Administrative expenses, refugee, and migration assistance (State)			0		+980		−108		872	872
ICEM (State)			0		+1,100		0		1,100	1,100
UNHCR (State)			0		+710					
Cuban refugee airlift (State)			0		+600	June	0		1,310	1,310
			0		+175		−8		167	167
Cuban refugees (HEW)			13,560		+22,038					
			0		+3,200	June	−1,208		37,590	37,590
Administrative expenses (State)			0		+1,400		0		1,400	1,400
Total programed	610,100	465,924	43,580	−1,134	+250,952		−2,850	464,790	291,682	756,472
Unobligated	0	0	240,600	+834	−241,052		+2,850	834	2,398	3,232
Total, available	610,100	465,924	284,180	−300	+9,900			465,624	294,080	759,704
Carryover balances	−29,100	−40,124	−9,180	0	0			−40,124	−9,180	−49,304
Reimbursements	0	−800		+300	0			−500		−500
Transfers from other appropriations (net)	0	0	0	0	−9,900				−9,900	−9,900
Appropriation	581,000	425,000	275,000	0	0			425,000	275,000	700,000

[1] Includes $18,000 for cholera vaccines in Hong Kong.

USE OF CONTINGENCY FUND IN 1962

Mr. COFFIN. It turned out to be necessary during the past year to use the largest share of the contingency fund, $102 million or 35 percent, in the Near East and South Asia. In Latin America we found it necessary to use $82 million or 28 percent, while $41 million was needed in the Far East and $17 million in Africa. Forty-nine million dollars was required for nonregional programs, the largest part of which was used for the support of Cuban refugees in this country and for U.S. contributions to international refugee programs in the temporary absence of other appropriations for these purposes. Of the $291,682,000 of obligations for the contingency fund last year $238,756,000 was for supporting assistance. $8,382,000 was for contributions to international organizations, and $44,554,000 was for other purposes, primarily the refugee program.

We have attempted not only to program these funds most carefully but to manage their use as prudently as possible. Sometimes circumstances on which an approval was based change or conditions which were imposed are not met, so that it turns out that funds are not required in the amounts estimated at the time of program approval. Thus, for example, this past year obligations for several projects in the Caribbean area which were approved under the contingency fund were delayed beyond the end of the fiscal year by a shift in circumstances and failure to fill all the requirements for prudent obligation for capital projects. There were similar shifts in supporting assistance requirements in southeast Asia.

In anticipation of such eventualities, transfer of MAP funds to the contingency fund and coverage of one or two major requirements which had become clear by spring was delayed to the last feasible moment in June in order to minimize the size of the necessary transfer and of the resulting disruption of military assistance. This operation was a signal success, and I am pleased to be able to report to you that we managed to hold the transfer from the military assistance appropriation to the contingency fund to only $13.5 million, and that to contributions to international organizations to $9.5 million or a total MAP transfer of $23 million, a sum very substantially less than had been anticipated in discussion with the Department of Defense and the President during the preceding months.

Clearly the exercise of judgment is involved in the use of this fund, in even greater degree than in the rest of the program. Opinions will differ as to the wisdom of any particular decision. Hindsight is always clearer and in retrospect one may conclude that a different decision in one case or another might have been wiser. But the responsible executive bears the burden of acting in the time required with the best judgment he can make on the strength of the information then available to him. I believe the judgments made this past year on the use of the contingency fund have on the whole been wise and necessary, and I am prepared to discuss any of them with you in such detail as you may wish.

I would like to conclude, Mr. Chairman, with a simple repetition of my opening thought. This fund is one of the most crucial elements in the whole complex structure of the foreign assistance program, indeed of the U.S. ability to lead the forces of liberty and progress an

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troubled world. I am convinced—and I want to assure you that I speak for Secretary Rusk and President Kennedy in saying this—I am convinced that there is no greater service this committee can render the country than to provide the President with the full authorized funding for this program, and particularly the contingency fund, so that he may meet with dispatch the supreme responsibilities of protecting the security and national interests of the United States in this time of peril and disruption.

Mr. PASSMAN. Thank you, Mr. Coffin. I know that I speak for all the members of the committee when I say we are always very pleased to have you appear before us.

We would expect you to put your best foot forward. You have a great deal to defend when you attempt to defend this contingency fund, especially when you take into account that almost one-third of the total in fiscal year 1962 was obligated during the last month of the fiscal year. However, we know that you always give us the information which you have available.

ORIGIN OF THE CONTINGENCY FUND

In what year did the contingency fund, as such, come into being under that name?

Mr. COFFIN. I think 1956, Mr. Chairman.

Mr. PASSMAN. Calendar year or fiscal year?

Do you have that, Mr. Tennant?

Mr. TENNANT. In fiscal year 1956 it was called the special Presidential fund.

Mr. PASSMAN. I am speaking of the contingency fund by that name. You had a special fund before that.

Mr. TENNANT. 1959 by that name, I believe.

Mr. PASSMAN. So, actually you had the foreign-aid program going during years of the highest expenditure without a contingency fund, as such; is that correct?

Mr. COFFIN. Are you saying during the years of the Marshall plan we did not have it?

Mr. PASSMAN. The Marshall plan did not last for 12 years. We speak of 1947 through 1959. That is 12 years. You operated without a contingency fund——

Mr. COFFIN. You have to start——

Mr. PASSMAN (continuing). For the first 10 or 12 years of the so-called foreign-aid program. Is that right?

Mr. COFFIN. We start with the actual expenditures of the Marshall plan which were 1948–49.

Mr. PASSMAN. We shall say 11 years, or 10 years, or 9 years, or 8 years, but you had a contingency fund, as such, for the first time in fiscal year 1959?

Mr. COFFIN. As such. We had it in fiscal 1956.

Mr. PASSMAN. I said as such, under that name.

PRESIDENTIAL TRANSFER AUTHORITY PRIOR TO CONTINGENCY FUND

Prior to that time, did the President have the authority to transfer out of the other funds to meet conditions similar to conditions which you presently meet out of the contingency?

Mr. COFFIN. I don't know when the original transfer authority was written into the legislation.

Mr. PASSMAN. It is in effect now, is it not?

Mr. COFFIN. Yes.

Mr. PASSMAN. So, prior to the contingency fund, as such, I believe you had, if we may go back to 1959 now:

The evolution of the contingency fund. Before discussing the request of the appropriation, Mr. Chairman, I should like to review briefly the origin of what is termed in the legislation this year for the first time a contingency fund and the changes which have been adopted by both the House and Senate in authorizing the legislation.

I am reading from page 1232 of the hearings for 1959:

SPECIAL PRESIDENTIAL FUND

Two years ago the Congress authorized and appropriated $100 million what was termed a "special Presidential fund" under the authority of section 401(b) of the Mutual Security act of 1954.

This $100 million was actually the first fund created whereby the President could use it; even though it was not defined by name, it was in effect a contingency fund. Is that correct?

Mr. COFFIN. I believe so.

Mr. PASSMAN. That was for fiscal year 1956?

Now can you tell us how much——

Mr. COFFIN. Fiscal year 1956.

Mr. PASSMAN. This fund was 2 years prior to this record. It was $100 million at that time. That was the full request.

OBLIGATIONS UNDER SPECIAL PRESIDENTIAL FUND

Do you know what that $100 million was obligated for, or whether it was obligated?

Mr. TENNANT. My first year is 1956, sir, and the obligations that I have against that special Presidential fund for 1956 show $98.8 million.

Mr. PASSMAN. Let us take the next year; how about fiscal year 1957?

Mr. TENNANT. $100 million, and $95.2 million.

Mr. PASSMAN. Give us fiscal year 1958. Do you have that?

Mr. TENNANT. Fiscal year 1958, as I recall the legislation, was not written the same way. The special assistance appropriation was available for contingency uses.

Mr. PASSMAN. In each year you obligated an amount less than the sum appropriated. Is that correct?

Mr. TENNANT. That is correct, sir, for the 2 years cited.

FLEXIBILITY OF PRESIDENT'S TRANSFER AUTHORITY

Mr. PASSMAN. Can you tell us when you got your first authorization giving the President the right to transfer out of all programs up to 10 percent?

Mr. TENNANT. In checking back, Mr. Chairman, in the records we have with us, our first transfers occurred in fiscal year 1955. I think we would have to verify whether that is the first year.

Mr. PASSMAN. He could transfer as much as 10 percent of the appropriation and up to 20 percent of another program, whichever would be the greater?

Mr. COFFIN. Not to exceed 20 percent of the program transferred into.

Mr. PASSMAN. Out 10 percent, in 20 percent?

Mr. COFFIN. That is right.

Mr. TENNANT. Section 501 had a provision of 10 and 20 percent. However, there were footnotes in the legislation which shows some information about some flexibility in there, but in general it is in the 10- and 20-percent range.

Mr. PASSMAN. Some footnotes making it more liberal?

Mr. MILLER. This is in the short version of the legislation we have with us, Mr. Chairman. We shall be delighted to check it in the United States Code and we can give you the information very shortly.

(The information follows:)

LEGISLATIVE HISTORY ON AUTHORITY TO TRANSFER FUNDS BETWEEN ACCOUNTS

Section 610 of the Foreign Assistance Act of 1961, as amended, is derived from section 501 of the Mutual Security Act of 1954, which, in turn, was derived in part from sections 513, 101(b), and 301 of the Mutual Security Act of 1951, which became law on October 10, 1951.

Mr. PASSMAN. The President has the right today to transfer as much as 10 percent of an appropriation out of one category and up to 20 percent into another category. Is that the flexibility he has?

Mr. COFFIN. Yes.

Mr. PASSMAN. And those transfers would be up to the needs and findings of the State Department and AID, would they not?

Mr. COFFIN. That is right.

Mr. PASSMAN. With Presidential concurrence?

Mr. COFFIN. That is right.

Mr. PASSMAN. In the event the President had had no contingency fund he could use the authority of the law, could he not, to transfer out of one appropriation into another, under section 610?

Mr. COFFIN. He would have that authority. It would not be adequate because of the——

LIMITATION ON TRANSFER AUTHORITY

Mr. PASSMAN. In fiscal year 1963, under the money request, what funds would be excluded from that section?

Mr. COFFIN. The President cannot transfer out of the largest appropriation, which is development lending, nor out of the administrative expense accounts. He can transfer from the Alliance for Progress account only to development lending.

He could theoretically transfer out of the development grants or supporting assistance or voluntary contributions, or out of Alliance for Progress, and out of military assistance.

Mr. PASSMAN. What would that total be, based on the budget request?

Mr. COFFIN. Counting military assistance it would be about $3 billion.

Mr. PASSMAN. He could transfer out of those funds up to as much as $300 million, if the funds were available and he should desire to do so?

Mr. HARVEY. Depending on the size of the funds he was transferring into.

Mr. PASSMAN. But you could transfer up to 20 percent. If it fit the second part, then you would have transferability of $300 million.

Mr. COFFIN. There is a host of items for supporting assistance.

Mr. PASSMAN. If we eliminated that it is about——

Mr. COFFIN. $48 million.

It is unrealistic to transfer out of the supporting assistance which is already too tight for comfort.

Mr. PASSMAN. But he could transfer out of supporting assistance?

Mr. COFFIN. But it is not realistic. What he would be transferring into would be in all likelihood a supporting assistance category.

Mr. PASSMAN. You would not object to Congress making up its mind as to whether it would be in conflict with what he could or could not do? We have that right?

Mr. COFFIN. You have the right, certainly.

Mr. PASSMAN. The President, in effect, could transfer as much as $300 million under the present budget request into other categories, if the amount did not exceed 20 percent of the appropriation being transferred into?

LIMITATION ON TRANSFERS UNDER THE ALLIANCE FOR PROGRESS

Mr. COFFIN. Except under the $600 million in the Alliance for Progress—I am informed he could not transfer out of that except to development lending.

Mr. PASSMAN. Off the record.

(Discussion held off the record.)

Mr. PASSMAN. I notice some exchange of notes between you. It would perhaps indicate legal counsel has told you that you had included some fund you should not have included in this transfer. Is that correct?

Mr. COFFIN. Yes.

Mr. PASSMAN. Which would that be?

Mr. COFFIN. Under title VI, the Alliance for Progress, section 251, paragraph (c), states that—

> the authority of section 614(a) may not be used to waive the requirement of this title with respect to funds made available for this title which are required to be used for loans payable as to principal and interest in U.S. dollars.
>
> The authority of 610 may be used to transfer such funds only to funds made available for title I of chapter 2 of part 1.

FISCAL YEAR 1962 SPECIAL AUTHORITY FOR TRANSFER FROM DOD STOCKS TO MAP

Mr. PASSMAN. Usually they do just about what they want to do.

Let us go to page 434, appropriation budget estimate, section 510, special authority. This is during fiscal year 1962:

> The President may, if he determines it to be vital to the security of the United States, order defense articles from the stocks of the Department of Defense and defense services for the purposes of part 2, subject to subsequent reimbursement

therefor from subsequent appropriations available for military assistance. The value of such orders under this subsection in the fiscal year 1962 shall not exceed $300 million.

That section has been amended so as to give you the same kind of authority in fiscal 1963. This item would be included as part of the amount out of which he could transfer.

Mr. COFFIN. Speaking of the military drawdown? The answer is "No." Section 610 authorizes the transfer of funds, whereas section 510 authorizes the President to order defense articles from Department of Defense stocks for military assistance uses.

Mr. FORD. If the chairman would yield.

Mr. PASSMAN. Yes, I would be glad to yield.

Mr. FORD. I am not fully up to date on what this transfer authority authorizes. Does it authorize on a full fiscal year basis?

Take, for example, the $1,250 million for development loans. On the basis of a 10-percent transfer out is that 10 percent——

Mr. COFFIN. You can't transfer that category.

Mr. FORD. Take the military, $1.5 billion. Is that 10 percent on a fiscal year basis?

Mr. COFFIN. Yes.

Mr. FORD. And it is cumulative? If you transfer 5 percent out at one time you have only 5 percent leeway on the second?

Mr. COFFIN. That is right.

DEOBLIGATION-REOBLIGATION

Mr. PASSMAN. Let us go a bit further, though. The President also has a right, under the legislation, to cancel, or deobligate, out of practically every one of these funds. That money becomes available, also, does it not, for reobligation in such field as you might decide?

Mr. COFFIN. He has that power.

Mr. PASSMAN. So, even without the contingency fund, this program is exceptionally flexible.

Mr. COFFIN. I disagree, Mr. Chairman.

Mr. PASSMAN. That is your opinion.

Mr. COFFIN. I refer to the operation.

Mr. PASSMAN. You just acknowledged that you had such flexibility. You can cancel, deobligate, and that money becomes available for new obligations.

Mr. COFFIN. These are marginal items. Unless you deobligated an entire country you could not respond to any situation such as we face in Vietnam or Algeria or——

Mr. PASSMAN. I respect your views, but we got along with this very nicely for years.

FLEXIBILITY OF AID PROGRAM

This fund has grown and grown.

This entire program is rather flexible, and the record so indicates.

You people administering the program say this is a tight program. Those of us who are recommending appropriations say it is rather loose.

Mr. COFFIN. I am saying Congress in its wisdom has given us these several kinds of flexibility, each of which has its own very legitimate purpose.

Mr. PASSMAN. Did you state that the President had delegated the authority to the Secretary of State, and the Secretary of State delegated authority to Mr. Hamilton, and he, in turn, to the division chiefs in the four sections?

Mr. COFFIN. No, that is not so.

Mr. PASSMAN. How far does he delegate authority?

Mr. COFFIN. Either the Administrator or myself as Deputy.

Mr. PASSMAN. Has it reached the same level for the contingency fund, so far as delegating authority is concerned, as the authority that you have in the remainder of the bill?

Mr. COFFIN. No. Within the regions they have authority to program within the amount that we set for a particular region. This has stricter, more rigid controls.

Mr. PASSMAN. But the control is under the Secretary of State, Mr. Hamilton, or yourself?

Mr. COFFIN. Yes.

Mr. PASSMAN. So, in effect, we can just stop pretending, can we not, about this being a sacred account of the President's? Of necessity, he had to delegate the authority to the Secretary of State and the AID Agency, and you people determine what projects should be funded out of the contingency fund, and not the President as such?

Mr. COFFIN. The President is advised of the problems as they occur, and there is frequently interchange between the White House and AID.

Mr. PASSMAN. You did mean what you said in the statement?

Mr. COFFIN. It is delegated.

Mr. PASSMAN. The authority to use contingency funds has been delegated by the President through the Secretary of State to the Administrator of the Agency for International Development. Is that correct?

Mr. COFFIN. That is correct.

Mr. PASSMAN. Is the President advised on all these transactions, whether it is out of military or out of the Alliance for Progress? Does the President get such reports?

Mr. COFFIN. Yes.

Mr. PASSMAN. He would not get any different type report on this fund, would he?

Mr. COFFIN. These situations, depending on the urgency and magnitude, would get immediate attention. He would even be consulted before an amount was given for some purposes.

Mr. PASSMAN. Depending on what degree of emergency you faced. If he delegated the authority he delegated the authority.

Mr. COFFIN. For example, if you take the hurricane in British Honduras, that would be a case where we would feel it within our authority to proceed, but a much larger situation, the one in Vietnam, he would be closely advised about it.

Mr. PASSMAN. You have given us one exception, Vietnam. Can you give us more than one, Mr. Coffin? We have always known that the President delegated this authority.

The way this money was spent last year would indicate that the President would not have had time to be President if he had gone through all these projects, so he had to pass the responsibility and authority along to others.

HISTORICAL NEED FOR IMPROVEMENTS

Many of these nations which we are helping are, so far as civilizations are concerned, older than America?

Mr. COFFIN. Yes, many are very ancient civilizations trying to modernize.

Mr. PASSMAN. So, some of the projects on which we are working at this time are projects which if we had been in this advanced age 1,000 years ago, could have been brought into being then? These projects and programs have waited for centuries, in some cases, to get underway?

Mr. COFFIN. I don't follow you, Mr. Chairman. What projects?

Mr. PASSMAN. Let us say rivers and harbors, reclamation, building, teaching, and so on.

I refer to the need to do these things.

Mr. COFFIN. What is new, Mr. Chairman, is the recognition of this need and the great impulse on the part of all these peoples to make as much progress as they can. This is quite an explosive force.

Mr. PASSMAN. Am I making a statement of fact with reference to many of the programs and projects, the need for them has been in existence for a long time?

Mr. COFFIN. Insofar as hunger, disease and poverty—they have always existed. Only in that sense will I agree.

Mr. PASSMAN. If it is a railroad, a highway, a water tank, paved sidewalks, auditorium, apartment buildings, or whatever the money goes for, the need has been there a long time; has it not?

Mr. COFFIN. We are talking about the contingency fund.

Mr. PASSMAN. I refer to the need for the projects, because you have spent the contingency fund in just about every field of endeavor that the program encompasses. I am just trying to find out whether the things that need to be done in these countries, to improve their standards and make living a little easier for them, have been in existence for a long time. Is that correct?

Mr. COFFIN. Inasmuch as many of these countries have always been poor, and sickness has seized many of them, you are right.

Mr. PASSMAN. And if it is a highway, a railroad bridge, or an educational program, or a college, or any addition to that, this is something which just did not develop yesterday? It is something they have needed for a long time?

AUTHORIZATION AND CONSTRUCTION STANDARDS FOR DOMESTIC PROJECTS

The American people have just about reached the point that they want more than just a little lip service from Washington, as to why, we have a double standard with regard to domestic and foreign projects.

You are familiar with the system we operate by in our domestic projects. You go through all the ramifications from the very local level right up to the top. After about 6 or 7 years, you finally come up with an authorization if the project meets the criteria. You get that authorization only if you can establish that the benefits will exceed the costs; otherwise, it will never be authorized. Even those that are very close, 1 to 1, are rather difficult to get money for, and some of those projects have been authorized 21, 22, and 23 years ago; and

in some of those we hope to get, say, an appropriation of 3 percent of the costs to get them underway.

Some of your people before this committee have agreed that there should be the same type of criteria in foreign aid as in our domestic programs.

We had better be more businesslike, because our money is running out, our gold is running out, and our credit is running out.

Mr. COFFIN. I disagree on that, Mr. Chairman.

Mr. PASSMAN. Our gold, for example now is a little under $16 billion, I think, down from a high of about $25 billion.

The point is that you are funding projects out of the contingency which may not even be started for 2 or 3 years. In many instances you are taking money out of the contingency fund and adding it to projects for which we made reductions last year.

Mr. COFFIN. No, Mr. Chairman. I think our record is very good on that.

Mr. PASSMAN. I think it is the worst ever made.

I think we should also indicate an instance where we did not cut the appropriation a nickel. We gave you everything for which you asked. They even transferred money into that account out of the contingency fund. There are several instances of that nature, but I am thinking now of the U.S. Technical Aid Fund.

Mr. COFFIN. You know the answer to that.

Mr. PASSMAN. We hope to get the answer.

COUNTRIES RECEIVING BUDGETARY SUPPORT FROM CONTINGENCY FUND

How much of the contingency fund was used for budgetary support in fiscal 1962?

Mr. COFFIN. There were five programs which involved budgetary support: the Dominican Republic——

Mr. PASSMAN. The amount, please?

Mr. COFFIN. I would have to ask my associates to supply the figures—Greece, Iran, Laos, and Vietnam.

Mr. PASSMAN. Your associates will give the amounts?

Mr. COFFIN. Yes.

Mr. FORD. I think that information ought to be available right now.

Mr. PASSMAN. I have it, but it should be in the record.

Mr. COFFIN. The Dominican Republic was $25 million, budgetary support.

Greece was $20 million.

Iran was $15 million for budgetary support.

Laos was $3 million.

Vietnam——

Mr. HARVEY. It is hard to tell on that situation.

Mr. COFFIN. In Vietnam, as you know, much of the contingency obligations were either under the commercial import program or for commodity imports for the counterinsurgency program.

Mr. HARVEY. Of the $23 million of contingency funds used in Vietnam, approximately $3 million was for specific projects in the very active cold war going on there now.

USE OF CONTINGENCY FUND FOR COMMODITY IMPORTS

Most of the project obligations and all of the nonproject obligations were for commodity imports. Counterpart generated under the commercial import program is to be used for budget support.

Mr. PASSMAN. You are speaking of Vietnam?

Mr. HARVEY. Yes. The commercial import program was required to meet balance-of-payments needs. The counterpart of these imports will be used for budget support.

Mr. PASSMAN. If it is to pick up invoices for imports, would it not be budgetary support, if they had originally programed it out of their own budget?

Mr. HARVEY. I think nearly all of the contingency fund used in fiscal year 1962 was put in primarily for the purpose of providing urgently needed imports. Of the $23 million, $10 million was used for commercial imports, $10 million for commodities needed for the counterinsurgency program, and $1.7 million of project aid was used for commodities.

GOLD PURCHASES BY IRAN

Mr. PASSMAN. In what month did you obligate the $15 million to Iran?

Mr. TENNANT. November.

Mr. PASSMAN. In the last quarter of 1961—it could have been the same week—Iran, the country without a budget, purchased $16,100,000 of our gold.

Mr. HARVEY. May we speak to that for a second?

Iran had a payment to make to the International Monetary Fund at that time which was considerably larger than that payment. I believe it was nearly $30 million. They had some gold on hand in the Central Bank. They needed to maintain the backing for their currency. Rather than draw down their own reserves, they drew on their dollar reserves instead, without gold from us for the purpose of transfer to the International Monetary Fund.

Mr. PASSMAN. They bought our gold, did they not?

Mr. HARVEY. That is correct.

Mr. PASSMAN. While we were having a tremendous drain on our gold.

Mr. HARVEY. If I may complete the story, their own gold holdings did not go up during this period.

Mr. PASSMAN. They did purchase $16,100,000 of our dwindling gold supply, did they not?

Mr. HARVEY. They did. During this same period, the International Monetary Fund also sold $150 million of gold to the United States.

Mr. PASSMAN. I am familiar with that transfer. They are holding our currency in our vaults. I would not want to be embarrassed or embarrass you. We do know that we are certainly in trouble with our own gold reserves. The situation is at the danger point.

Mr. RHODES. Why did Iran have to make this payment in gold?

Mr. HARVEY. They had drawn a credit from the IMF previously, I do not know when, and under the agreement with the IMF, there was a scheduled repayment due.

Mr. RHODES. Let's find out more about this.

Mr. PASSMAN. Off the record.
(Off the record.)
Mr. RHODES. May I proceed for a minute?
Mr. PASSMAN. Surely.
Mr. RHODES. Thank you.

IMF REQUIREMENTS FOR REPAYMENTS IN GOLD

Will you tell us the reason why Iran had to pay this debt in gold?
Mr. HARVEY. I am not familiar with this in detail, but I understand payments of this character need to be made to the IMF in gold.
Mr. RHODES. I would like to get a report in the record on that point at this time.
As I understand, the IMF does not need gold. They have loaned the United States gold recallable at a moment's notice. They have needed gold so little they loaned $200 million worth of it to us.
Mr. PASSMAN. I believe it was an exchange. They are holding our currency.
Mr. RHODES. An exchange of horses for rabbits.
Mr. PASSMAN. On a temporary basis.
Mr. RHODES. Not only temporary, it is callable at any moment. It makes our gold picture look better than it is.
Mr. HARVEY. We can get that for you.
(The information supplied follows:)

IRANIAN PAYMENT TO IMF IN GOLD

The articles of the International Monetary Fund specify the manner in which members may draw on the Funds' resources and in which they must repay those drawings. In general, it is required that a drawing be repaid in gold or convertible currencies in proportion to the holding of gold or convertible currencies of the members own monetary reserve or in proportion to the increase in each kind of reserve during the year. These provisions are in article V, section 7 and schedule B to the articles, the full texts of which are below. In addition, charges, which include a small service fee on each drawing, handling charges on gold transactions, and interest on outstanding balances on drawings of the Fund, are payable in gold except for members whose monetary holdings are less than half of its quota (art. V, sec. 8(f)).

Iran had drawings from the Fund of $5 million in 1959, $45 million in 1960, and $7.5 million in 1961. Under the rules of the Fund which are also embodied in the articles of agreement, repayment of these drawings totaling $37 million was due during the period under review. Through the application of the repayment or "repurchase" regulations of section 7, $15.9 million of the Iranian repayment had to be made in gold and $21 million in convertible currency. In addition, $200,000 of charges were payable in gold. The texts of the cited parts of the articles of agreement of the International Monetary Fund are as follows:

"SEC. 7. *Repurchase by a member of its currency held by the Fund.*—(a) A member may repurchase from the Fund and the Fund shall sell for gold any part of the Fund's holdings of its currency in excess of its quota.

"(b) At the end of each financial year of the Fund, a member shall repurchase from the Fund with gold or convertible currencies, as determined in accordance with Schedule B, part of the Fund's holdings of its currency under the following conditions:

"(i) Each member shall use in repurchases of its own currency from the Fund an amount of its monetary reserves equal in value to one-half of any increase that has occurred during the year in the Fund's holdings of its currency plus one-half of any increase, or minus one-half of any decrease, that has occurred during the year in the member's monetary reserves. This rule shall not apply when a member's monetary reserves have decreased during the year by more than the Fund's holdings of its currency have increased.

"(ii) If after the repurchase described in (i) above (if required) has been made, a member's holdings of another member's currency (or of gold acquired from that member) are found to have increased by reason of transactions in terms of that currency with other members or persons in their territories, the member whose holdings of such currency (or gold) have thus increased shall use the increase to repurchase its own currency from the Fund.

"(c) None of the adjustments described in (b) above shall be carried to a point at which—

"(i) the member's monetary reserves are below its quota, or

"(ii) the Fund's holdings of its currency are below seventy-five percent of its quota, or

"(iii) the Fund's holdings of any currency requred to be used are above seventy-five percent of the quota of the member concerned.

"SEC. 8. *Charges.*—* * *

"(f) All charges shall be paid in gold, if, however, the member's monetary reserves are less than one-half of its quota, it shall pay in gold only that proportion of the charges due which such reserves bear to one-half of its quota, and shall pay the balance in its own currency.

"SCHEDULE B. PROVISIONS WITH RESPECT TO REPURCHASE BY A MEMBER OF ITS CURRENCY HELD BY THE FUND

"1. In determining the extent to which repurchase of a member's currency from the Fund under Article V, Section 7(b), shall be made with each type of monetary reserve, that is, with gold and with each convertible currency, the following rule, subject to 2 below, shall apply:

"(a) If the member's monetary reserves have not increased during the year, the amount payable to the Fund shall be distributed among all types of reserves in proportion to member's holdings thereof at the end of the year.

"(b) If the member's montetary reserves have increased during the year, a part of the amount payable to the Fund equal to one-half of the increase shall be distributed among those types of reserves which have increased in proportion to the amount by which each of them has increased. The remainder of the sum payable to the Fund shall be distributed among all types of reserves in proportion to the member's remaining holdings thereof.

"(c) If after all the repurchases required under Article V, Section 7(b), had been made, the result would exceed any of the limits specified in Article V, Section 7(c), the Fund shall require such repurchases to be made by the members proportionately in such manner that the limits will not be exceeded.

"2. The Fund shall not acquire the currency of any non-member under Article V, Section 7(b) and (c).

"3. In calculating monetary reserves and the increase in monetary reserves during any year for the purpose of Article V, Section 7(b) and (c), no account shall be taken, unless deductions have otherwise been made by the member for such holdings, of any increase in those monetary reserves which is due to currency previously inconvertible having become convertible during the year; or to holdings which are the proceeds of a long-term or medium-term loan contracted during the year; or to holdings which have been transferred or set aside for repayment of a loan during the subsequent year.

"4. In the case of members whose metropolitan territories have been occupied by the enemy, gold newly produced during the five years after the entry into force of this Agreement formines located within their metropolitan territories shall not be included in computations of their monetary reserves or of increases in their monetary reserves."

Mr. RHODES. It seems to me strange that the IMF would make a demand like that for gold. It had the effect of taking $16 million of our gold and sending it to the IMF, while at the same time the IMF was lending us $200 million in gold.

Mr. ANDREWS. Did I understand you to say our gold supply has gone below $16 billion. I saw a report last week, $16.2 billion.

Mr. PASSMAN. I think it has dipped under $16 billion. Last week, I think, it got to $16.1 billion.

CONTINGENCY FUND ALLOCATIONS TO LAOS

Did you make a contribution to Laos out of the contingency fund in fiscal year 1962?

Mr. COFFIN. Yes.

Mr. PASSMAN. When did you allocate the money to Laos?

Mr. COFFIN. The contingency draw for Laos was in June.

Mr. FORD. Of 1962?

Mr. COFFIN. 1962, and that was because there had been a cessation of payments to Laos from around January or February, and then when the Government reestablished itself, when it looked as though it was reestablishing itself, and when it put on import restrictions, we turned over, or made available by depositing in a bank $3 million to give that Government a chance to get underway.

Mr. PASSMAN. We were making those monthly payments in the second quarter of 1961, were we not?

Mr. COFFIN. Yes; I think so.

Mr. PASSMAN. During the second quarter of 1961, Laos purchased $1.9 million of our gold.

Mr. COFFIN. And Laos is another country that contributed more than that to the International Monetary Fund.

PAYMENT OF FRAUDULENT INVOICES IN FAR EAST

Mr. PASSMAN. These people at that time submitted an invoice for $162,000 for 20 generators. Upon investigation, it was found that the value of the generators was only $20,000. However, we had already paid the $162,000.

There was another instance involving sawmill equipment, and there was an invoice rendered for $42,000, which Uncle Sam paid. We found out later the value was $12,000. So, picking up on these invoices that the people out in Laos submitted, $207,500, at a subsequent examination it was found that the value of those invoices was only $33,000.

I think those people should know that the American taxpayers are looking over the shoulders of their elected officials, and they might tighten up a bit.

Mr. COFFIN. I agree with you. There is no excuse for false invoices. We hope——

Mr. PASSMAN. That is only a smattering. We were supporting the kip out there at 35 to 1 when the actual going rate was 110 to 1. We are dealing with the same people today.

They were accepting delivery of commodities in Thailand and putting it out on the black market.

Nevertheless, they got money out of the contingency fund.

UNLIQUIDATED BALANCE TO CREDIT OF LAOS

You now have a very large unliquidated balance to the credit of Laos. You did not cancel any obligations. You suspended them. While you suspended the obligations, we would have thought there might have been a substantial reduction. But we find that you supplemented the unliquidated money from the contingency fund.

Mr. COFFIN. As we presented to you a program for Laos a year ago, $41 million, we initially programed $29 million. Actually, we went through the year with $24 million and we are talking only about one contingency fund payment of $3 million.

Mr. PASSMAN. And I am talking about only one purchaser of gold, and that was in the second quarter of last year, about 13 months ago, when they requisitioned $1,900,000 of our gold, and they got it, too.

PURCHASE OF GOLD BY CONTINGENCY FUND RECIPIENTS

How many nations received an allocation from the contingency fund in 1962, Mr. Coffin?

Mr. COFFIN. My figures show 30.

Mr. PASSMAN. How many of those nations purchased gold from the Treasury during calendar years 1959, 1960, and 1961?

Mr. COFFIN. I have a record which I think you have of the purchases from April 1, 1961, to March 31, 1962, and the contingency fund recipients in that list are seven.

Mr. PASSMAN. That is almost one-third of the total that received money from the contingency fund.

Mr. COFFIN. These purchases, with the exception of Greece and Iran which you mentioned, were very small, either $1 million or not much over $1 million.

Mr. PASSMAN. Iran had $16.1 million.

Mr. COFFIN. I said except for Iran and Greece, the others were very small.

Mr. PASSMAN. $1.9 million for Laos, and Laos is a very small country. What is the population?

Mr. COFFIN. I do not know.

Mr. PASSMAN. Let us determine the proportion.

While they are looking that up, during the 3 years that I mention, our gold reserves have dropped almost $4 billion. It is not only in this area, it is all over. Some of the largest nations receiving our aid are requesting the most gold.

Mr. COFFIN. I would not say that.

Mr. PASSMAN. I am going to say it, and prove it, since we are on that subject.

GOLD PURCHASES BY ARGENTINA

Argentina: In fiscal year 1958, $67.2 million.

Mr. COFFIN. In the period I am talking about?

Mr. PASSMAN. I am going to get into calendar year 1960, when they purchased $50 million of our gold, and we were pleading with them to leave their money in this country on investment, and in 1961 again, they purchased $90 million of our gold; over $200 million by Argentina in those 3 years.

Mr. COFFIN. There was a net loss of gold in Argentina during the period I have in mind.

Mr. PASSMAN. They sold $58 million.

Mr. COFFIN. My figures are a net sale of $25 million.

Mr. HARVEY. To the United States.

Mr. PASSMAN. I do not think that I am overstating the case that our gold reserves are at a point where they have to be watched very closely.

Mr. COFFIN. You are right.

Mr. PASSMAN. Even after running our gold down to $16 billion, some of the aid recipients have money running out of their ears.

IMPORTANCE OF GOLD AND DOLLAR RESERVES IN RECIPIENT COUNTRIES

Mr. COFFIN. I agree with you gold is a problem we have to watch. You draw the wrong conclusions though in the sense that the implication of your remarks is we should cease aid to certain countries because they may have a gold reserve.

Mr. PASSMAN. Let them have all the gold reserves they want as long as they do not take our aid dollars and then buy our gold with their dollar earnings.

Mr. COFFIN. It is appropriate we would want some of these countries we help have some reserves, whether they hold it in dollars or gold. We would not want them to take our aid dollars and buy gold.

Take Turkey, for example. They had a small increase in their reserves. This is important for Turkey. This gives us more confidence in Turkey's capacity to develop.

AID TO SAUDI ARABIA

Mr. PASSMAN. Saudi Arabia has been a substantial aid country.

Mr. COFFIN. That is not an aid country.

Mr. PASSMAN. Certainly it has been an aid country.

Even Peru is in for a nice little purchase.

And Nigeria is in for a purchase of $20 million.

It just about covers the waterfront.

We want them to have dollar reserves and gold, but I am wondering what is going to happen to us.

In Saudi Arabia, the mutual security program, I think, was $27.4 million through 1961.

Mr. COFFIN. There were no obligations for economic aid in the fiscal years 1959, 1960, and 1961.

Mr. PASSMAN. Let us see if you have anything to the credit of Saudi Arabia.

Mr. TENNANT. On the economic side, the unexpended balance was zero, June 1962.

Mr. PASSMAN. How about the military, and also 1961?

(Off the record.)

Mr. COFFIN. No contingency in 1962.

Mr. PASSMAN. I can assure you that other witnesses have testified you did give them $150,000.

Mr. COFFIN. In supporting assistance.

Mr. PASSMAN. What is the unliquidated amount in the military?

Mr. TENNANT. The military figure is $———.

Mr. PASSMAN. That was at the end of fiscal 1962?

Mr. TENNANT. Yes.

Mr. PASSMAN. Fiscal year 1962, still unliquidated to their credit?

Mr. TENNANT. That is correct.

Mr. PASSMAN. They bought $47.5 million of our gold in 1961.

If you will cover about 5 years, practically every one of these recipients of our dollars got into our gold reserves; otherwise our gold reserves would not be in the mess they are in.

Mr. COFFIN. The only place I disagree with you is how we attack the balance-of-payment situation.

We think the way to attack it is by limiting aid to U.S. procurement of goods and services, which we are doing more than we ever have done.

USE OF DOLLAR CREDITS FOR PROCUREMENT IN THE UNITED STATES

Mr. PASSMAN. Is it not true that practically every nation on the face of the earth, even the primitive nations, earn a certain amount of dollars from their exports?

Mr. COFFIN. Yes.

Mr. PASSMAN. And normally, those exports move into the channels of commerce?

Mr. COFFIN. Yes.

Mr. PASSMAN. Eventually it is to be expected that we may sell those nations something?

Mr. COFFIN. Yes.

Mr. PASSMAN. Against the dollars earned from their exports?

Mr. COFFIN. They would have to come back here, naturally.

Mr. PASSMAN. If you credit dollars to those nations, large or small, civilized or primitive, could they not then requisition their needs, whether it be for trucks, tractors, plows, or pharmaceuticals, against those dollar credits?

Mr. COFFIN. We have our procurement policy.

Mr. PASSMAN. They could issue their requisitions against their dollar credits, if they wanted tractors or trucks, and they could requisition against the dollar credits for something produced in America to fill their order?

Mr. COFFIN. Right.

AID DOLLAR CREDITS RELEASES CONVERTIBLE CURRENCIES FOR OTHER PURPOSES

Mr. PASSMAN. That would certainly release to them convertible currencies they have earned to buy our gold, or speculate, to do whatever they wanted to; is that not so?

Mr. COFFIN. Except the arrangement we have with these countries, more and more, is that we require the additive purchases to be made from the United States, so it is not just a substitution.

Mr. PASSMAN. You have no way of separating the substitution, do you?

Other witnesses, from the very top echelon, have testified that the sequence which I have endeavored to follow was accurate. When I asked whether those people could take their convertible currencies, their dollars, and speculate, or buy gold, and do whatever they want to, they have said yes, because we have no control over their internal affairs; they are sovereign nations.

Mr. COFFIN. Even then, if they should use some of their convertible currencies for other purposes, eventually, wherever the dollars go, they have to come back here, whether it is the first round, second round or third round.

Mr. PASSMAN. I have always said that. Your people say 80 percent of the dollars are spent in America; I say 100 percent. They spend

for what we produce, or they spend it for our gold, or they keep it to their credit to speculate. It has to go in one of the three fields.

Mr. COFFIN. The realistic problem would be Tanganyika where we have made the commitment you talked about earlier. We are striving to see to it, as much as is possible, that as much of those dollars are spent here as possible. This does not relieve very much of their other currency for substitutional purposes because their imports have been so small up to now it is not a case of having a large fund of convertible currency for other needs.

Mr. PASSMAN. You have no direct control over their budget?

Mr. COFFIN. To the extent they agree to set up accounts and see they make purchases in this country.

Mr. PASSMAN. We have that same type of agreement around the world. We had it with Laos, but it did not work out.

Mr. COFFIN. I am not sure we had the same kind of an account there.

Mr. PASSMAN. Some sort of an agreement.

I believe it is a part of the program downtown to familiarize the people with the fact that 80 percent, or more, of the money that we give to these nations is spent for something produced in America; is that a fact?

Mr. COFFIN. That is a fact.

PAYMENT FOR U.S. PROCURED COMMODITIES

Mr. PASSMAN. When these shipments leave the port of New York, or New Orleans, or any other port in America, are those invoices sent out to the nations for payment, or do they go to the U.S. Treasury for payment?

Mr. COFFIN. We are in the process of setting up a system whereby the deposit is made in the Treasury, and then the draw is made on the Treasury as the expenditures are committed.

Mr. PASSMAN. When the shipments leave the country, we shall say the port of New York, then the invoices wind up down at the U.S. Treasury for payment; is that the way it works?

Mr. COFFIN. That is one of the ways, and that is the way we are trying more and more.

Mr. PASSMAN. It winds up, then, in either the Treasury or a subdivision of the Treasury?

Mr. COFFIN. Or a commercial bank.

Mr. PASSMAN. And the Treasury reimburses the commercial bank?

Mr. COFFIN. Correct.

Mr. PASSMAN. So, for practical purposes, the invoices are actually, when the goods are shipped out, paid by the U.S. Treasury, against the credit to the foreign recipient nations. Even if it is through a bank, it winds up with payment being made by the U.S. Treasury.

Mr. COFFIN. Yes.

Mr. PASSMAN. And I believe the only money we can get into the U.S. Treasury is either from duties or direct or indirect taxes on the people; is that correct?

Mr. COFFIN. I would say so.

Mr. PASSMAN. I know what you people think you are getting over to the American people, but you are doing a bad job, trying to get over your story that this program creates prosperity because 80 percent of

it is bought here in America. You forget to take the second step and say, "Mr. and Mrs. America, the U.S. Treasury pays the invoices and you, the taxpayer, put the money into the U.S. Treasury."

The invoices are being picked up by the U.S. taxpayer, rather than the recipient country.

Mr. COFFIN. Let me state it as I see it.

EFFECT OF PROCUREMENT IN UNITED STATES ON BALANCE OF PAYMENTS

We are doing this for essential foreign policy reasons. We do not say it does not cost anything. It does cost something. It does not cost as much in terms of our gross national product per capita as many have led us to believe, but it does cost.

On the other hand, we say the drain on our gold, our balance of payments, will be minimized to the extent that we can purchase in the United States. But this is a basic decision that the people through their Congress have made that it is wise to allocate seven-tenths of 1 percent of our GNP to this program for good and sufficient purposes, not that it does not cost us something. We say it is worth what it costs.

Mr. PASSMAN. It was the last straw that broke the camel's back.

Mr. COFFIN. This is the same size straw that there has been since 1946, but the camel has gotten much bigger.

ECONOMIC IMPACT IN UNITED STATES OF AID PROGRAM

Mr. PASSMAN. Is it not true, Mr. Coffin, that you have a new publication, Aid Digest, and one of the selling points to the American people is that 80 percent of the money is spent in America and that it creates, I believe, 700,000 jobs?

Mr. COFFIN. That is true.

Mr. PASSMAN. And that the aid program has gone into practically every State in the Union with some type of contract, from pharmaceuticals to draglines, and to just about every engineering firm, college, and university.

Should you not add that, even though we spend the money in America, it is the taxpayer picking up the check, and not the recipient country. If the taxpayer should be told that second part of it, then it would be a different story.

If what you people are advocating is valid, the more you increase it the greater the prosperity.

But, of course, you and I know that is a fallacy.

When you ship out of New York $100 million worth of goods and nothing comes back in return, it is just that much of our wealth that has gone out of our country; is that right?

Mr. COFFIN. I would not say so. I would say, first of all, we must not mislead the people. This is costing the people.

RETURNS ON AID EXPENDITURES

Mr. PASSMAN. When you ship out, Mr. Coffin, are we getting anything back?

Mr. COFFIN. Yes.

Mr. PASSMAN. In return?

Mr. COFFIN. I think so.

Mr. PASSMAN. When does it come back?

Mr. COFFIN. It may not come back for a few years, but we have found in every country we have helped, the more it progresses, the more it buys from us. This has been the lesson of the Marshall plan.

Mr. PASSMAN. Nothing immediately comes back in return for the goods we ship out?

Mr. FRECHTLING. Security.

Mr. PASSMAN. You know and I know, when you ship out $4 billion or $500 billion worth of our resources every year and nothing in the way of tangibles comes back, it simply means that much of our wealth has left the shores of the United States. If the boat that comes back should bring gold or something else, that is different. But it is not bringing anything back.

Mr. COFFIN. What we are doing is making sure as these countries develop we will be trading with them, that we will have access to raw materials they have, that we will have access to strategic locations.

Mr. PASSMAN. Those are the indirect things you are talking about.

Mr. COFFIN. Some of them are quite direct when you talk about raw materials.

Mr. PASSMAN. There are 113 nations on the face of the earth, and you have to include principalities to get that many. We have programs, past, present, and planned, in 101 of them. We are in almost every large British possession and territory.

Do you not think you can carry the program too far?

SELECTIVITY IN PROJECT PLANNING

Mr. COFFIN. I believe you have to be selective, both as to the quality and quantity of your aid.

Mr. PASSMAN. Have we been selective, when we get into 101 of the 113 nations and British territories and possessions?

Mr. COFFIN. When you look at the kind of programs and realize how we have concentrated the bulk of our resources, then you do find there has been selectivity at work.

Mr. PASSMAN. This is a sample of our economic aid projects out of the defense support category. Defense support is economic aid. We wanted a list of just what kind of projects could be accomplished. If that is a selective list, then you have a right to your thinking.

As a former Member of Congress, you are familiar with the fact that quite often we do not pass these money bills in time for the agency to start operating the first day of the new fiscal year. I think you have experienced that situation along with us for many years.

But every year when we go beyond June 30, we have what is known as a continuing resolution, to provide funds for operations.

Mr. COFFIN. Yes.

Mr. PASSMAN. To make available the same level of expenditures for the ensuing fiscal year as you had in the prior fiscal year?

Mr. COFFIN. Yes.

Mr. PASSMAN. The mutual security program operates on the same basis; that is, it is included in the continuing resolution passed by the Congress?

Mr. COFFIN. Yes.

Mr. PASSMAN. Which would allow you to allocate at the same level of the previous year's appropriations?

Mr. COFFIN. Yes.

CONTINGENCY FUND ALLOCATIONS IN FISCAL YEAR 1962

Mr. PASSMAN. Out of the fiscal year 1962 contingency fund, to how many nations did you make allocations?

Mr. COFFIN. My listing, Mr. Chairman, is 30.

Mr. PASSMAN. How many British territories did you make an allocation to out of the contingency fund?

Mr. COFFIN. There was hurricane relief for British Honduras.

There was a flood in Tanganyika, which is soon to become independent. At Kenya, we had another flood for which we gave assistance. Also Hong Kong refugee relief.

Mr. HARVEY. Do you want the amounts on those?

Mr. PASSMAN. We have the amounts that will be in the record.

Mr. HARVEY. British Honduras, $224,000; Kenya, $14,000; Tanganyika, $205,000; Hong Kong, $18,000 for medicine for a cholera epidemic, and $50,000 for the escapee program.

Mr. PASSMAN. Those are British possessions, and in the past the British have taken care of their possessions very nicely?

Mr. COFFIN. They also helped very substantially.

Mr. PASSMAN. They would have a more significant interest than we would?

Mr. COFFIN. Kenya is still a British territory, but Tanganyika became independent in December 1961

PERCENT OF OBLIGATIONS IN JUNE 1962

Mr. PASSMAN. You agree that you have the continuing resolution available for the aid program, the same as other agencies. What percentage of the contingency fund did you obligate in the last 30 days of fiscal 1962?

Mr. TENNANT. Just under 30 percent.

Mr. PASSMAN. In round figures, about 30 percent; $87,959,000 in the last month.

Mr. TENNANT. Of fiscal year 1962.

Mr. PASSMAN. What percentage of the total did you obligate on June 30? We asked you for that information the other day.

Mr. TENNANT. I missed that one the other day.

Mr. PASSMAN. If this had been another appropriation for mutual security, what would have been the percentage you could have obligated during the last 2 months of the fiscal year?

Mr. COFFIN. Twenty percent in the last month of the fiscal year.

Mr. PASSMAN. How much did you obligate in July?

Mr. COFFIN. A year ago?

Mr. PASSMAN. You gave us June. Let us add July to it.

Mr. TENNANT. $1,518,000, July 1962.

Mr. PASSMAN. What was the the amount of the obligation in May of 1962?

Mr. TENNANT. $37,681,000.

Mr. PASSMAN. It was $87,959,000 for June?

Mr. TENNANT. That is right.

Mr. PASSMAN. What is that total in dollars for May and June?

Mr. TENNANT. $125,640,000.

Mr. PASSMAN. What percentage would that be of the total appropriation—it would be about 34 percent, would it not?

Mr. TENNANT. Approximately, sir.

Mr. PASSMAN. Under the existing legislation, other than the contingency fund, what would have been your limitation during the last 60 days?

Mr. TENNANT. Twenty percent for obligation in June.

Mr. PASSMAN. May and June?

Mr. HARVEY. Just June. Section 104 of the foreign assistance appropriation act of 1962 provides that, except for the contingency fund and development loans, not more than 20 percent of any appropriation made available by this title shall be obligated or reserved during the last month.

Mr. PASSMAN. We established that earlier at 30 percent for the month of June.

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. So, in effect, out of the contingency fund for the last month of fiscal year 1962, you obligated 50 percent more than you would have been able to obligate had you been working out of the other funds; is that correct?

Mr. TENNANT. That is correct.

Mr. COFFIN. This is on this point.

I just want to say this—I am aware of the questioning that you have given the witnesses on the obligations in May and June.

Let me assure the committee that these obligations were not part of a late, frantic giveaway program. There were three reasons for this.

The first reason was requirements that did not come until the end of the year, and we can cite the Laos situation, we can cite the United Arab Republic, Algeria, Honduras.

The second reason was, there were commitments we had made, but the implementation had not been done, loan agreements had to be negotiated, projects had to be worked out. This was true in such places as Haiti, Indonesia, Vietnam, Syria, Morocco.

The third reason was, there were two items, the Indus Bank and the Afghan Road which we deliberately held up until the last possible minute to minimize the necessity to transfer funds from the military.

As I said in my prepared statement, we were successful in keeping that transfer down to a very small fraction of what we were afraid might have been necessary. This was not an 11th hour attempt to get rid of money.

I can go into every case of these late obligations if you want me to.

Mr. PASSMAN. Had you been obligating out of the regular funds during the month of June on the same project, you would have been limited to 20 percent of the appropriations?

Mr. COFFIN. Yes, that is correct. That would have meant we would have had to draw more from the military, or we would have let some contingencies go without responding to them.

I do not think you would have had as good a report in the operation of this fund as we had without the flexibility. A contingency by its very nature, is something you cannot be sure about.

PROJECT OBLIGATIONS ON JUNE 30, 1962

Mr. PASSMAN. Could you tell us the amount of obligations on June 30, 1962?

Mr. TENNANT. I roughly calculate, and I would have to check this out, because as you remember, our reports indicated some obligations were made in the field; $32.4 million on a first rough count here while we are talking.

Mr. PASSMAN. $32,400,000 on the last day of June?

Mr. TENNANT. June 30.

Mr. PASSMAN. I am not going to ask you the time of day, because at one time they made the allocation even after the doors had been closed and they went back and opened them up after 6 o'clock. I am quite familiar, in fact, with how easy it is downtown to obligate funds until 12 o'clock midnight.

Could you tell us the name of the projects you obligated for on June 30?

PROJECT HOPE

Mr. COFFIN. There were eight. One was Project Hope, which was a wrapup of its obligations, putting it on a businesslike basis.

Mr. PASSMAN. Is that the white ship?

Mr. COFFIN. That is correct.

Mr. PASSMAN. Is that not a private enterprise venture?

Mr. COFFIN. It is partly. It is backed by the medical fraternity.

Mr. PASSMAN. And private enterprise takes credit for it. I am glad we can participate.

Mr. COFFIN. Not entirely.

Mr. PASSMAN. They take credit?

Mr. COFFIN. We think it has a value.

Mr. PASSMAN. How much did you take out of the contingency for that purpose?

Mr. COFFIN. $849,000.

Mr. PASSMAN. Gift, grant, or loan basis?

Mr. COFFIN. That is largely on a grant basis.

Mr. PASSMAN. $849,000. Was that loan or grant?

Mr. COFFIN. I think that was grant.

Mr. PASSMAN. What are they going to do with $849,000?

Mr. COFFIN. This will enable *Hope* to keep its commitment to tend to the medical needs in Latin America during the coming winter season.

Mr. PASSMAN. Have they gone to Latin America yet?

Mr. COFFIN. Yes, they have.

Mr. PASSMAN. When did they leave?

Mr. COFFIN. They left late spring or early summer.

Mr. PASSMAN. Give us the others on June 30.

Mr. COFFIN. The second one is classified. That, as you know, is the project you discussed last year with Mr. Bell.

Mr. PASSMAN. Off the record.

(Off the record.)

Mr. COFFIN. The third one——

Mr. PASSMAN. Is that a substantial amount?

Mr. COFFIN. $550,000. We just got the vouchers a day or so before.

Mr. PASSMAN. Next?

SYRIAN STABILIZATION LOAN

Mr. COFFIN. Syria, $9 million. This was the stabilization loan that had been in the process of being worked out for some months.

Mr. PASSMAN. Syria is a nation that stayed out of the aid program for years and years; is that not so?

Mr. COFFIN. I am not sure.

Mr. PASSMAN. Syria refused to come into the aid program from its inception until when, Mr. Controller?

Mr. TENNANT. You will recall when Mr. Gaud testified, there were some title III public Law 480 transactions.

Mr. PASSMAN. That was for food. They canceled that out. When did you open up the first aid program for mutual security?

Mr. TENNANT. There was a development loan under the mutual security program in 1959. That was the first mutual security transaction as such.

Mr. PASSMAN. You had no grant aid, and no technical aid in that country, did you?

Mr. TENNANT. No, sir.

Mr. PASSMAN. So the aid program, as we understand the mutual security program, with that single exception of a development loan, was brandnew and came into being in what fiscal year?

Mr. TENNANT. There was another development loan in fiscal year 1960. This transaction Mr. Coffin is talking about is 1962.

Mr. PASSMAN. That is the first year, is it not?

Mr. COFFIN. This is an interesting transaction.

Mr. PASSMAN. I know it is. I was out there and I talked to the Consul General, and he said, there had never been an aid program in Syria, and that was in 1960. He said there had never been an aid program in Syria.

He said that we were trying to talk them into it, but that they did not want to get into an aid program.

"We have a substantial amount of gold," he said, and I paraphrase, adding, "and we are holding onto that gold."

They overturned governments, but they did not turn loose of their gold.

Perhaps an aid program should be there, but you are starting an aid program out of the contingency fund.

Mr. COFFIN. Let me talk to this point. This was a stabilization loan——

Mr. PASSMAN. Does that mean budgetary support?

Mr. COFFIN. It does. The loans are to help Syria solve its foreign exchange difficulties and liberalize its foreign exchange system. The Germans, the Italians, and IMF were in this. The U.S. share was a total of $14 million compared with a total package of $42 million, and of this $9 million was from AID.

We thought this was a most useful use of the contingency fund at this particular time. We are not in it alone. The European nations have taken as much of an interest as we.

Mr. PASSMAN. Did you ever have an opportunity to go over these so-called consortium transactions? Did you ever look at these loan sheets? Have you actually seen what the other countries are doing out there?

Mr. FORD. Would the chairman yield?

We put up $14 million out of $44 million?

Mr. COFFIN. Out of $40 to $50 million.

Mr. FORD. Ours is an outright grant?

Mr. COFFIN. No. Ours is a loan.

Mr. FORD. A loan on what terms?

Mr. HARVEY. A 3-year loan at 5¾ percent.

Mr. COFFIN. It is reasonably hard and reasonably short term. The Export-Import Bank went into it with $5 million.

Mr. FORD. Payable in dollars?

Mr. COFFIN. Yes.

Mr. FORD. What are the terms of the other countries and what other countries contributed, and in what amounts?

Mr. COFFIN. We can get that for you.

(The information requested follows:)

TERMS OF STABILIZATION LOANS TO SYRIA

The Agency for International Development agreed in February 1962, to participate in assistance to the Syria stabilization program, which was developed in conjunction with IMF, if the Syrian Government obtained other foreign loan aid beyond the drawing rights from IMF. The AID loan agreement for $9 million was signed on June 5, 1962; it provided that funds could be drawn only after all other loans had been signed.

Sources and terms of all loans follow:

Source	Amount	Terms	Date signed [1]
AID	$9,000,000	3 years at 5¾ percent	June 5.
Export-Import Bank	5,000,000	5 years at 5¾ percent	May 23.
West Germany	16,000,000	3 years at 5¾ percent	June 28.
Italy	5,000,000	6 months at 5½ percent	June 15.

[1] There is no information available on disbursements under these loans.

NOTE.—International Monetary Fund drawing rights, $6,600,000.

Mr. HARVEY. Germany and Italy. I do not know the amounts. I can get that for you.

Mr. FORD. Have we actually paid ours?

Mr. HARVEY. It was obligated in June.

Mr. FORD. Will you find out if the others have paid theirs, and if so, when?

Mr. HARVEY. The decision on our part to go ahead on this was made in February. What held it up to June was partly the change in government, and partly seeing to it the arrangements with the other countries were firmly on the way to being accomplished.

The allocation was made in February.

Mr. PASSMAN. You made the actual obligation to the account on June 30?

Mr. HARVEY. That is correct.

TERMS OF LOANS TO INDIA

Mr. PASSMAN. We are into India for about $4,245 million. Ours are these development credits, 40 years, no interest, 10-year grace period and so forth. The other loans made to India are for as short as 3 years, 6 percent; 20 years, 5½ percent; 20 years, 6½ percent; 15 years, 5½ percent; 4 years, 5¾ percent; 13 years, 5½ percent; 20 years, 5½ percent.

The United Kingdom makes a substantial profit, over and above the going rate. They take the Treasury rate, plus 1 percent. Another instance, the Treasury rate plus 1¼ percent.

They are making the same types of loans they made 100 years ago, hard-boiled, short-term, high-interest loans?

Mr. COFFIN. No. They are harder than ours, but they are not the same as they were even 2 or 3 years ago.

Mr. PASSMAN. I am reading from the information given us by your own people. I am looking at the U.S. loans here, and I am seeing here all the way down the line three-quarters of 1 percent, no interest, 40 years, on every loan that we have in that region.

Mr. COFFIN. What I am saying is——

Mr. PASSMAN. The other in the consortiums are operating as they have done for many years; that is, good, hard-boiled loans and with high rates of interest.

Mr. COFFIN. I was just going to make the point, when you see Germany lending for 10 years, 20 years, and the United Kingdom lending for 25 years, that is more liberal than they were 2 or 3 years ago.

Although they have not moved as far as we would like them to move, nevertheless, they are more liberal than they were a few years ago.

Mr. PASSMAN. Japan went from 10 years to 15, but raised the interest rate.

WEST GERMAN AID

Here is a letter from a high-ranking person in the German Government, a foreign trade information officer. He came to my office and spent more than an hour. He said, in effect, "we have had great recovery. We never experienced a balance of payments on our deutsche marks until you people talked us into getting into this foreign-aid business on loans. We are not in this for giving away." He said, too, that they were at the point of eliminating some and cutting back substantially on the other.

Since this German official did not ask me to treat this letter in confidence, any member of the committee is welcome to read it.

The Germans are pulling back even on their very tight commitments. This is a letter of recent date, and this man was on his way to the White House when he came to my office.

Mr. COFFIN. Mr. Chairman, even the Germans last year committed 5 billion in deutschemarks which is $200 or $300 million.

They are in the business of aid and they are going to be making expenditures at a vastly increased rate over the years ahead.

Mr. PASSMAN. This man said it is going to be at a reduced rate.

I have here a West German Government official's letter, which I will make available to you. This man was on the way to the White House. He came over here specifically to talk to Secretary Rusk and to Secretary Dillon, and apparently he also wanted to talk to the President about this aid program.

This letter states that they are going to do just the opposite of what you say they are going to do.

Mr. COFFIN. I am saying they have made this commitment.

Mr. PASSMAN. They say they are going to call back some of those commitments.

DATE OF OBLIGATION OF SYRIAN LOAN

Mr. FORD. I am interested in this loan to Syria. You said you made an allocation in February of 1962 but you actually made the obligation June 30, 1962?

Mr. COFFIN. Right.

Mr. FORD. As I understand the testimony somebody stated you would not make the obligation until you were assured of the participation by the other countries, such as West Germany and one or two others.

Mr. COFFIN. And IMF.

Mr. FORD. What development took place June 29 or 30 in your negotiations with the West Germans and others that prompted you to make the commitment or obligation you incurred? Was there a sudden decision by the West Germans and others on June 30?

Mr. COFFIN. No. I do not say that this took place on June 30 as such. It was not until late June that we knew that the Germans were going to do so much; the Italians were going to do so much. The IMF decision had been taken earlier.

Actually, I am not sure that that was a June 30 obligation.

Mr. FORD. Somebody testified to that effect.

Mr. COFFIN. I know that.

Mr. TENNANT. I believe these transactions were whipped up one night between quitting time and the following morning. The actual loan agreement—AID Loan No. 10—was signed on June 5.

Mr. PASSMAN. You are speaking of something testified to previously. When was it allocated or obligated, as shown on your books?

Mr. TENNANT. That is the date signed, which would be the date of the obligation.

Mr. PASSMAN. Did you not previously include this in your listing?

Mr. COFFIN. Yes; it was on here.

Mr. FORD. Somebody testified it was on June 30?

Mr. TENNANT. That is right. I believe that is an error.

Mr. FORD. What disturbs me is that since February to June 30 there was no action.

Mr. COFFIN. That is right.

Mr. FORD. Then all of a sudden somebody does something in West Germany or elsewhere that makes you decide to obligate by June 30. My immediate reaction is that I just do not believe that, and I really believe that if the sequence of events is correct, you realized you were going to lose the right to obligate $14 million after June 30.

Mr. COFFIN. $5 million was from the Export-Import Bank.

Mr. PASSMAN. Mr. Andrews?

Mr. ANDREWS. I want to ask one question about that $9 million of aid, Mr. Coffin. Was that a loan?

Mr. COFFIN. Yes, sir.

Mr. ANDREWS. Was that the 40-year type loan?

Mr. COFFIN. No. It is a much shorter term.

Mr. ANDREWS. Similar to the one IMF made for $4 million?

Mr. COFFIN. Yes; it is a short term and a relatively high rate of interest.

Mr. ANDREWS. Thank you.

TYPE OF AID EXTENDED BY WEST GERMANY

Mr. PASSMAN. I want each member here to have a copy of this letter, and at this time I will pass the letter around.

(The letter was read.)

Mr. PASSMAN. I made the statement that they said they were cutting back, the letter verifies my statement.

Mr. COFFIN. I am still saying, Mr. Chairman, they have aid programs in 40 countries and with this big commitment in——

Mr. PASSMAN. Grants or loans?

Mr. COFFIN. Just a minute. They are grants which have increased, too. Their loans are untied. There are many points that he did not bring out but, by making this drawdown in 1961, they have insured their aid in the future even if they cut back, and this will have been at a much higher level than before this great commitment was made.

Mr. PASSMAN. If I borrow money for 6 months at 4 percent, or a year at 5 percent, that is a substantial increase in interest and terms?

Mr. COFFIN. They are much more liberal than that.

Mr. PASSMAN. They are making good, hard-boiled loans?

Mr. COFFIN. Not wholly.

Mr. PASSMAN. Let me read the last paragraph from the letter:

I sincerely hope my explanation regarding the foreign aid programs will be of assistance to you in your most valuable work and I would like to hear from you in this respect. I wish to add that it is the aim of the Government and the private interests of the Federal Republic of Germany to grant aid in the future still more than up to now to such partners whose reliability has been definitely established.

CONTINGENCY FUND PROGRAMING

What percentage and amount of the contingency fund was programed at the time of programing your other appropriations in fiscal 1962?

Mr. COFFIN. We programed in our October programing, $43,580,000.

Mr. PASSMAN. That is the same date you programed out of your other funds?

Mr. COFFIN. Yes, sir.

Mr. PASSMAN. Did you know at the time you appeared before the committee that the projects which you had programed were on the same date? Did you have sufficient information to discuss it with us then?

Mr. COFFIN. No. I want to say we did not program to supplement appropriations under regular categories. If you look down this list you will not find——

Mr. PASSMAN. We will establish, before we finish these hearings, that you did supplement regular appropriations.

Mr. COFFIN. Compare columns 2 and 3.

Mr. PASSMAN. You did program on the same date you programed your regular——

Mr. COFFIN. Not to restore cuts.

Mr. PASSMAN. I did not say that you did. However, I will ask that question later and put in the record that you did supplement your regular programs. We appropriated every dime you asked for but of the——

Mr. COFFIN. I will deny this, Mr. Chairman. I deny that. I think this is one place where we are very clear.

Mr. PASSMAN. There are some programs for which we have given your every dime you asked for, and then you transferred out of the contingency fund.

These programs which you obligated funds for on the very same day you programed your obligations in your regular programs amounted to $43,580,000; is that correct?

Mr. COFFIN. Right.

Mr. PASSMAN. Those programs must have had some study during the year, or otherwise they would not have been programs; would they?

Mr. COFFIN. They study they had and they became certain enough to put a dollar figure on——

Mr. PASSMAN Can you tell us the——

Mr. COFFIN. Between the time we came up here on the Hill for our fiscal year 1962 money and the time we made the allocation.

Mr. PASSMAN. What percentage is that of your annual appropriation?

Mr. TENNANT. Approximately 15 percent.

OBLIGATIONS FROM PROGRAMED CONTINGENCY FUND

Mr. PASSMAN. For what purposes did you obligate these funds? But, for now, let us review the obligations.

Mr. COFFIN. Let us go down column 3 of this table.

The first item was one of $5 million for ———.

Mr. PASSMAN. That is a British possession?

Mr. COFFIN. That is right.

We did not commit that but canceled that within the year.

The second was Panama and you have had interrogation of others before you on that. That was changed after we put that figure down.

Mr. PASSMAN. Does that indicate there was an element of guessing at that time?

Mr. COFFIN. The contingency is always something open to judgment.

Mr. PASSMAN. You got those funds, and the very same day started allocating out of the regular funds and started allocating out of the contingency fund.

There are two items you are obligating on projects supposed to be, to some degree, firm; but subsequently you deobligated?

Mr. COFFIN. Remember, this is over 3 months after the fiscal year started.

Mr. PASSMAN. Did you not agree that you operated under a continuing resolution? You could obligate up to the same percentage you did the previous year?

Mr. COFFIN. We are not talking about obligations, Mr. Chairman. This is initial programing.

Mr. PASSMAN. Tell us the date of the initial programing.

Mr. COFFIN. That is what I am saying, October 10. This is not as final as obligations.

Mr. PASSMAN. You programed, but at a subsequent date canceled it?

Mr. COFFIN. Right.

The $43,580,000 is a planning figure; not an obligation figure.

Mr. PASSMAN. Why would you do so without having any projects firmed up; that is, program it and later cancel it?

Mr. COFFIN. Well, for good and sufficient reasons.

ALLOCATION OF FUNDS TO PANAMA

Let us take the case of Panama. We had a number of projects in health and housing we thought we were going to do, roughly, up to that figure.

Subsequently we got into a discussion with the Panamanian Government and they came up here and we talked about a wider range. These were projects that could have been development grants.

Mr. PASSMAN. It could have been delayed, too?

Mr. COFFIN. Actually, Mr. Chairman, we did delay the obligations quite a long time. As a matter of fact, working out the various projects in housing and health, agricultural research took a great deal of time even though we had programed it long before.

Mr. PASSMAN. At any time during the last year did you mention these two programs to the committee?

Mr. COFFIN. I do not believe I did.

Mr. PASSMAN. We held hearings up to late August?

Mr. COFFIN. We were busy in August, Mr. Chairman.

Mr. PASSMAN. You did not even have any illustrative programs on these, did you?

Mr. COFFIN. We did not have any figures we felt were firm enough to even program.

Mr. PASSMAN. You did program as soon as you got the money. Next?

Mr. COFFIN. Not as soon, but reasonably——

Mr. PASSMAN. The same day that you programed the others?

ALLOCATION OF FUNDS TO PERU

Mr. COFFIN. The first time we made our initial cut. The $10 million for Peru was in the Puno area which was affected by drought. We programed it then as we worked on the project and we found that $4 million of that would not be usefully put into projects. We deprogramed.

Mr. PASSMAN. Would that not again indicate too much haste?

Mr. COFFIN. To the contrary. This was a prudent figure to put down in our internal programing. This should be evidence to you, Mr. Chairman, even in the contingency fund, we wait for good projects and make sure they are feasible.

Mr. PASSMAN. If you are dealing with fresh fish, some of it would have spoiled before you got it in and out.

Mr. COFFIN. I should think this is a practice you would commend.

Mr. PASSMAN. I hardly think I could commend this kind of a practice; that is, try to see if you could not dissipate this, then found out you could deprogram, and later found out you programed too much?

Mr. COFFIN. No; you would have been highly critical if we had stuck to the initial figure when we had not really surveyed the project.

Mr. PASSMAN. I am critical because you did not have any proper program or project to which to obligate it.

You actually obligated $10 million, as the record will show, on a project without making a survey, but after the survey got going, you found out you needed only $4 million, rather than $10 million?

Mr. COFFIN. This was not an obligation.

Mr. PASSMAN. A program.

Mr. COFFIN. You called it an obligation.

I would agree with you, if this were an obligation.

Mr. HARVEY. This is a purely internal decision.

Mr. PASSMAN. Next?

ALLOCATION OF FUNDS TO INDONESIA

Mr. COFFIN. The next one is $3 million for Indonesia.

This is to accelerate construction of the Djakarta bypass so that it might be completed in time for the Asian games being held this month.

Mr. PASSMAN. When did you program that money?

Mr. COFFIN. We programed in October of 1961.

Mr. PASSMAN. How much did you deprogram?

Mr. COFFIN. Deprogramed only $305,000.

Mr. PASSMAN. Again, you have programed in advance of having a survey as to actual need.

Next?

Mr. COFFIN. This is prudent to make sure we are living within our own internal budget which we shift as we go along.

This is internal control at this point, Mr. Chairman.

Mr. PASSMAN. Is that sound control, when actually you program far in excess of the needs, when you have no firm projects on which to program?

Mr. COFFIN. And later revise it downward. When we know there is a requirement, Mr. Chairman, a military requirement which this was——

Mr. PASSMAN. Next?

Mr. COFFIN. We want to be sure we can meet it. We put down a figure internally but we do not obligate it until we know how much.

Mr. PASSMAN. If it is twice the amount needed, you do deprogram the difference?

Mr. COFFIN. If it proved ultimately to be twice what was needed and the political purpose still justified it, we would try to meet that obligation.

Mr. PASSMAN. In some instances, you did program double the amount you used?

Mr. COFFIN. Vietnam was a case where we found the need was much greater than we had anticipated at the start.

ALLOCATION OF FUNDS TO THAILAND

The next item is Thailand, $1.8 million.

We had to add another $100,000 later on.

Mr. PASSMAN. Why did you give it to them out of the contingency fund?

Mr. COFFIN. This was the Thai border police in the northeast part of Thailand.

Mr. PASSMAN. When did you program it?

Mr. COFFIN. We programed that $1.8 million in October of 1961.

Mr. PASSMAN. Prior to the time our people went there. You are talking about what?

Mr. COFFIN. The Thai border police.

Mr. PASSMAN. They have had that police force there for years, have they not?

Mr. COFFIN. They have had several kinds of police; provincial police and national police.

Mr. PASSMAN. The same type of police you are talking about have actually been there for years?

Mr. COFFIN. They have had them, but what they have not had is a group active on the northeast frontier as they have become at this time.

Mr. PASSMAN. Moving from one section of the country to another would justify a contingency fund of $1.8 million?

Next?

ALLOCATION OF FUNDS TO GUINEA

Mr. COFFIN. The next figure is $3.5 million for Guinea which was a series of projects in vocational training, industrial training, and things that would include development grant projects.

Mr. PASSMAN. Development grants?

Mr. COFFIN. Yes.

Mr. PASSMAN. Why could you not give it to them out of development grants?

Mr. COFFIN. We could not satisfy the self-help requirement of the law. We think this was a good expenditure.

Mr. PASSMAN. Do you have development grants in 1963 for Guinea?

Mr. COFFIN. I do not know whether we do or not.

Mr. PASSMAN. Would they qualify under the self-help feature of the bill?

Mr. COFFIN. I do not know. I would have high hopes it might.

Mr. PASSMAN. You operate under the same law?

Mr. COFFIN. Yes; but Guinea is not static and one thing that has happened in Guinea in the past year is that it has been turning more and more westward than it was a year ago.

Mr. PASSMAN. I hope so.

I believe they gained their independence July 1?

Mr. COFFIN. Guinea was French, Mr. Chairman.

ALLOCATION OF FUNDS TO MALI

The next item is Mali, $3.1 million.

Mr. PASSMAN. You deobligated or deprogramed?

Mr. COFFIN. We deprogramed $400,000 in May and $119,000 in June.

Mr. PASSMAN. It certainly indicates that when you programed this money——

Mr. COFFIN. We are almost through.

ALLOCATION OF FUNDS FOR DISASTER RELIEF PROGRAM

The only other item is $220,000 for worldwide disaster relief, which goes to the Ambassadors, small amounts of money that enable them to respond to local catastrophes. I think that is a good record.

Mr. PASSMAN. Could you not have had that money in your regular appropriation? Would that item not normally be in the State Department bill?

Mr. COFFIN. No.

Mr. PASSMAN. The money that goes to the State Department goes to the Ambassadors?

Mr. COFFIN. This is for contingencies.

Mr. HARVEY. It is a delegation of contingency.

Mr. PASSMAN. How much is that?

Mr. HARVEY. Up to $10,000. An Ambassador may commit this $10,000 in case of emergency.

Mr. PASSMAN. Who makes the determination?

Mr. HARVEY. The Ambassador.

Mr. COFFIN. They have used it for floods, hurricanes, and droughts in places like Ceylon, Spain, and Brazil.

This enables the Ambassador to move promptly.

Mr. PASSMAN. This a relatively new program and could be worldwide, could it not?

Mr. COFFIN. Not through——

Mr. HARVEY. We have been doing it for 2 or 3 years.

Mr. PASSMAN. I would call it a new program, would you not?

Mr. COFFIN. No.

Mr. PASSMAN. If it is only 2 or 3 years old, would that not be considered a fairly new program?

Mr. HARVEY. I would like to point out——

Mr. PASSMAN. You either said 2 or 3 years or you did not.

Mr. HARVEY. I did.

Mr. PASSMAN. If it is 2 or 3 years, to you it may be an old program, but to me it is a relatively new program.

It could be worldwide?

Mr. HARVEY. This is an authority to any Ambassador.

Mr. PASSMAN. How many do we have?

Mr. COFFIN. They do not all use it.

Mr. PASSMAN. They are eligible?

Mr. HARVEY. The preliminary obligation figure is $107,000.

Mr. PASSMAN. What is the limit?

Mr. COFFIN. $10,000.

Mr. PASSMAN. Is that limit established by legislation?

Mr. COFFIN. No; this is an internal use of the money.

Mr. PASSMAN. If the agency should decide, the legislation is broad enough to let you go to $25,000; is that right?

Mr. HARVEY. It is.

Mr. PASSMAN. There is no limitation on it, just a question of deciding need?

Mr. COFFIN. It has been at this level for several years.

Mr. HARVEY. The authority is here in the authority of the contingency fund.

Mr. PASSMAN. You have only recently gone over into the contingency fund for this type of operation, and that is why I think it is important to ask a few questions on it.

RESTRICTIONS ON USE OF DISASTER RELIEF FUNDS

This money is made available to the Ambassador to meet any local emergency?

Mr. COFFIN. Right.

Mr. PASSMAN. Presently there is no limit on what the allocation could be, and that is left up to the judgment of the Ambassador in making his request; is it not?

Mr. COFFIN. With the limit that he is placed under by us.

Mr. PASSMAN. Do you have any type of restrictions as to the uses? Is it limited to earthquakes, fires, and floods?

Mr. COFFIN. That is right. This is limited to the type of contingency falling under national disaster.

Mr. HARVEY. Acts of God.

Mr. PASSMAN. I yield to Mr. Ford.

Mr. FORD. In other words, we can use this contingency fund to this extent in all of the embassies we have, worldwide?

Mr. COFFIN. Yes.

RYUKYUAN DISASTER RELIEF FUND

Mr. FORD. Is there any reason why your contingency fund should not be used to aid and assist in hurricane and typhoon relief in the Ryukyus?

Mr. HARVEY. I believe that is not eligible because of a very peculiar statute. Okinawa is not a foreign country.

Mr. FORD. A trust territory?

Mr. HARVEY. Yes, it is administered by the Department of the Army.

Mr. FORD. They have asked for $1 million in contingency fund help for typhoon or hurricane relief. This is another contingency fund virtually with no limit except the dollar amount. Actually the authorization permits a $6 million fund and I do not see why this contingency fund we are now talking about would not include funds for this purpose in the Ryukyus.

DISASTER RELIEF FUNDS AVAILABLE ONLY TO AID RECIPIENTS

Mr. COFFIN. I think it would be unwise to allow us to give AID money to such underdeveloped countries. If we once get into trust territories or our own territories, such as Guam and Puerto Rico, I think this would be a way of siphoning off moneys that would not be used for the purpose of the foreign aid program.

Mr. FORD. All right.

I thought you testified to the chairman that this money was available in all of our embassies?

Mr. COFFIN. I meant in the countries to which foreign assistance funds can be expended.

Mr. FORD. He indicated 113 or so and I thought you indicated agreement.

Mr. COFFIN. No; I did not intend to.

LIST OF COUNTRIES RECEIVING DISASTER RELIEF

Mr. FORD. List the countries where these funds were made available in fiscal year 1962 with the Ambassador or the Minister.

Mr. COFFIN. I can give you the countries where they were used.

Mr. FORD. I mean the countries where the funds were made available.

Mr. COFFIN. Or if there had been a catastrophe they could use the authority?

Mr. FORD. Right.

(The list referred to follows:)

SPECIAL AUTHORIZATION TO CHIEFS OF DIPLOMATIC MISSION FOR EMERGENCY RELIEF ASSISTANCE

In June 1958, the Chiefs of American Diplomatic Mission were authorized to expend up to $10,000 for emergency relief assistance to victims of floods, hurricanes, earthquakes, fires, volcanic eruptions, pestilence, or other natural phenomena. The Ambassador must personally make a determination that the disaster is of such a magnitude that outside help is required to meet immediate relief needs, after taking into account locally available resources, that it is in the United States interest to provide assistance, and that the host government has requested aid.

Under this authority, the assistance may be provided in goods and services, in U.S.-owned local currency, or in dollars. The authority is to be used only to meet immediate needs. The programing of funds for rehabilitation or reconstruction of devastated areas is handled through normal AID channels and procedures, as is the provision of emergency assistance valued at more than $10,000.

The special authority is designed primarily to enable the United States to respond rapidly in early stages of disaster situations when the need is greatest and to demonstrate in a tangible way the humanitarian interest of the American people in relieving suffering of persons in distress.

On notification by a post that the Ambassador has made a determination under this special authorization, AID obligates the necessary funds under the authority of section 401 (supporting assistance).

Uses of the special authority during fiscal year 1962

AFRICA AND EUROPE

Congo (Leopoldville), $10,000

On December 27, 1961, Ambassador Gullion determined that flooding of the Congo River was of such magnitude that outside help was required to meet emergency needs in the Stanleyville and Coquilhatville areas and $10,000 was promptly made available to finance food supplies for the flood victims. Prime Minister Adoula personally received the check in a formal ceremony. This, together with other assistance, such as generators to provide electric power to Stanleyville, resulted in a close association in the minds of the Congolese of the role the United States played in alleviating the emergency situation. Publicity was widespread throughout the Congo.

Zanzibar, $5,658

On the night of April 27, 1962, very high winds, accompanied by torrential rains fell in Zanzibar Town. Over 14 inches of rain fell in less than 15 hours and it was estimated that more than 90 houses in the poorer (African) quarter of Zanzibar Town were completely destroyed and that over 260 homes were badly damaged. It was also estimated that about 1,000 persons were rendered homeless as a result of the storm. The U.S. contribution of 40,000 EA shillings was for the purpose of supplying building materials to persons who could show loss or damage to their homes as a result of the flooding. The announcement of the U.S. donation received adequate public notice and it is believed that the speed and magnitude of the relief had a beneficial effect both from the humanitarian and political standpoints.

Mauritania, $1,500

The usual spring famine period in northern Mauritania was much more severe and prolonged this year, causing widespread distress in the area. The Mauritanian Minister of Health sought assistance for the starvation situation existing in certain tribes east of Fort Gouraud. Oases which the tribes had relied upon dried up and it was estimated that three to four thousand tribesmen were endangered. The provision of food under title II, Public Law 480, was authorized. Due to incomplete transportation links from the seaport, emergency relief funds were provided to pay the costs of transporting the desperately needed food from Dakar, Senegal, the only available seaport, to the famine area.

Senegal, $1,225

On June 10, 1962, a violent wind storm and a fire caused by lightning destroyed approximately 80 percent of the homes and structures in the village of Knoghany. As a result of the fire, 27 people died and 47 were injured. Practically all food supplies were lost as well as most of the livestock.

The village was in urgent need of medical supplies, food, and other emergency assistance. Outside aid for the rebuilding and the repairing of property damaged was also needed. Aid was immediately furnished by the Ministry of Health and Social Affairs, other Senegalese governmental agencies, and the local Catholic Relief Services representative.

A cash donation was made for the reconstruction and repair of damaged property and for the procurement of emergency food supplies not furnished by governmental or relief agencies. Publicity was given the U.S. donation by Dakar newspapers Dakar-Matin and Info-Senegal. A personal expression of gratitude was received from the acting Prime Minister, who also stated that the entire country would be made aware of the U.S. donation. A telegram was received from the Governor of Senegal Oriental, expressing his gratitude for our interest in the disaster.

Central Africa Republic, $5,000

As a result of serious flooding of the Oubanguy River, many areas were left inundated. People were left homeless and without food. On December 1, 1961, the Ambassador handed the President of the Republic a check of $5,000 as a gift on behalf of the people of the United States. This contribution assisted the government in its efforts to reconstruct the devastated areas.

Dahomey, $4,049

During the 24 hours preceding June 19, 1962, southern Dahomey suffered its heaviest rainfall in 50 years, inundating Porto Novo and Cotonou, the capital. Several thousand dwellings were knee deep in water; some buildings collapsed and a number of deaths were reported. Particularly dangerous was the possibility of epidemics.

The Dahomean Cabinet met in emergency session and the President asked our Embassy for help. In view of the mounting threat to health and life, the Ambassador on June 29, 1962, declared a foreign disaster flood emergency existed.

The Embassy authorized the use of Public Law 480, titles II and III foodstuffs which had been brought in for other programs. In response to the Dahomey Government's request for medicine, small tools, and blankets, the Embassy requested that the AID regional public health doctor, stationed in the Ivory Coast, come to Cotonou to discuss the sanitary situation with the local health authorities and officials of the World Health Organization. He personally bought in Nigeria necessary medicines and disinfectants and turned them over to the doctor in charge. Five hundred blankets were bought for refugees in temporary camps. Sugar was purchased for mixing with the nonfat dry milk authorized for child feeding in the camps.

The U.S. assistance that was given was timely, urgently required, tailored to essential needs, and properly used. Coordination with other donors, particularly the French Embassy, prevented duplication of effort locally.

Spain, $10,000

Heavy rains resulted in extensive flooding of Seville in November 1961. The mayor requested shelter and rations from the U.S. 16th Air Force. Over 1,000 homeless Spaniards were fed and housed, and rescue missions, food, medicine, blankets, and other needed supplies were provided. Within a week Spanish authorities were in command of the situation. U.S. efforts in this regard were well publicized in the Spanish press.

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NEAR EAST AND SOUTH ASIA

Ceylon, $10,000

On March 16 the Government of Ceylon requested assistance in obtaining vaccine to combat an outbreak of poliomyelitis in Colombo and the suburbs. The United States responded by providing 100,000 doses of Sabin trivalent oral vaccine at a cost of $10,000.

Iran, $5,000

During the latter 2 weeks in April 1962, a series of natural disasters including drought, locust infestation, hail storms and floods struck Iran and took a heavy toll of crops, livestock, and property. Tehran and the surrounding area were particularly hard hit by floods which, in addition to killing several people and much livestock, demolished a number of Iranian earthen dwellings. The U.S. Ambassador contributed 380,000 rials for special relief. The Iranian Red Cross, the Vatican, and the Federal Republic of Germany also joined in relief activities.

India, $5,300

During the first week of October, torrential rains and cyclonic storms hit several districts of Bihar State which had already been ravaged by three rounds of floods in the current monsoon season. Several hundred people were killed and several thousand head of cattle were drowned. The autumn rice crop was also severely damaged. Ambassador Galbraith authorized the gift of $5,300 for emergency relief for the flood victims.

India, $6,292

Monsoon floods in India last summer were the worst in recent years. Four states were seriously affected, and their officials urgently requested assistance. Pending provision of Public Law 480 food to alleviate hunger, 30,000 rupees ($5,250) were contributed by check to the Indian Red Cross in order tangibly to demonstrate U.S. sympathy for the flood victims.

Poona City suffered heavy damage due to the break of two nearby dams. Bridges and public works were damaged, and the drinking water supply for 70,000 people was destroyed. Following visits to the area by Prime Minister Nehru and the Chief Minister of Mahar-ashtra a number of relief funds were set up; 5,000 rupees ($1,042) were contributed to the Chief Minister's relief fund.

Nepal, $10,000

Approximately 600 homes, more than one-half of which were of straw, were destroyed in a fire that raged through Biratnagar, one of the larger towns in Nepal, on March 26. It started from sparks in a goldsmith's shop and very high seasonal winds spread the flames to various parts of the city. More than 2,000 persons were rendered homeless. The Government of Nepal requested the United States to provide some relief to the fire victims. The United States provided $10,000 to be used for food, implements, and housing materials for those who suffered losses in the fire.

Syria, $2,801

Floods in Qubur Al-Bid in April caused over 30 deaths and over $300,000 damage. Some 150 homes and shops were totally destroyed. In order to demonstrate prompt U.S. support and sympathy, the Ambassador contributed 10,000 Syrian pounds for relief activities.

LATIN AMERICA

Brazil, $10,000

A disastrous fire occurred during a circus performance at Niteroi, Rio de Janeiro, on December 17, 1961: 300 persons were killed and 500 injured. Several countries and international organizations volunteered services and contributions; $10,000 was authorized by the Ambassador for the purchase of 300 containers of 500 cubic centimeters each of blood plasma not available in Brazil. The American Red Cross also donated serum, and both consignments were shipped gratis by Varig, a Brazilian airline. Four days after the fire the Ambassador cabled that the State Secretary of Health had expressed his gratitude for the prompt U.S. response, and that great response to appeals for blood donations had made further requests for assistance unnecessary. The U.S. contribution to disaster relief was prominently publicized in Brazilian newspapers.

Chile, $10,000

From January 1 to November 11, 1961, there were 172 reported cases of polio in Chile. In the period November 12–25, 74 cases were reported, with heavy incidence among small children. Responding to a request from the Director of the Chilean National Health Service, the U.S. Ambassador asked for 20 hot packs, 5 rocking beds, and 10 respirators from the National Foundation, to be shipped by air to Chile for use in three childrens' hospitals. On November 22, the Ambassador determined that the polio situation warranted emergency assistance from the United States, and requested 100,000 units of type 1 oral vaccine. Two experts from the U.S. Public Health Service's Communicable Disease Center were sent to Chile on November 25, to assist the Chilean health authorities and to study the effects of the oral vaccine (furnished by the Public Health Service) in combating a type 1 epidemic. These two experts recommended shipment by air of an additional 200,000 units of the vaccine, which would permit the Chilean Health Service to begin a vaccination campaign on December 5 (between November 26 and December 2, another 84 polio cases were reported). Although emergency funds expedited the initial assistance offered from the United States, almost all the costs of relief operations have been met subsequently by other public and private agencies. Our Ambassador reported on December 20 that the assistance provided by the United States not only fulfilled a humanitarian need but also created a very favorable impression on the part of Chilean officials and public opinion, and transmitted a letter from the Director of the Chilean Health Service expressing deep appreciation for the assistance received.

FAR EAST

Indonesia, $1,500

A disastrous fire in Djakarta, the capital, deprived 27,000 people of their homes and belongings. The governor of the area was extremely grateful for the Ambassador's offer of emergency supplies, and suggested pumps and piping for water supplies for emergency housing. The sum of $1,500 was used to procure the necessary commodities.

Japan, $6,327

Excessive rains and landslides in Nagano prefecture during June–July 1961 caused devastation and flooding. Emergency funds enabled U.S. forces from the Fuchu airbase to supervise and conduct rescue and supply operations, as requested by the Japanese Government. Two hundred persons were evacuated, and 45 tons of supplies were airlifted by helicopter to the needy areas.

Korea, $5,000

Persistent rain caused heavy flood damages July 1961, particularly in southernmost Korea. Well over 200 persons were dead or missing, and large numbers injured and homeless. Damage was estimated at well over $2.5 million. In addition, the Koreans felt a particular need for U.S. support and sympathy in view of the deeply troubled political situation. The Ambassador turned over 6,475,000 hwan to the Korean Red Cross. A press release was issued describing the conversation in which the Ambassador announced the contribution, and the Chairman of the Government Council expressed the thanks of the Korean Government for this assistance.

Philippines, $2,859

During late February and early March of 1962, eastern and northern sections of Mindanao received an unusually heavy and prolonged seige of rain. As a consequence, a number of communities in the Davao and Agusan River Valleys were seriously flooded. In response to requests by the Philippine Department of Defense, the U.S. 13th Air Force supplied a radio communications team and ferried two helicopters to the flood area to assist in relief and rescue operations. Funds for the special expenses incurred in this operation were taken from emergency relief funds.

Thailand, $1,205

In the early morning of March 24, 1962 a fire in Yasothon, Ubol province, completely destroyed a large number of houses and shops, leaving some 1,300 people homeless. Most escaped the fire with nothing but the clothes in which they were sleeping, and a few personal effects. Local welfare agencies did an excellent job in providing for the refugees, yet a shortage of supplies, particularly blankets, remained. On the Ambassador's authority, AID authorities con-

tributed 25,000 baht to the Governor for the purpose of purchasing blankets and such other supplies and equipment deemed necessary by the Governor to assist the refugees. Officials later reported that U.S. assistance during the disaster received widespread favorable publicity throughout Thailand.

Preliminary estimates at the end of the fiscal year for total funds obligated by means of this authority equalled $107,000. Revised estimates as of August 16, 1962, now include the Philippines and Syria, and total $113,000.

In certain cases, action under this authority by the U.S. Chief of Diplomatic Mission served to expedite initial assistance in the wake of a disaster of such magnitude that the authorization of substantial additional relief assistance was subsequently required. Three programs were of this type in fiscal year 1962. The entire amount authorized appears as a country program in the table on use of contingency funds printed above.

AFRICA

Kenya, $13,700

Floods during November isolated hundreds of thousands of persons already near starvation due to long drought. The floods seriously depleted cattle herds and disrupted food distribution facilities. In response to an urgent appeal from the Chairman of the National Relief Committee the Consul General presented a $10,000 check on behalf of the U.S. Government to aid in food distribution. During the ceremony, which was covered by press and radio, the Chairman publicly thanked the consul general on behalf of the people of Kenya for the generous famine relief aid contributed by the United States, including 29,000 tons of maize, 1,300 tons of edible oils, and 1,000 tons of dried milk costing a total of $7 million, and the flying of 45,000 pounds of food by the Air Force to areas which could be supplied only by airdrops. Those flights, which cost $3,700, had a highly favorable and wide impact in Kenya. They were reported on newscasts within the hour. Both newspapers front-paged the story. After 3 days, normal channels of emergency food distribution could be again resumed.

Somali Republic, $339,000

In November it became apparent that flood damage in the principal agricultural area would result in a major national disaster. In an area of 60,000 square miles food resources, clean water, and current crops were almost completely destroyed. Most villages were isolated or wiped out. Malaria, dysentery, and pulmonary infection reached epidemic proportions.

The United States moved in immediately, along with other governments and private groups, to provide assistance. The Ambassador's relief authority was used to expedite the initial impact of relief efforts. For example, an outboard motor was provided to power the only means of food distribution which existed initially—Somali-owned pontoon boats. Total U.S. aid was increased in several steps, and included: 360,000 pounds of grain airlifted, an additional shipload provided, aircrews medical support, a nine-man medical team, 12,000 pounds of drugs and vitamins, aircraft fuel, etc. Untold lives and the economy of a country were saved.

LATIN AMERICA

Honduras, $25,000

The usual outbreak of gastroenteritis which occurs at the beginning of the rainy season became suddenly much more severe in terms of incidence and severity in early summer, 1962. The number of cases per day jumped from a normal 43 on May 28 to 267 on May 31 and 315 on June 1, with a high proportion of deaths. Local health authorities set up emergency rehydration centers, which cut deaths, but quickly ran out of fluid, serum, and drugs.

The Ambassador asked Washington for help, and made available his $10,000 emergency relief fund. Two disaster teams—emergency care and preventive medicine—and 17,000 pounds of supplies arrived in San Pedro Sula within a day, just as local supplies ran out. Rapid success enabled the emergency care team to move into outlying areas on June 7. The other flushed and rechlorined the water supply in San Pedro Sula. Cases per day dropped from 350 on June 6 to 40 on June 20, when the teams left. An additional $15,000 of assistance was sent on June 12 to combat epidemic hemophilus influenza.

The U.S. assistance was well received and publicized. The governor of the stricken area gave a dinner in honor of the disaster teams, and the President received them at his residence shortly before departure, in order to praise them for their work and thank the United States for its promptness in responding.

Before they left, the teams donated stocks of antityphoid vaccine and sulfadiazene tablets to country health authorities.

All activities by Americans received extensive publicity in all but the Communist-line papers, including those of an AID laboratory technician and the wife of the U.S. consul general in dispensing supplies and nursing care.

USE OF DISASTER RELIEF FUNDS

Mr. PASSMAN. I asked the question and I thought the answer was in the affirmative, that any ambassador of any country where there is a catastrophe may request this aid.

Mr. COFFIN. I was thinking of AID countries. I was not thinking of ambassadors in France or Belgium.

Mr. PASSMAN. It has to be an underdeveloped country?

Mr. COFFIN. To qualify under our law.

(The following was submitted for the record:)

The use of this authority is available to all ambassadors, but in practice it has been confined largely to the less developed countries. In fiscal year 1962 all uses were in such countries except Japan. In the 2 previous years, the authority was used on six occasions in Japan (typhoons), Netherlands (floods), Germany (crash of U.S. Air Force plane in Munich), and France (floods).

Mr. ANDREWS. Mr. Coffin, do you allocate the $10,000 to the Ambassador before he requests it, or is it only upon his request?

Mr. COFFIN. Only upon his request.

Mr. ANDREWS. You said only eight of them requested it during the past year?

Mr. COFFIN. That is right. These were all acts of God, contingencies.

Mr. HARVEY. There may well have been more than eight, because frequently the amount used was a much smaller amount than $10,000 which is the maximum.

Mr. PASSMAN. That is under the Ambassador's supervision at all times?

Mr. COFFIN. The Ambassador is the head of the country team. Mr. Hamilton is the administrator who has authority over the Ambassadors in AID matters.

Mr. PASSMAN. This is a small item, but this AID program is getting to be more diversified every year, broader and more complicated.

Mr. COFFIN. This is a very small amount. We think it is a good tool for the Ambassador to have.

SPECIAL CONGRESSIONAL AUTHORIZATION FOR DISASTER RELIEF

Mr. PASSMAN. It may be a good tool but it is something relatively new in spending money out of the overburdened American taxpayers' pockets. I think last year we moved out into one country that had a catastrophe with $100 million.

Mr. COFFIN. No.

Mr. PASSMAN. Yes, we did.

Mr. HARVEY. As authorized by the Congress.

Mr. PASSMAN. As authorized by the Congress. We provided the full amount, $100 million for their use.

There are a lot of instances all over the world where the American people themselves rallied to a cause when there was a catastrophe.

Mr. COFFIN. That is true.

Mr. PASSMAN. Why do we have to get into every field? Why do we not leave something for the people to do? Let us make a simple appeal.

It just looks like this AID Agency insists on getting into everything.

Mr. COFFIN. In this case, the ability of the Ambassador was to come up very promptly with even a small amount of money and it paid great dividends for the United States.

Mr. PASSMAN. It all depends on how you figure it. I do not know whether it does or not. I do know that every year there is some new program, such as investment surveys, ambassadors' charity funds, and they just keep on.

CONTINGENCY TRANSFER TO INTERNATIONAL ORGANIZATIONS

This committee and both Houses of the Congress recommended the full amount for contributions to international organizations, did we not?

Mr. COFFIN. I think so.

Mr. PASSMAN. Last year?

Mr. COFFIN. Yes, sir.

Mr. PASSMAN. Earlier, I think I indicated that in some instances where we had given the agencies every dime they asked for, you transferred out of the contingency fund. On page 6, it is indicated that you transferred out of the contingency fund, $8.4 million for the contributions to international organizations.

Mr. COFFIN. Page 6 of what?

Mr. PASSMAN. Your statement.

Mr. COFFIN. This is the MAP transfer, too.

Mr. PASSMAN. Let us get the amount and pin it down.

Mr. COFFIN. This is the military assistance transfer.

Mr. PASSMAN. Let us get your statement.

Mr. COFFIN. I am reading from my statement and it is $9.5 million.

Mr. TENNANT. Which page, Mr. Chairman?

Mr. PASSMAN. On what other page do you find this figure?

Mr. TENNANT. $8.4 million, that is on page 6; $8,382,000 was for contributions to international organizations.

I believe that is the point you referred to.

Mr. PASSMAN. Let us read from your statement on page 6:

> Of the $291,682,000 of obligations out of the contingency fund of last year, $238,756,000 was supporting assistance; $8,382,000 was contributions to international organizations; $44,544,000 was for other purposes, primarily to the refugee program.

You did transfer out $8,382,000 to the international organizations.

Mr. COFFIN. Right.

Mr. PASSMAN. Out of the contingency fund?

Mr. COFFIN. Right.

UNLIQUIDATED OBLIGATIONS TO CREDIT OF INTERNATIONAL ORGANIZATIONS

Mr. PASSMAN. Could you tell us how much, Mr. Controller, the amount of unliquidated funds to the credit of international organizations as of June 30?

Mr. TENNANT. I believe I would have to add up a few figures for that, Mr. Chairman.

You may wish to continue while I am computing this.

DATE OF CONTINGENCY TRANSFER

Mr. PASSMAN. On what date did you obligate the $8,382,000 to the international organizations?

Mr. COFFIN. This was in June, both of them.

Mr. PASSMAN. What date in June?

Mr. COFFIN. We do not have the date.

Mr. FORD. To what international organizations?

Mr. PASSMAN. I am going to help a little here.

Mr. TENNANT. These orders——

Mr. COFFIN. June 30.

Mr. PASSMAN. The last day of the fiscal year?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. What was the unliquidated amount to the credit of that account?

Mr. COFFIN. Let me tell you why.

Mr. PASSMAN. Let me get my questions in and then take your time and answer.

TRANSFER TO U.N. TECHNICAL ASSISTANCE PROGRAM

Did you transfer out of the contingency fund on June 30, the last day of the fiscal year, to the United Nations technical assistance program?

Mr. COFFIN. I will let Mr. Tennant answer.

Mr. PASSMAN. I think that ought to be in the record at this time.

We have under development grants carrying this, and then you have United Nations Expanded Technical Assistance Program.

I believe Mr. Cleveland testified on that matter, and I think that last year we gave them every dime they requested.

We are trying to find out if you transferred any money out of the contingency fund to the United Nations technical assistance expanded program.

Mr. COFFIN. The answer to that question is "Yes," Mr. Chairman. We did transfer out.

Mr. HARVEY. Used the contingency fund.

Mr. PASSMAN. As of June 30?

Mr. HARVEY. I am not sure of the date yet.

Mr. PASSMAN. You have it here, June 30.

Mr. TENNANT. I think that shows June. Since that is another agency's transaction, we do not have that date on that schedule.

Mr. PASSMAN. You have it listed under June 30.

Mr. COFFIN. No.

Mr. PASSMAN. Then, if you follow on down, you do not show any date after you get your total.

Mr. HARVEY. There is an asterisk, Mr. Chairman.

Mr. TENNANT. There is a footnote (b).

Mr. PASSMAN. What amount do you have unliquidated to these accounts?

Mr. TENNANT. That is the item I have to add together.

Mr. PASSMAN. Take your time.

I do not know what other people say, but, as far as I am concerned, this contingency fund should be eliminated. It is grossly abused.

You did testify that you transferred on June 30, 1962, the last day of the fiscal year, $5 million to the United Nations Expanded Technical Assistance Program.

Mr. COFFIN. Who testified?

Mr. PASSMAN. The AID people.

Mr. COFFIN. Let me now——

Mr. PASSMAN. Here it is.

The trouble is, one day we get one type of testimony, and the next day we do not have it.

Mr. COFFIN. This looks like it.

Mr. TENNANT. I think that is.

Mr. PASSMAN. That is right on the belt, is it not?

Mr. GARY. Mr. Chairman?

Mr. PASSMAN. I yield.

PURPOSES AND AUTHORITY FOR USES OF DISASTER RELIEF FUNDS

Mr. GARY. Mr. Ford, just a few moments ago, asked for a list of the countries in which these funds for catastrophes were used, and I would like to ask that you also include the purposes for which they were used in those particular countries, and the amounts.

Mr. COFFIN. We will be glad to.

Mr. PASSMAN. That is a request that certainly will enable the committee to know how broad the program is. I think you earlier stated it had to be an act of God. It either comes within that range or the Ambassador could not use it.

Mr. GARY. "God acts in mysterious ways His wonders to perform." I would like to know in what manner He acted in these particular instances.

Mr. PASSMAN. If it is a catastrophe, and has to do with an act of God and not something done by man, you would get into it?

Mr. HARVEY. I do not have the text of that authority in my head. It is certainly my impression that that is the limitation on the use of that fund.

Mr. PASSMAN. Would you please provide that information for the record, right after Mr. Gary's request?

Mr. HARVEY. I believe we can do that.

Mr. PASSMAN. If you know the authority, since this contingency fund is completely under the AID Agency and the President has delegated the AID Agency to allocate, obligate, and disburse the fund. The AID Agency could, itself, determine what would be a catastrophe, could it not?

Mr. HARVEY. Yes, sir.

Mr. PASSMAN. Define just what the limitations are, and we hope that you can define it, and that you will not use it in other than a catastrophe as we think of a God-created catastrophe.

FUNDS ALLOCATED TO INTERNATIONAL ORGANIZATIONS

Do you have that information, Mr. Controller?

Mr. TENNANT. Yes, sir.

ESTIMATED UNEXPENDED BALANCE

We estimate $36.9 million unexpended in the international organizations program on June 30, 1962. The reason I did not have these figures calculated for you is that my figures were not adjusted by some change in the program that is going to be covered in a separate hearing and by a separate agency.

Mr. PASSMAN. Could you tell us the amount of unobligated funds to the credit of international organizations as of June 30?

Mr. TENNANT. It was below $50,000 as of June 30.

Mr. PASSMAN. State that figure again.

Mr. TENNANT. $36.9 million.

Let me see a minute.

That is the figure I gave you.

Mr. PASSMAN. Do you want to raise it?

Mr. TENNANT. Yes, I think I might raise it a bit.

ADJUSTED UNEXPENDED BALANCE

On June the unexpended balance, including all years, is $70.4 million.

Mr. PASSMAN. That is more like it; $70.4 million?

Mr. TENNANT. That is correct.

Mr. PASSMAN. This includes the United Nations Expanded Technical Assistance?

Mr. TENNANT. Yes, sir; this includes all of it.

Mr. PASSMAN. How much in technical aid only?

Mr. TENNANT. I do not have that broken out in this tabulation.

END-OF-YEAR TRANSACTIONS INVOLVING CONTINGENCY FUND

You did transfer $5 million out of the contingency fund on June 30 to the United Nations Technical Assistance Fund?

I yield to you, Mr. Coffin.

Mr. COFFIN. Thank you, Mr. Chairman.

Two transactions and with adequate reason for being very late in the year.

The first one, the Indus waters, was an amount we knew we were obligated to come up with as an additional amount and the World Bank told us this quite a while before.

Although we were technically obligated to pay it over, we held it out so we would be sure what our year-end requirements would be so that we would have as small a drawdown from the military as possible. We deliberately held that back.

Mr. PASSMAN. Out of technical aid?

Mr. COFFIN. No; the MAP transfer.

Mr. PASSMAN. You are explaining that before you explain the big one of $5 million?

Mr. COFFIN. Yes. We deliberately held that until we saw what all of our requirements were.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

PLEDGES AND ALLOCATIONS TO U.N. TECHNICAL ASSISTANCE

Mr. COFFIN. The second item of $5 million for the United Nations technical assistance was the result of our pledging 40 percent of this Fund. The other nations came up with their total of 60 percent but we did not want to commit ourselves until we had the year-end returns in, so we knew what our 40 percent would be. We had to wait until pretty well in June for that. We found they came up with enough money so that they more than matched our $5 million. We, therefore, felt this was not only proper but it was moving in the right direction to get them to come up with that money.

Mr. PASSMAN. Even though we appropriated every dime you asked for for this fund last year and followed your formula?

Mr. COFFIN. We told you last year this was a possibility; we did not know whether they would come up with more or not. We told you.

Mr. PASSMAN. We did recommend every dime you requested?

Mr. COFFIN. Yes. At that point we had no way of knowing. We could not come to you and say we were sure they were going to come up with this, so approximate X more dollars for us.

Mr. PASSMAN. Some of those nations operate on a calendar-year basis, do they not?

Mr. COFFIN. I suspect so.

BASIS OF U.S. PLEDGE TO U.N. TECHNICAL ASSISTANCE

Mr. PASSMAN. They were pledging for a previous year rather than a full fiscal year as we are now operating in?

Mr. COFFIN. We were pledging for a future period.

Mr. PASSMAN. They may have been pledging 6 months of this fiscal year and 6 months of the previous fiscal year where they did not come up with their total?

Mr. COFFIN. The pledging conference was held in the fall and it looks toward the future. I think it would not have been a retroactive pledge.

Mr. PASSMAN. You made your request last year based upon what other nations could do?

Mr. COFFIN. Made our request based on what they had done, the level we were at; but we also said if they came up with more, we could continue with our formula.

Mr. PASSMAN. It does not do any good.

Mr. COFFIN. No.

Mr. PASSMAN. We are in accord that some of these nations operate on a calendar year basis instead of a fiscal year basis?

Mr. COFFIN. I assume that much.

Mr. PASSMAN. They could have been appropriating for a full year, and that would take them over into 6 months of our new fiscal year; is that right?

Mr. COFFIN. I do not see how that affects the validity of what they were pledging to a specific calendar year program.

Mr. PASSMAN. It means that you are taking this contingency fund and drying it up so that there will be no carryover?

Mr. COFFIN. No; we told you that if they increased their pledges over the amount they had done last year, we would match them on a 40–60 basis.

Mr. PASSMAN. All right. We shall go back to the record and see.

As far as I am concerned, there has never been anything so grossly abused as this contingency fund. You might run into just anything.

ALLOCATION TO SAUDI ARABIA

We ran into an item there where they testified that Saudi Arabia had a substantial aid program in the past but still had on hand several million dollars in unliquidated funds to their credit. They are a wealthy nation and they do not need aid. But we find out here that there was some little political grant for $150,000.

It just goes to show how loose this thing is.

It could have been $500,000.

Mr. COFFIN. This was supporting assistance this past year, not contingency fund.

Mr. PASSMAN. Anyway, you can transfer out of the contingency fund to the supporting assistance category. It was $150,000 in grant aid to King Saud for something.

Mr. FORD. Would the chairman yield?

Mr. PASSMAN. Yes.

U.S COMMITMENTS CONTINGENT UPON OTHER COUNTRIES CONTRIBUTING

Mr. FORD. When you say the other countries pledged, does that coincide with an actual obligation by us to these countries?

Mr. COFFIN. No; there is a pledging session in the fall at the United Nations. This is not what triggers our commitment although we say we will stand by our 40 percent contribution. We wait until we see what they actually commit or make available.

This took pretty much the whole year before we found what the total was.

Mr. FORD. I remember reading a newspaper article quoting Mr. Klutznick, and this was several months ago, where we have indicated we were not going to make a commitment or our funds available because of the lack of cooperation by other countries. This sounded very encouraging from our fiscal point of view and I rather applauded this attitude.

Now I find that instead of withholding we are actually making a contribution greater than what was initially anticipated.

Mr. COFFIN. This is because they did get that cooperation.

Mr. FORD. I know; but I am a little uncertain when you start using the words "commitments," "pledges," and we talk about appropriations and obligations.

Do we pay $1 and they pay a dollar?

Mr. HARVEY. No.

Mr. FORD. How does it work then?

Mr. HARVEY. We are committed to putting up 40 percent of the total if it becomes clear in pledges, written pieces of paper from governments, we will pay in so much; the total was such for us to meet, or 40 percent. If they, in fact, meet all of those pledges, we are going to owe $45 million.

In order to cover our pledge we obligate $45 million. We do not disburse it. We wait until they disburse so the actual payment is contingent on their paying.

PLEDGES OF PARTICIPATING COUNTRIES

Mr. PASSMAN. That is predicated on a 2-year basis, is it not, for them to make their payments?

Mr. HARVEY. I believe that is the case.

Mr. PASSMAN. I think that certainly makes a case where they have 2 years in which to meet their pledge, but Uncle Sam rushes in, and you do not have any idea whether theirs will ever be fulfilled in its entirety. Nevertheless, we come in and make an appropriation to carry out our commitment.

Does Russia still make its pledges in rubles?

Mr. HARVEY. I believe they do.

Mr. PASSMAN. They could very simply increase their pledge and that, within itself, would make the difference; would it not?

Mr. HARVEY. Yes.

Mr. PASSMAN. Yet, they insist that their currency be spent in the countries they designate; is that a statement of fact?

Mr. HARVEY. I believe it is.

Mr. PASSMAN. They make theirs 2 years in advance and some of them operate on a calendar year basis rather than a fiscal year, as we do, June to July; is that right?

Mr. HARVEY. Some do. But all pledges and contributions are made to a specific calendar year program. The calendar year is also the U.N.'s fiscal year.

Mr. PASSMAN. I yield to Mr. Gary.

Mr. GARY. Did I understand you to say that when they make their commitment pledge, we then make our commitment and set aside that sum of money, but it is not spent until they actually put up their money?

Mr. HARVEY. That is my understanding.

Mr. GARY. Is that correct, Mr. Tennant?

Mr. TENNANT. That is my understanding, sir.

Mr. PASSMAN. Then did you, in effect, have sufficient time to request of the Congress additional money rather than take it out of the contingency fund?

Would that be a fair appraisal of the situation?

Mr. COFFIN. Not unless——

Mr. PASSMAN. They have 2 years in which to come up with their money.

Mr. HARVEY. What the precise rule is, I do not know.

Mr. PASSMAN. It is too early to determine whether or not they will come up with those pledges, because the record indicates they have pledged in the past and did not meet those pledges; is that correct?

Mr. HARVEY. In some small degree.

U.S. ALLOCATION AGAINST A PLEDGE

Mr. FORD. What worries me, Mr. Chairman, when they make a pledge, we make an obligation.

Mr. COFFIN. That is right.

Mr. FORD. Our obligations are available for immediate drawdown?

Mr. HARVEY. By us.

Mr. FORD. Well, they are available by the agency to draw against, are they not?

Mr. COFFIN. Which we do not do. The only alternative would be to make a pledge not backed by an obligation.

I think this would be criticized by the committee very deeply.

Mr. PASSMAN. What committee?

Mr. FORD. I would rather make a pledge against a pledge then a drawdown in dollars against a drawdown in dollars.

Mr. HARVEY. That is precisely what we do.

Mr. FORD. This is not clear to me.

Mr. PASSMAN. They have made pledges and we have made pledges percentagewise.

Mr. COFFIN. Right.

Mr. PASSMAN. Then we appropriate our money against their pledges, hoping they will meet their pledges and then come up with their 60 percent; is that correct?

Mr. COFFIN. Our pledge is 40 percent of all pledges up to a total fund of $150 million.

Mr. PASSMAN. Is not the record abundantly clear that in the past these same nations have committed themselves and have pledged more than they actually contributed?

Mr. COFFIN. In some degree.

Mr. PASSMAN. You actually do not know whether, in the next 2 years, some degree could be as much as 80 percent? Would you get for the record how much?

They pledge, and then they do not meet their pledge.

They may come in with 70 percent of their pledge or 80 percent of their pledge. They are doing business on a 2-year basis, are they not?

Mr. HARVEY. That is right.

Mr. PASSMAN. Two years in which to make the payment? Why do we have to take money out of the contingency fund and obligate it on June 30, the last day of the fiscal year, when you may not be required to make disbursements for a year and a half or 2 years hence?

Mr. COFFIN. The alternative would be for us to make a pledge at that point. It was important for us to indicate whether we would or would not continue with our 40-percent pledge.

Mr. PASSMAN. You have had similar pledges in the past on which they defaulted?

Mr. COFFIN. We are protected.

Mr. PASSMAN. What if you did not have a contingency fund? What would you do with this money requested in fiscal year 1963?

Mr. COFFIN. We would not have been able to make a pledge.

Mr. PASSMAN. You would have been able to make a pledge up to $40 million, would you not?

That is the total we originally appropriated.

Mr. HARVEY. This is the precise purpose of the contingency fund.

It was to encourage countries to increase their contribution to the fund.

Mr. PASSMAN. We are dealing with a group of nations which, in the past, have no record of meeting their pledges. They come up with partial payments, but here we are giving them 100 percent of what they asked for last year. Then, on the last day of the fiscal year, you transferred $5 million out of the contingency fund over to the United Nations technical aid program. To me, this is no way for us to operate.

Mr. FORD. Mr. Coffin, with the $5 million which was transferred from the contingency fund, did that take our contribution up to the 40 percent?

Mr. COFFIN. Yes.

Mr. FORD. Making a total of how much that we would commit?

Mr. COFFIN. $45 million.

Mr. FORD. If sometime during the next 2 years the other nations do not actually make available from dollars the amount they pledged, that is, 60 percent, then there is a corresponding decrease in the availability of our obligational authority?

Mr. COFFIN. That is my understanding.

Mr. FORD. Is that the way it works now?

I should think it would work that way if I understood what has been said. If it is not then the thing I am fearful of is taking place.

U.S. DISBURSEMENTS WITHHELD PENDING ACTUAL DISBURSEMENTS BY OTHER CONTRIBUTORS

Mr. HARVEY. We hold the obligation undisbursed until they disburse. Our disbursements are no larger than 40 percent of the total contributions to the U.N. fund.

Mr. FORD. In other words, if they do not meet the cash amount which corresponds with 60 percent, then our $45 million goes down correspondingly?

Mr. HARVEY. Yes.

Mr. FORD. There is no question about that?

Mr. HARVEY. That is correct.

U.S. DETERMINATION OF AMOUNTS TO BE PLEDGED

Mr. PASSMAN. There is nothing mandatory about this 40 percent. There is no legislation governing it. This is a voluntary commitment by our U.N. representative, is it not?

Mr. HARVEY. That is correct.

Mr. PASSMAN. There is no requirement which is mandatory that we come up with 40 percent?

Mr. HARVEY. Except the U.S. Government has pledged itself that it will.

Mr. PASSMAN. The U.N. representative.

Mr. HARVEY. Who is the representative of the U.S. Government.

Mr. PASSMAN. You are working against any amount we want to pledge. There is nothing mandatory that we pledge the full 40 percent. That is the maximum which he could pledge. Is that correct?

Mr. HARVEY. Yes.

Mr. PASSMAN. He would have been well within the law had he pledged 30 percent?

Mr. HARVEY. Yes.

Mr. PASSMAN. And his word that we would come up with 40 percent would have been just as good as the appropriation, would it not?

Mr. COFFIN. You mean if we didn't——

Mr. PASSMAN. Our U.N. representative had said at a subsequent date that our pledge will be this figure, which will be 40 percent of the total, making his pledge based upon the availability of an appropriation, that would be it. This is the maximum. You could

have pledged 35 percent and you would be well within the law. Is that correct?

Mr. HARVEY. Yes.

Mr. PASSMAN. You could not wait this year to get it again——

Mr. COFFIN. If he had said that we will in the future pledge this, without having an appropriation, he would have been off base. This would not have been the proper procedure.

Mr. PASSMAN. That is what you are doing all over the world. You do it every year in the amount of hundreds of millions of dollars. Of course, it was pledged even before you asked Congress for a dollar's appropriation.

Mr. HARVEY. That is not correct.

Mr. PASSMAN. You look at the law. I will stand on the record that it is correct. There is nothing mandatory about it. It is the representative in the U.N. who makes the commitment. He could have said, "The maximum is 40 percent but we will pledge 35."

Mr. HARVEY. This pledge was made last fall against the funds appropriated last summer.

Mr. PASSMAN. Have I made a statement of fact? Is it the U.N. representative who commits us.

Mr. COFFIN. No.

This is the end process of a State Department deliberation and an agreed upon position.

He then states whatever position has been agreed upon down in State and AID.

Mr. PASSMAN. It has been stated what the law is.

The U.N. representative makes the pledge; 40 percent is the maximum he could pledge. You could just as easily have said, "This year our pledge can be only 38 percent."

Mr. HARVEY. He makes that pledge against appropriations which have been acted on and approved by the Congress.

Mr. PASSMAN. Which was the amount this committee recommended, 100 percent, the one item where we did not cut a penny.

JAPANESE LABOR LEADER PROGRAM

You had what amount for the Japanese labor exchange?

Mr. COFFIN. $458,000, sir.

Mr. PASSMAN. You gave us these things as final and complete. You had $458,000 in for the Japanese labor exchange. What made that item an emergency in which you had to do this or all would be lost?

Mr. COFFIN. It was used as part of a program which has been going on for some years to bring over to this country Japanese labor leaders. In Japan there is a tendency for the labor movement to be split with the leftists constantly fighting for position.

Our Government has felt it was important that there be leadership developed that is westward oriented and these Japanese labor people have been coming here.

At one point there was discussion as to whether this should be funded out of the State Department appropriation.

A record was made at that time that it should not be funded there but should continue to be funded out of the mutual security legislation, so the commitment was made some time ago.

The actual obligation did not have to be made until late in the year but it had to be made, and we got the necessary documentation late in the year to make this obligation.

Mr. PASSMAN. How had you been funding this item in the past? Out of what appropriation?

Mr. COFFIN. Out of the Mutual Security Act.

Mr. PASSMAN. What fund? What account?

Mr. HARVEY. Prior to fiscal year 1962 this activity was funded from technical cooperation funds.

Mr. PASSMAN. The contingency fund is intended for cases of unforeseen uses of an emergency nature. I wonder if this is not just a little bit farfetched, even though this account is wide open?

HISTORY OF JAPANESE LABOR LEADER PROGRAM

Mr. FORD. Can we have a history of this program—when it was started, how many have been brought over each year since its inception, and the amount which has been made available, and from what account?

Mr. PASSMAN. All right.

(The information requested follows:)

The Japanese labor exchange program, involving training of Japanese labor leaders in the United States, has been carried on since fiscal year 1955. As of June 30, 1962, $1,376,000 had been obligated and $1,350,000 expended for this project for a total of 669 Japanese participants. The program was entirely financed out of technical assistance funds. The following table shows the number of participants that arrived in the United States for training in each fiscal year.

Fiscal year:	*Number*
1955	0
1956	11
1957	46
1958	70
1959	122
1960	164
1961	189
1962 (through March)	[1] 67
Total	669

[1] Participants financed out of fiscal year 1961 funds.

FUNDING OF JAPANESE LABOR LEADER PROGRAM

Mr. PASSMAN. Is this grant aid?

Mr. COFFIN. Yes.

Mr. PASSMAN. A free ride, $458,000. Can you tell us how much we have expended on this account in the past, and how much you have unliquidated as of June 30 to the credit of the Japanese labor exchange?

Mr. TENNANT. These obligations occurred during May and June. The $458,000 occurred then. I doubt very much if it has been spent.

Mr. PASSMAN. Do you think the program could have survived if you had not funded it out of the contingency account in June?

Mr. COFFIN. A year ago, when we were up there, there was a request made to fund this out of the State Department. That committee did not allow that item and specifically said it should be funded out of the Mutual Security Act, where it had always been funded.

Mr. PASSMAN. Why did they, the subcommittee handling funds for the State Department, throw it out?

Mr. COFFIN. I think they said, so far as they were concerned, it should continue to be funded out of the Mutual Security Act.

Mr. PASSMAN. Did that action indicate a reduction in that budget?

Mr. COFFIN. I don't know, Mr. Chairman.

Mr. PASSMAN. I should think so, if they threw it out.

Mr. COFFIN. They reduced the budget accordingly. There was a deliberate legislative history made which put this in our jurisdiction.

Mr. FORD. Did the executive branch then reclama, or request the program for fiscal 1962?

Mr. COFFIN. I don't believe so, Mr. Ford. I think they were before the Senate at that time and they did not make a reclama and they felt it would not be a successful attempt.

Mr. FORD. The State Department budget, as I recall it, went through the House and subsequently through Congress well before we concluded our hearings last year.

As I recall it, the appropriation bill came to the floor of the House the week following Labor Day. There was ample time for a specific reclama for this item rather than to do this this way. I think this is a little on the sneaky side.

Mr. PASSMAN. I agree with the gentleman.

CONTINUATION OF LABOR-TRAINING PROGRAM

Is this a continuing program which has been in effect several years?

Mr. COFFIN. Yes, Mr. Chairman.

Mr. PASSMAN. Are you going to conclude it this year?

Mr. COFFIN. I don't think there is any plan to that effect.

Mr. PASSMAN. How much are you requesting for the Japanese labor exchange for fiscal 1963?

Mr. FORD. Off the record.

(Discussion held off the record.)

Mr. PASSMAN. Do you have that amount, Mr. Controller?

Mr. COFFIN. I do not think we are asking any funds for this program this year.

Mr. PASSMAN. But it will be continued?

FUTURE FUNDING OF LABOR PROGRAM

Mr. COFFIN. I suspect that our Government feels it is important and will try to seek funding for it.

Mr. PASSMAN. Where are you going to get the money to continue it?

Mr. COFFIN. I suspect they will try to do it through the State Department appropriation.

Mr. PASSMAN. The State Department appropriation bill already has passed the House. I wonder if it was in there?

Mr. FORD. Mr. Howe can tell us.

Mr. PASSMAN. May I ask this question while Mr. Howe looks that up:

MILITARY ASSISTANCE TRANSFERS TO INTERNATIONAL ORGANIZATION

In addition to the $8,400,000 allocation, did the international organization receive any funds by transfer from the military assistance appropriation?

Mr. COFFIN. Yes, $9.5 million transferred to international organizations.

Mr. FORD. From military assistance?

Mr. COFFIN. Yes.

Mr. PASSMAN. On what day did they make that transfer?

Mr. TENNANT. I don't know the exact date of the transfer. The transfer under the President's determination was made on June 6.

Mr. PASSMAN. You do not know what day?

Mr. TENNANT. June 6 was the transfer of the funds.

Mr. PASSMAN. Do you know specifically where they credited $9,500,000?

Mr. FORD. Is this in addition to the $8,382,000?

Mr. PASSMAN. Yes, in addition.

Mr. COFFIN. That is right.

Mr. HARVEY. There were three major elements in that picture. One was the $5 million in the UNTA which we have discussed. There was the increased requirement for the Indus water program which was more than the $3.8 million which shows on this table.

INDUS WATERS PROJECT

Mr. PASSMAN. When is the Indus waterway scheduled to be completed?

Mr. HARVEY. This contribution was due to the bank on March 15. The total program is due to be completed—it is a multiyear program—1967 or 1968. I am not sure.

Mr. PASSMAN. Have you requested funds in your regular 1963 request for the Indus waterway rather than taking it out of the contingency fund?

Mr. HARVEY. This was to cover contracts which were being let by the bank——

Mr. PASSMAN. Expenditures yet to be made. What do you have to the credit of the Indus waterways, unliquidated, Mr. Controller?

We are running into too much of this. We find that you are using money out of the contingency fund on projects which will not be completed for 8 or 9 years.

Mr. COFFIN. The fact is that this was a requirement of us and other contributors to be made this spring.

Mr. HARVEY. I did not believe Congress wished us to get into a position where we would have to ask for funds to cover contracts already made.

Mr. PASSMAN. Did you have funds for the Indus waterways?

Mr. TENNANT. My estimate on the Indus water as of June 30 was $100,000. However, it was based on the initial programing of $20 million. The adjustments in the programing Mr. Harvey mentions have raised that program.

Mr. PASSMAN. This is on page 6, report No. 1107, committee report for fiscal 1962:

> The United States contributed $6,807,000 in grant aid to the project during fiscal 1961, and also made a Development Loan Fund loan of $70 million to Pakistan for the project. The committee points out the United States has agreed to participate in the project prior to (1) the establishment of firm cost estimates for the different phases of the project; and (2) an arrangement for sharing the cost in the event actual construction costs exceed the estimate of $1,064 million. Such haste to commit the U.S. taxpayer to an expenditure of over a half billion dollars without recognition of the actual cost illustrates the type of thing that happens when commitments are made prior to full review and approval.

This is $1,064 million worth of projects.

The very first year we put this in our report you started going over your budget.

How much did you transfer out of the contingency fund to this Indus waterway?

Mr. HARVEY. From the contingency fund $3.4 million.

Mr. PASSMAN. Anything out of the military account?

Mr. HARVEY. Out of the military assistance appropriation into the international organizations contributions appropriation, $9.5 million.

Mr. PASSMAN. Did any of that money go into the Indus waterway?

Mr. HARVEY. It is a little hard to answer.

Mr. PASSMAN. We know there are a lot of projects now getting money from the military assistance program. Take your time and let us try to establish it.

Mr. HARVEY. There were two transfers into that appropriation. One was from the military assistance funds of $9.5 million. One was from development grant funds of $7.3 million.

There was also the use of contingency fund of $8.4 million, making a total increase, in use of our funds for international organizations purposes, $25.2 million.

The principal uses——

Mr. PASSMAN. This is the same fund for which the committee in every category last year approved every dime you requested?

Mr. HARVEY. That is correct.

A number of those elements in there were elements which were estimated last year. One was the one we already discussed of the contributions to the UNTA Special Fund where our estimate at that time was $40 million and it turned out to be about $5 million low as to what would be required.

Mr. PASSMAN. Provided we used the maximum that the U.N. representative could go. Is that a fair statement?

Mr. HARVEY. Provided we did what we told Congress last summer we would do.

Mr. PASSMAN. Am I making a statement of fact? This is provided he used the very maximum to which he could go, which is 40 percent.

Mr. HARVEY. And that is what the estimate was based on.

Mr. PASSMAN. I am still making a statement of fact, that he had a broad range.

Mr. HARVEY. That is right.

Mr. PASSMAN. Next?

Mr. HARVEY. The total increase in requirement of grant funds to go into the IBRD for the Indus water project in fiscal 1962 was $17.6 million over the amount that was estimated last summer. It turned

out to be $34 million whereas the figure used in the congressional presentation a year ago was $16.9 million.

I believe Mr. Cleveland will give you the full story when he comes up here.

Mr. PASSMAN. Is that a considerable variation in the estimate from last year?

Mr. HARVEY. About 100 percent.

Mr. PASSMAN. Our report speaks for itself.

USE OF MILITARY ASSISTANCE FUNDS FOR INDUS WATERS

Did you take anything out of the military assistance program for the Indus waterway project?

Mr. HARVEY. As I say, the transfer from military assistance went into this appropriation.

Mr. PASSMAN. For the Indus?

INCREASED REQUIREMENTS OVER 1962 ESTIMATE

Mr. HARVEY. The increased requirements against this appropriation. There were three big ones—Indus, United Nations Technical Assistance, and the Congo.

You put water into a bathtub and take it out. I don't know which water comes out from which bucket. It is all in there.

Mr. PASSMAN. It is like a Mulligan stew.

Mr. HARVEY. We put water into the bathtub from three sources.

Mr. PASSMAN. How much went into the Congo?

Mr. HARVEY. There was an increase of $8 million over the fiscal year 1962 estimate.

Mr. PASSMAN. This is all voluntary in nature?

Mr. HARVEY. Yes, sir.

Mr. PASSMAN. That would be $13,900,000 that went into the Indus Waterway?

Mr. HARVEY. That is right.

Mr. PASSMAN. Subtract any other item that you had in the International Organizations.

Mr. HARVEY. There were some slight reprogramings, for example, the requirement for the military program in the Congo. There were two elements in that estimate which turned out to be lower than we anticipated.

Mr. PASSMAN. A good part of the military that you transferred to the International Fund went into the Indus Waterway?

Mr. HARVEY. You can attribute it to the U.N. fund for the Congo.

Mr. PASSMAN. You told us about the Congo. You said $34 million in round figures for that.

Mr. HARVEY. Indus Waterways was $34 million instead of $17 million.

Mr. PASSMAN. That was a 100 percent error.

Mr. HARVEY. It was a change in plans.

Mr. PASSMAN. Congress knew nothing about it until after all this manipulation.

Can we find out how much went out of military assistance into the Indus Waterway?

We have a list which will be rather enlightening, actual economic aid projects being paid for out of military assistance.

We want to find out how much here.

SOURCES FOR INCREASED CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS

Mr. HARVEY. Mr. Chairman, the availability of funds for international organizations contributions was increased from three sources—military assistance, the contingency fund——

Mr. PASSMAN. What was the first?

Mr. HARVEY. $9.5 million. $15 million from development grants. And use of contingency fund was $8.4 million.

Mr. PASSMAN. In round figures that is $34 million?

Mr. HARVEY. That is correct.

Mr. PASSMAN. How much did you transfer over to technical aid? $5 million, was it?

Mr. HARVEY. Yes. That is attributed directly to the use of the contingency fund.

Mr. PASSMAN. That is $29 million. How much went into the Congo?

Mr. HARVEY. $9.5 million.

Mr. FORD. What aspect?

Mr. HARVEY. Economic assistance and supporting assistance.

Mr. PASSMAN. That leaves $19 million, then.

Mr. COFFIN. Their foreign exchange reserves have practically disappeared, and they were facing bankruptcy. There was considerable conversation with the Belgians in getting them to come along with the British.

Mr. FORD. You took $9.5 million from the military assistance program, transferred it to contingency?

Mr. HARVEY. International organizations.

Mr. FORD. Transferred it directly to the international organizations, and the international organizations then transferred $10 million to the economic or supporting assistance of the Congo?

Mr. HARVEY. No.

Mr. PASSMAN. That is right.

Mr. HARVEY. The contribution to the United Nations.

Mr. PASSMAN. You did not furnish guns or ammunition, did you?

Mr. HARVEY. No.

Mr. PASSMAN. We are dealing with the economic and development aid programs.

Mr. HARVEY. That is right.

Mr. PASSMAN. It went into technical aid, economic aid, or Indus Waterways?

Mr. HARVEY. Yes.

Mr. COFFIN. This is precisely what this ability to make an MAP transfer was for.

Mr. HARVEY. I wonder if I might correct the testimony in one respect.

Concerning the transfer from development grants into the "International organizations" appropriation, the transfer of $15 million was authorized. In fact only $7.3 million was transferred.

Mr. PASSMAN. Again, you just overstated your needs; did you not?

AFGHANISTAN-PAKISTAN BORDER DISPUTE

Afghanistan and Pakistan are having a border dispute.

We had accumulated a substantial amount of aid of various types on the border.

Pakistain agreed to open the border so that the aid might go into Afghanistan, but the latter country was somewhat reluctant.

Later Afghanistan did open the border, and it took about 8 weeks to get the various types of aid we had accumulated over into Afghanistan, and then they again closed the border.

Have I stated that correctly?

Mr. MILLER. I think the border opening, Mr. Chairman was from January 29 to March 29, 2 months, as I recall.

Mr. PASSMAN. There was reluctance to open the border in order to let the aid get in. The border was finally opened until we got in our aid which had accumulated there.

After the aid had gone through the border the border was closed again. Is that right?

Mr. MILLER. My recollection is that the statement made by Mr. Gaud and Mr. Talbot was that there was an agreement finally worked out with both Pakistan and Afghanistan that would allow the border opening for this AID material. Since it had to be negotiated with both countries it was difficult, if not impossible, to state which one did it first or which one authorized it first as each was conditional upon the other's agreement.

You are correct in stating that the aid was sent through during this 8-week period.

Mr. PASSMAN. Am I correct in saying it had accumulated on the border in substantial quantities?

Mr. MILLER. Prior to the opening of the border, yes.

Mr. PASSMAN. It took an agreement between the two nations to open the border?

Mr. MILLER. Yes.

Mr. PASSMAN. You have another very comprehensive program going in Afghanistan and that is a water system.

NEGOTIATION FOR NEW CONTRACTS

In negotiating a new contract with contractors, you do not know whether the price will be up or down until after you have negotiated, do you?

Mr. COFFIN. Not on this one.

Mr. PASSMAN. Do you know which one I am talking about?

Is that the general rule, that it takes negotiation to determine whether a new contract price on anything would be up or down?

Mr. MILLER. I am not quite sure to what you are referring here.

Mr. PASSMAN. I am referring to a negotiation where there is money to be spent for a profit. Those people are over there for a profit, I assume, the American contractors, and if you have a contract that is to be negotiated as to the cost of that project, you do not know whether it is going to be lower or higher until after the negotiation; do you?

Mr. HARVEY. If conditions have changed in such fashion, the contractor's cost will be higher; it is fairly clear that the contract renegotiated price will be higher.

Mr. PASSMAN. There are 17 different projects in this, including railroad bridges and highways.

Mr. MILLER. In some contracts, there is an option for picking it up at a fixed price and on contracts generally negotiated, estimates may have been presented in advance which will be accurate which may be revised up or down when the final contract is negotiated.

AFGHANISTAN REGIONAL TRANSIT PROJECT

Mr. PASSMAN. The Afghanistan regional transit project, I believe, is 306–F–3398.

This was a $56 million project.

You have a project known as the Afghanistan regional transit project?

Mr. MILLER. Yes.

Mr. PASSMAN. It is in several parts. You have an estimate for the total cost being $56,800,000; is that correct?

Mr. MILLER. I do not have the exact figures in front of me.

Mr. PASSMAN. That figure is correct. That is what has been testified to for the record.

In 1961, you had obligated $27,799,000. You had unliquidated $23,208,000. Then, for fiscal year 1962, you estimated that you would need an additional $1 million to allocate to the project during the year.

Mr. FORD. $2 million.

Mr. PASSMAN. $1 million in 1962 and $2 million in fiscal 1963.

Witnesses said, and I paraphrase, "Well, on account of the border trouble we want to accumulate this aid, the components of it, on the border. Then, in the event the border opens, we can move all the aid into Afghanistan, have the machinery and everything there to complete these various projects, one of them being for about $23.7 million for the Kabul-Kandahar Road."

They said that if this could be done, there might be a period when the border would open and we could get all this stuff in because it is a project that requires several years for completion. But, it was added, if they should not open the border, we might be able to utilize the accumulation in Pakistan, or in that region.

A little whispering went on on the other side of the table and they said something else—that we might have to renegotiate this contract. This was an afterthought to the preceding testimony, and that was, to get the border open and get the material in.

We went into quite an exchange of ideas about the second phase; that is, the renegotiation. It seems it went in $100,000 steps. If you do it this date, it is $100,000; this way, $100,000, and the ultimate, $600,000.

That was testimony brought about by an afterthought. But, the fact remained, the person administering the program indicated we wanted to accumulate the material on the border of this not-too-friendly nation, Afghanistan, and then rush it in to complete the project.

CONTINGENCY FUND ALLOCATION

You obligated $23,700,000 out of the contingency fund, which you may never need, for material you may never get into Afghanistan. They said, "We may use it in that vicinity if we cannot get it into Afghanistan."

Do you think we are entitled to an explanation as to why it was necessary to add this tremendous amount of money, or obligate it in June for a project for which you had funds on hand for perhaps 3 or 4 years?

Mr. MILLER. I think the record will speak for——

Mr. PASSMAN. Are you not going to let Mr. Coffin testify?

Mr. COFFIN. I would just like to say, I know Mr. Gaud has testified at some length on this road. I have been of the opinion this was fairly full testimony.

Mr. PASSMAN. It was rather full.

Mr. COFFIN. The key element there is a decision was made to proceed with this road. That decision having been made, the only way to do it and be prudent would be to do it before the option expired. If we had done it after the option had expired, even though no one can predict with certainty how high the cost would increase, they were at least certain the cost would increase, and increase substantially, and therefore, having taken the decision, then the only way of doing it at minimum cost was to do it before the option date expired.

Mr. PASSMAN. It follows, nevertheless, that you had this huge sum of $23 million in unliquidated funds. You only asked for an additional $2 million for fiscal year 1962. And you only estimated that you would need an additional $2 million for fiscal year 1963.

Mr. COFFIN. This was at the time——

CONTRACT OPTIONS

Mr. PASSMAN. At the time you printed these books you were familiar with the option and its contents?

Mr. COFFIN. Yes. But the decision had not been made, and the situation over there was not such at that time——

Mr. PASSMAN. At the time you printed these books, you knew about the contract?

Mr. COFFIN. Yes.

Mr. PASSMAN. Regarding the people who testified for this money, it was an afterthought when they said: "Oh, yes, the renegotiation would come into it." So, you were not worrying about having to renegotiate this contract at the time you printed the books?

Mr. COFFIN. At the time we printed the books, the decision had not been made to go ahead. We had no certainty we would go ahead. When we made the decision, the only way, prudent way, to make it was to make it within the time limit.

Mr. PASSMAN. The contract was in status quo?

Mr. COFFIN. Everything was quiet. It might have been that way for 1, 2, or 3 years.

The situation since these books came out developed to the point where we felt that we should go ahead. This is one of those cases where you can always use hindsight, but I think this was a wise decision.

Mr. PASSMAN. Thank you.

It follows, nevertheless, that at the time you printed these books you thought you would only need $21 million on hand, unliquidated, at the end of fiscal year 1962. That was the decision at the time you printed the books.

Mr. COFFIN. That was——

Mr. PASSMAN. At the time you printed the books, it was known then you had this contract, and if it expired, you would have to renegotiate; is that true?

Mr. COFFIN. That is true.

Mr. PASSMAN. At this time, there is no activity going on in this area about this project. You are accumulating goods; is that right?

Mr. COFFIN. At that time, no decision to move forward had been taken.

Mr. PASSMAN. At this time, there is no assurance the border is going to open; is that right?

Mr. COFFIN. I do not suppose you can ever be sure of anything, but we are optimistic.

Mr. PASSMAN. Have I made a statement of fact as you understand it, that they stated if the equipment should not be utilized in Afghanistan, it might be utilized in Pakistan, or elsewhere in that vicinity?

Mr. COFFIN. Whatever Mr. Gaud told you I am sure was accurate.

AID TO AFGHANISTAN

Mr. PASSMAN. The record will speak for itself.

Mr. COFFIN. In that part of the world we have two options.

(Off the record.)

Mr. PASSMAN. It follows, nevertheless, that you have no military aid in Afghanistan. They elected to buy their equipment from Russia.

Is it not true that all the military equipment they have was brought from Russia?

Mr. COFFIN. Remember this: Afghanistan also is the country that entrusts most of its teaching to Americans.

(Off the record.)

Mr. PASSMAN. If we had not appropriated another nickel to this project, you actually had money that would have carried you 3 or 4 years hence?

Mr. COFFIN. We might very well not have found Afghanistan and Pakistan and Iran as being part of a place where we still have hopes——

COST TO EXERCISE CONTRACT OPTIONS

Mr. PASSMAN. If you have a project going that is going to take you 8 years to complete, and you have it 50 percent funded and it is just getting underway, you would not need this $23 million for perhaps another 4 or 5 years.

Mr. COFFIN. It would be vastly more than that.

Mr. PASSMAN. You had several different option dates. At this date it would cost you $100,000 more; at this date, another $100,000.

But $800,000 would be the maximum, and you never know until you renegotiate one of these contracts whether your price is going to be higher or lower.

Those people are over there for one purpose, and that is to make a profit; you know and I know, if they have this equipment over there in that part of the country, it is over there to do contract work to make a profit. If there is a profit in it, they want it. If they can keep the equipment there and renegotiate this contract with a profit, they are going to do so.

I think you ought to indicate whether it is true or is not true that this matter is still uncertain. You do not know whether you will be able to use any of this money.

Mr. COFFIN. We think we have made the wise decision.

Mr. PASSMAN. You knew that at the time you printed these books.

Mr. COFFIN. At that time, the decision had not been made.

Mr. HARVEY. May I restate the facts with regard to the options?

There were three dates, December 13, 1961; March 13, 1962, and June 13, 1962.

As I understand it, if the option were picked up after that first date, it would cost $400,000 more. If it were picked up between March 13 and June 13, it would cost $800,000 more. If it were not picked up by June 13 the remainder of the contract would have to be renegotiated, and it was our advice from the U.S. Army Corps of Engineers, who were the managing engineers on the contract, that renegotiation would cost us millions of dollars.

Mr. PASSMAN. I shall read from the transcript:

Mr. GAUD. If you exercised option 2, it would be $100,000 higher.
If you exercised option 3, it would be still another $100,000 higher.
So far as segment 5 is concerned, if you exercised option 1, it would cost $5,484,177.82.
If you exercised option 2, it was $100,000 higher.
Segment 6, if you exercised option 1, $7,157,50.66.
If you exercised option 2 it was $100,000 more.
If you exercised option 3 it was still another $100,000 more. The prices were all fixed, but so far as segments 3, 4, 5, and 6 were concerned, depending on when you exercised the option, it might cost you $400,000 more or $800,000 more than if you exercised it, you might say, at the outset.

Mr. MILLER. I think the record will show that he was speaking to the first two of the option dates.

Mr. PASSMAN. He said options 3, 4, 5, and 6, and he reviewed the transcript. You can say whatever you want. I read directly from what Mr. Gaud said.

Mr. COFFIN. The paper presented to Mr. Hamilton referred to the third and final option to be exercised on June 14.

Mr. PASSMAN. Mr. Gaud runs this program out there, does he not?

Mr. COFFIN. Mr. Hamilton runs it.

Mr. PASSMAN. Mr. Gaud said he ran the section, and usually things became final at his desk. In a few instances it had moved up to Mr. Hamilton.

Mr. COFFIN. We are talking about an allocation from a contingency fund which is Mr. Hamilton's prerogative, and the fact is there were three options. The third and final one was on June 14. If that was not exercised, the cost would be substantial—and I am not talking about $400,000 or $800,000—but substantially more.

STABILIZATION LOAN TO SYRIA

Mr. FORD. What was the purpose of the $9 million allocation to Syria out of the contingency fund?

Mr. COFFIN. That was the stabilization loan we talked about earlier.

Mr. PASSMAN. Are we talking about budget support, after a fashion?

Mr. COFFIN. This is making available foreign exchange for them to stabilize their currency.

Mr. PASSMAN. Is it budgetary support?

Mr. COFFIN. No, it is not. Having made this loan on reasonably short terms, if the effort is successful, this might mean the confidence in the Syrian economy is such that budgetary support is not needed.

Mr. PASSMAN. Earlier we had direct testimony that currency stabilization was budgetary support.

OTHER AID TO SYRIA IN FISCAL YEAR 1962

Mr. FORD. Was any other aid and assistance given to Syria in fiscal year 1962?

Mr. PASSMAN. There was a development loan of $14.7 million, and development grants in the amount of $166,000.

Mr. FORD. When was the contingency fund obligation made to Syria?

Mr. TENNANT. There was a slight question on whether it was June 30 or June 6.

Mr. FORD. It was June sometime?

Mr. TENNANT. Yes.

Mr. HARVEY. The program approval was signed in February.

CONTINGENCY ALLOCATIONS TO THE UNITED ARAB REPUBLIC

Mr. FORD. The amount awarded to the United Arab Republic out of the contingency fund in fiscal year 1962 was $20 million?

Mr. COFFIN. Right.

Mr. FORD. Two grants, one of $5 million and one of $15 million.

Mr. COFFIN. Five million was from supporting assistance, $15 million was from the contingency fund. These together funded one loan.

Mr. FORD. The total from the contingency fund was $15 million?

Mr. COFFIN. Right.

Mr. FORD. And the $5 million was out of supporting assistance?

Mr. COFFIN. Right.

TOTAL AID TO THE UNITED ARAB REPUBLIC IN FISCAL YEAR 1962

Mr. FORD. A total of $20 million was all made available to the United Arab Republic in fiscal year 1962?

Mr. COFFIN. No. In addition to the $20 million supporting assistance loan, two development loans totaling $20 million were signed, and development grants of $1,950,000 were obligated.

Mr. FORD. What was the later development grant?

Mr. COFFIN. $1,950,000.

Mr. FORD. And $5 million of supporting assistance; right?

Mr. COFFIN. Yes. That is in the $20 million loan.

Mr. FORD. And the extra $15 million was for what purpose?

Mr. COFFIN. The $5 and the $15 million were for the stabilization loan I have just spoken about. It is similar to that of Syria in which the IMF also participated.

Mr. FORD. As I understand it, the one to Syria, however, had a rather short-term, 3-year period with rather high interest relatively.

Mr. COFFIN. Right.

Mr. FORD. What about the terms with the United Arab Republic?

Mr. HARVEY. They were more generous.

Mr. COFFIN. While we are getting that information, I would say the IMF gave a drawing right to the United Arab Republic of $42.5 million. The total short-term foreign exchange requirement was about $113 million. It is a 10-year loan, grace period of 3 years, and an interest rate of 2½ percent.

Mr. FORD. Repayable in dollars?

Mr. COFFIN. Yes.

Mr. FORD. $15 million?

Mr. COFFIN. $20 million.

Mr. FORD. Were there other nations involved in this such as in the case of Syria?

Mr. HARVEY. Yes.

Mr. FORD. To the extent of how much?

Mr. HARVEY. At least another $20 million.

Mr. FORD. Will you get whatever the figures are and list the countries and the amounts involved?

Mr. HARVEY. All right.

(The information requested follows:)

TERMS OF STABILIZATION LOANS TO THE UNITED ARAB REPUBLIC

The United Arab Republic and United Kingdom signed a $10 million loan early in August 1962. This loan is for 10 years at 2½ percent (2½ years' grace period.)

The Federal Republic of Germany offered a $20-million loan but the terms were not acceptable to the United Arab Republic and the two governments are continuing their discussions.

Discussions with the Italian Government are still underway both as to the amount and terms.

Mr. FORD. Let's turn to Laos.

CONTINGENCY FUND ALLOCATION TO LAOS

How much was made available to Laos in fiscal year 1962 out of the contingency fund?

Mr. COFFIN. $3 million.

TOTAL AID TO LAOS IN FISCAL YEAR 1962

Mr. FORD. Which is over and above how much in other funds made available to Laos?

Mr. COFFIN. We had supporting assistance of $24,500,000.

Mr. HARVEY. No development grants.

Mr. FORD. This would include Public Law 480?

Mr. HARVEY. I believe there is none.

Mr. FORD. So the total to Laos is $27,500,000?

Mr. COFFIN. Yes.

Mr. CONTE. Will you yield?

That does not take in military assistance?

Mr. HARVEY. No.

Mr. CONTE. How much is that?

MILITARY ASSISTANCE TO LAOS IN FISCAL YEAR 1962

Mr. FORD. In fiscal year 1962, what was the military assistance to Laos?

Mr. TENNANT. The military program of $62,045,000; and that is in the presentation books.

Mr. FORD. How much of the $27,500,000 is unliquidated?

UNLIQUIDATED OBLIGATIONS

Mr. HARVEY. While he is looking up that answer, I believe we can say the entire $3 million is unliquidated because instead of simply handing all our cash grants to the Government as in the past to conduct a war, we have established a newer system under much tighter control where this money is deposited to the Government of Laos in a bank in New York. It can only be used by them for purposes agreed to by us.

Mr. FORD. That involves $3 million?

Mr. HARVEY. $3 million.

Mr. FORD. If this is such a good policy, why not use the same policy with the $24 million, or whatever is unliquidated?

Mr. HARVEY. That, you may recall, is before internal political events had stabilized themselves sometime early in the spring. The $24 million was while we were still conducting an active war in Laos.

Mr. FORD. For a period of time we were not making our payments?

Mr. HARVEY. That is correct.

The $3 million is the only economic assistance that has gone in there since that cutoff last February.

Mr. CONTE. Will you yield?

Mr. FORD. Yes.

SOVIET BLOC ASSISTANCE TO LAOS

Mr. CONTE. Do the Communists in the coalition government formed in Laos have an equal amount of money there to support the Government?

Mr. HARVEY. I am not familiar with the details of that. I believe there will be some assistance from the bloc.

Mr. CONTE. Would you supply that for the record?

Mr. HARVEY. Yes, sir.

Mr. CONTE. What assistance will be forthcoming from the Communists?

Mr. HARVEY. Yes, sir.

(The information was supplied to the committee.)

UNLIQUIDATED BALANCE JUNE 30, 1961

Mr. FORD. Do you have that figure on the unliquidated balance, Mr. Tennant?

Mr. TENNANT. I was computing it. I would gage it to be in the magnitude of $10 million. We estimated a higher figure but the program is cut back somewhat. It would be just over $10 million.

Mr. FORD. Unliquidated as of June 30?

Mr. TENNANT. That would be for all fiscal year transactions, sir, regardless of when the transaction was obligated.

Mr. FORD. There is something peculiar about these figures. This chart which I have here shows a total of $27,441,000 made available to Laos in fiscal 1962 and $3 million of which was made avaialble in June sometime. As I recall the testimony earlier, nothing was made available from February until the $3 million figure was made available. There was $24 million which must have been obligated before February; is that right?

Mr. TENNANT. The unliquidated obligation on June 30 last year, 1961, was $22 million.

Mr. FORD. I understand that testimony was given earlier that your total unliquidated amount on June 30 would be $8.5 million in economic aid and $33 million in military aid?

Mr. TENNANT. Yes, sir.

Mr. FORD. How do those figures work out now?

Mr. TENNANT. As I remember, I estimated $10 million and it was comparable to the $8.5 million which was the figure I had the other day. I do not have them before me today, sir, but the Military figure for Laos is $33 million.

REPROGRAMING FUNDS

Mr. FORD. What happened to the money that was normally made available but which was not, from February until June at $3 million a month? Did you reprogram it to some other country?

Mr. COFFIN. This was reprogramed.

Mr. FORD. It is not being used to go back into the Lao situation based on the new government?

Mr. COFFIN. Yes, sir.

Mr. FORD. That $3 million was reprogramed elsewhere?

Mr. COFFIN. Right.

Mr. HARVEY. This $5 million of the $20 million in Egypt came from such reprograming?

Mr. FORD. Repeat that again?

Mr. HARVEY. In the UAR, $20 million stabilization program, of which $5 million is supporting assistance, that was available because of a reduction in other supporting assistance programs such as this one in Laos.

Mr. FORD. This is why we put $15 million into Spain in supporting assistance?

Mr. HARVEY. No, sir.

Mr. FORD. No contingency funds there?

Mr. HARVEY. That is correct.

Mr. PASSMAN. Would the gentleman yield?

Mr. FORD. Yes.

Mr. PASSMAN. We tried to earmark it in the House and did not get by the Senate, where they put it in, and we bought it.

Mr. FORD. What is the Inspector General——

Mr. HARVEY. Spain bought $150 million in gold last year.

Mr. CONTE. I would like the record to show over my objections.

Mr. PASSMAN. I want to record also to show that in previous years the agency indicated a certain amount of money would go to Spain and then at a subsequent date, in many instances, gave them 50 percent more than they said they were going to give them. Therefore, I thought the committee should move in and fix the level to which we thought you should go. In each instance it was far below what you had been giving them. We are on safe ground there.

OTHER CONTINGENCY FUND ALLOCATIONS

Mr. FORD. Are there any other contributions from the contingency fund, other than the three you have mentioned to international organizations? The three you have mentioned are the United Nations technical assistance program, $5 million; Indus River, $3,382,000; and that is all from the contingency fund?

Mr. COFFIN. Yes.

Mr. FORD. The $9.5 million came from military assistance through international organizations, the United Nations?

Mr. COFFIN. That is right.

Mr. FORD. Which, in turn, was contributed to the Congo?

Mr. COFFIN. Right.

EFFECTS OF APPROVAL OF U.N. BOND ISSUE

Mr. FORD. I suppose if we pass the United Nations bond issue you will not need this kind of United Nations assistance availability out of military assistance or the contingency fund?

Mr. COFFIN. We try to see our obligations as clearly as we can. This coming year, since our year ended, we see it as an occasion coming when we feel it will be to our interest to contribute to the world food program, although this was not in our presentation book because this made up and developed in a realistic program after that. It would be a small amount of money. We try to keep these things as close to what we tell you as is possible.

The effect of the United Nations bond issue is undoubtedly going to be most helpful in this situation and I think probably it is true that most of the pressure this past year has been because they have reached this point of stringency. This is an example of why we have a contingency fund. I think it is profoundly in our interest to see that the United Nations succeeds. I think the United Nations has had some period of successes, maybe not 100 percent, from our point of view, but I think it has been a tremendously valuable asset for us.

Mr. FORD. If you have the United Nations bond issue, which is supposed to extricate it from its financial problems, you do not need a U.S. contingency fund.

Mr. HARVEY. It I may add a point to this, Mr. Ford, counting on the bond issue in 1963 we have not included in our program presentation under international organization contributions any military assistance for the Congo which is in there for the 1962 period. We are counting on the funding for those requirements from the bond issue.

If the bond issue does not go through, we undoubtedly will have to find the wherewithal for this from our program.

Mr. FORD. Why "we"?

Mr. HARVEY. As the U.S. share in this joint United Nations enterprise.

Mr. FORD. This $10 million was not a "we" proposition. It was an "us" proposition, was it not?

Mr. HARVEY. Jointly with the British and Belgians to some degree.

BRITISH CONTRIBUTION TO U.N. CONGO OPERATION

Mr. FORD. How much did the British put up at the time we put up the $10 million?

Mr. HARVEY. I do not believe I know the answer to that, probably not very much. This was——

Mr. FORD. Can anybody find out how much anybody put up at the time we put up the $10 million?

Mr. HARVEY. I know there were strenuous efforts going on.

Mr. FORD. I am sure there were strenuous efforts but how fruitful were these efforts? That is the crux of this.

Mr. HARVEY. We will have to find the answer.

Mr. FORD. Not only pledges but I want to know how much in cold hard cash was delivered at the time we put up the $10 million.

Mr. PASSMAN. Will you yield?

Mr. FORD. Surely.

POSSIBLE AID REACTION IF U.N. BOND ISSUE FAILS

Mr. PASSMAN. Did you say that if the Congress did not approve the United Nations bond issue we would have to find the money elsewhere, to put it up? Is that correct?

Mr. HARVEY. There is a need. We will certainly have to review the problem.

Mr. PASSMAN. You say we will have to find it elsewhere?

Mr. HARVEY. We will certainly have to review the problem.

Mr. PASSMAN. The Congress happens to be the peoples' representatives.

Mr. HARVEY. Correct.

Mr. PASSMAN. I do not know what we are going to do, but if the Congress should say, "No, we do not want to spend American taxpayers' money on United Nations bonds," then would you not be circumventing the will of the people if you found somewhere else to put it up?

Mr. HARVEY. We would not spend any of our money for United Nations bonds.

Mr. PASSMAN. If you pulled it out of some other appropriation, you would be accomplishing the same thing in a different way; would you not?

If you found it elsewhere, out of the contingency fund, or some other pipeline of aid—if you made the contribution from any other appropriation of this Government—then you would be accomplishing the same thing indirectly, would you not?

Mr. COFFIN. Mr. Chairman——

Mr. PASSMAN. I am asking a question. The gentleman made a statement and the gentleman yielded to me to ask that question.

Mr. COFFIN. Mr. Chairman, it would depend on what the intent of Congress was. If they said that under no circumstances could we ever spend a dime for any United Nations effort, then we would be bound. If they said, "No"——

Mr. PASSMAN. Defeating the bill would be an expression of the feelings of the American people?

Mr. COFFIN. It would depend on whether the Congress was saying the United Nations is all right but the bond issue is not the right way to do it.

Mr. PASSMAN. You have a fertile field by which you would generate $100 million in the event the Congress said no"?

Mr. COFFIN. No, I do not.

Mr. PASSMAN. I only asked the question because of the gentleman's statement to this effect: "If you defeat the United Nations bond issue you would have to find the money elsewhere." Is that not what you said?

Mr. HARVEY. I do not believe I said——

Mr. PASSMAN. In effect?

Mr. HARVEY. No.

Mr. PASSMAN. What did you say?

Mr. HARVEY. I said there are problems which we have been covering in our——

Mr. FORD. Mr. Chairman, I think you could argue that "if."

"If Congress approves the bond issue proposal" in effect we are saying that no other gimmicks will be used to circumvent nor will any other circuitous method of financing be used in the future. This is a logical argument and it is quite persuasive with me.

Mr. PASSMAN. I want to see what the gentleman said. I think I followed you very closely. You said that if the Congress defeated it, or did not approve it, we might have to find the money elsewhere, or something in that general line.

Mr. HARVEY. May I restate it?

Mr. PASSMAN. So far as I am concerned, certainly it is all right.

Mr. HARVEY. All right.

What I intended to say was that we have been, with the Congress' consent and approval, using our funds under contributions to international organizations, appropriations for contributions to the United Nations for our share of the expenses of the United Nations Emergency Force in the Gaza strip and also for military assistance in the Congo. In view of the request to the Congress for the United Nations bond issue, the proceeds of which would be used for the same purpose, we have not included in our request this year any provision for those contributions, to the United Nations, except for $1.2 million contribution to the cost of the U.N. Emergency Force for the first 6 months of 1962. If the bond issue is not voted by the Congress, we will have a problem which we will have to consider what will be done about.

Mr. PASSMAN. That is not what you said, but that is acceptable.

Thank you, Mr. Ford.

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CONTRIBUTIONS BY U.N. AND OTHER SOURCES TO THE CONGO

Mr. FORD. Aside from this $9.5 million that has gone from AID to the Congo, what other funds (1) have gone from AID to the Congo and (2) to the Gaza strip?

Mr. HARVEY. I am sorry; I did not get the whole question.

For the Congo, fiscal 1962, obligations of economic assistance, $43 million.

Mr. FORD. This is to the Congo?

Mr. HARVEY. Through the United Nations.

Mr. FORD. $43 million for the Congo?

Mr. HARVEY. From the same source to the United Nations for military operations, $20,256,396. Then there was a development grant program in the Congo of $3,737,000.

Mr. FORD. To the Congo through the United Nations, we made available $66.5 million?

Mr. HARVEY. Through the United Nations, $63,256,396; unilaterally, on our own account, $3,737,000 in development grants.

Mr. FORD. How much did we make available to the Gaza strip?

Mr. HARVEY. $1.8 million.

Mr. FORD. This $63 million to the Congo is exclusive of funds from our own military?

Mr. HARVEY. I do not believe in fiscal 1962 there were any. That was only the emergency operation when it first blew up the previous year.

Mr. FORD. Find out for the record whether anything was used for which the Air Force or the Defense Department has made a charge to the United Nations.

Mr. HARVEY. If it were a charge to the United Nations it would be included in those figures.

If it were not a charge, it would be a charge to us and it would show up against our other funds, and it does not. I do not believe there was.

Mr. FORD. Of course, the Air Force or the Defense Department has made a charge to the State Department on which they have received only partial reimbursement.

I cannot recall what the figure is, but it is around $30 million. Until that is paid, that is a contribution by us.

Mr. HARVEY. We can find out what the facts are.

Mr. FORD. Find out what the facts are and how much the Defense Department has billed and how much they have received.

Mr. HARVEY. Yes, sir.

(The information follows:)

DEPARTMENT OF DEFENSE SUPPLIES AND SERVICES FURNISHED TO THE UNITED NATIONS FOR PEACEKEEPING OPERATIONS AS OF MARCH 31, 1962, FOR WHICH DOD IS TO BE REIMBURSED

The Department of State has inquired of both the United Nations and the U.S. Department of Defense concerning estimates of Department of Defense obligations for U.N. operations in the Congo as of March 31, 1962. The overall conclusion is that the Department of Defense agrees that the estimates of the United Nations appear to be reasonable and accurate provisional estimates.

The following table gives the key figures concerning Department of Defense obligations and expenditures for U.N. peacekeeping operations.

The Department of State understands that the United Nations and the Department of Defense agree for the UNOC account that bills submitted, but unpaid as of March 31, 1962, were $20,529,782, and that the U.N. estimate of $10,962,570 as obligated but unbilled as of March 31, 1962, appears to be a reasonable and accurate provisional estimate. The total of these figures is $31,492,352, which is the amount shown as unliquidated obligations for UNOC in the U.N. financial statement as of March 31, 1962.

The Department of State understands that the amounts shown for UNEF in the table are also agreed figures.

Department of Defense supplies and services furnished for United Nations peacekeeping operations as of Mar. 31, 1962

	UNEF	UNOC	Total
Bills paid by United Nations [1]	$6,796,212	$5,824,834	$12,621,046
Unliquidated obligations (estimated)[2]	[3] 685,579	[4] 31,492,352	32,177,931
Total, Department of Defense expenditures for which United Nations reimbursement was not waived	7,481,791	37,317,186	44,798,977
Department of Defense expenditures for which United Nations reimbursement was waived	1,191,581	[5] 10,317,622	11,509,203
Grand total, Department of Defense expenditures	8,673,372	[6] 47,634,808	56,308,180

[1] Source: Department of Defense.
[2] Source: United Nations (latest analysis of U.N. financial position is as of Mar. 31, 1962).
[3] See the following:

The United States has billed the U.N. but not been paid as of Mar. 31, 1962, for UNEF	$637,579
Estimated amount due but unbilled was	48,000
Total unliquidated obligations (provisional estimates)	685,579

[4] See the following:

The United States has billed the U.N. but not been paid as of Mar. 31, 1962, for UNOC	$20,529,782
Estimated amount due but unbilled was	10,962,570
Total unliquidated obligations (provisional estimates)	31,492,352

[5] Department of Defense was repaid $10,317,622 from fiscal year 1961 MSA contingency funds. However, the amount has by mutual agreement been included in both U.S. and U.N. statements of "voluntary contributions." It is reflected as a part of the 49.94-percent U.S. contribution to the U.N. Congo budget for calendar year 1960.
[6] Department of Defense incurred certain additional costs in the Congo apart from the above peacekeeping operations:

Airlift of foodstuffs for famine relief:	
Reimbursed to the Department of Defense	$562,023
Billed to Department of State, but unpaid	* 159,930
Total, airlift of foodstuffs for famine relief	721,953
Airlift evacuation of troops and civilians from the Congo:	
Reimbursed to the Department of Defense	101,144
Billed to Department of State, but unpaid	439,187
Total, airlift evacuation of troops and civilians	540,331
Grand total, other assistance rendered by the Department of Defense in the Congo	1,262,284

* Paid to Department of Defense on July 17, 1962, therefore entire $721,953 has now been paid.

Mr. MILLER. Mr. Ford, in addition to the United Nations aid described, I think there has been a very small amount through the United Nations technical assistance program given to the Congo in the neighborhood of $100,000.

U.S. CONTRIBUTIONS TO U.N. AND OTHER ORGANIZATIONS

Mr. FORD. Mr. Chairman, you know somewhere, sometime I would like to find a summary of how much we contribute to a multitude of organizations involved in the United Nations and other organizations, particularly the status of the councils that involve the Congo and the Gaza strip.

Mr. COFFIN. I suspect Mr. Cleveland will be prepared for that.

Mr. FORD. We find this in bits and pieces in all kinds of appropriations here. We get some of it in the Military Committee and we get some in Mr. Rooney's committee for the State Department and then we get some here. There may be other places, too.

I can assure you that I have not seen a consolidated statement which would be available to Members of Congress that I feel is the full extent of what we contribute.

Mr. MILLER. Mr. Ford, I believe Mr. Cleveland intends to bring such a chart with him which covers the whole range.

Mr. PASSMAN. Tell him to be careful about those charts.

I may say to the gentleman from Michigan that I am not yet ready to use these figures which I have, and that is why I asked the Controller for information the other day, giving us a list of nations in which we have had an aid program since the end of World War II; economic aid, development credits—some people call them loans—military, and so forth.

You are working on those items now, are you not?

Mr. TENNANT. On the unliquidated balances, sir.

Mr. PASSMAN. We can go to your books for the total?

Mr. TENNANT. Yes, sir.

Mr. FORD. I am particularly interested in the international organizations and the United Nations because I feel very strongly there is a lot of expediency going on, taking a little money out of this pocket, and a little out of that, and nobody can find out exactly the source.

Mr. PASSMAN. Will the gentleman yield?

Mr. FORD. Yes.

FUNDING OF MULTIAGENCY PROGRAMS UNDER MUTUAL SECURITY

Mr. PASSMAN. Many of the other agencies, some of them, anyway, are running into items in their bills they do not like, and they throw them out. They wind up in the mutual security bill, such as the money for the Japanese Labor Agency.

FUNDING JAPANESE LABOR EXCHANGE PROGRAM

Mr. MILLER. On the Japanese labor exchange program we telephoned down and we understand that the State Department does have in its budget for fiscal year 1963 an amount for the labor exchange program.

Mr. PASSMAN. In prior years you had this out of a different appropriation, and later you had it in the State Department funds and they threw it out. Now you are back in State this year. Have I given a statement of fact?

Mr. HARVEY. The Congress deleted it from the State Department budget.

Mr. PASSMAN. You requested it through the State Department appropriation?

Mr. HARVEY. The State Department requested it in——

Mr. PASSMAN. The Congress declined it?

Mr. HARVEY. Yes.

Mr. PASSMAN. Then, you did the same thing out of the contingency fund; would that not, in effect, just be counteracting an expression of the people's will?

Mr. HARVEY. Except that the committee took the action saying that we do not want to do it here. They said, "Go ahead and do it over there, if you want."

Mr. PASSMAN. Is that what the committee said?

Mr. HARVEY. I believe that is what the committee said.

Mr. PASSMAN. They had reasons for taking it out, and as they did deny it, then you turned around and accomplished the same thing out of the contingency fund?

Mr. COFFIN. The committee indicated that if it were to be carried on, it should be carried on from the same place where it had been financed in the past.

Mr. PASSMAN. You cannot win, Mr. Ford.

Thank you.

Mr. FORD. If you were playing exactly fair with us, this should have been a specific request. My recollection is that there was no specific request made in the program for that project in fiscal year 1962.

Mr. PASSMAN. They testified to that fact earlier today. There had not been a specific request.

Mr. COFFIN. That is right.

Mr. PASSMAN. What if it is again thrown out of the State Department appropriation? Will you take it out of the contingency fund?

Mr. COFFIN. It depends on what the will of Congress was.

Mr. PASSMAN. The will of Congress——

Mr. COFFIN. Just one moment. Off the record.

(Discussion off the record.)

Mr. PASSMAN. You went to the subcommittee handling the appropriations for the State Department last year for $301 million for this Japanese Labor Party thing and they declined it.

You were told that if you could get it with AID it would be right but you did not come to the AID money bill subcommittee. You took it out of the contingency fund.

Let us see where the subterfuge is. They told you one time last year to come to the AID committee. But, this year did you come to the AID committee requesting it?

Mr. COFFIN. We are not asking for it this year.

Mr. PASSMAN. But you went back to the subcommittee handling funds for the State Department, the same committee that threw you out last year, and the natural sequence of questions would be that you go back to the same committee that said you should go to the AID Subcommittee?

If that subcommittee should decline it again, my question is, Are you going to abandon the program or are you going to take it out of the contingency fund again?

You went right back to the committee after you had funded it last year out of the contingency fund. Let the record speak for itself.

Mr. FORD. Proceed.

Mr. COFFIN. To answer your question, Mr. Chairman, it will depend on what the other committees and the Congress do and it depends on what the intent of Congress is on this particular program.

INCREASE IN AID CONTRIBUTIONS BY OTHER FREE WORLD COUNTRIES

Mr. FORD. There have been some allegations made, Mr. Coffin, that other nations are doing a little better job in this field of sharing the burden, the mutual security or AID program. I am told you just came back from someplace where you were a participant.

Mr. COFFIN. Yes.

Mr. FORD. You really think that, do you?

Mr. COFFIN. Yes, I do.

Mr. FORD. What evidence do you have to prove it?

Mr. COFFIN. Early this year I went to visit the capitals of the other AID-giving countries.

Mr. FORD. That could be a nice trip.

Mr. COFFIN. It was, and it was odd in a way for an official of the AID to go to the developed nations. It was extremely useful. This included England, France, Belgium, Germany, Italy, Japan, and Canada.

Then this spring in Paris we presented our program before the Development Assistance Committee of the Organization for Economic Cooperation and Development.

Just recently we had what was called a ministerial meeting and the figures showed that the official aid of all of these countries, including ours, went up 20 percent to a total of $6 billion from $5 billion. These are official figures of economic aid.

This increase came almost equally between us and other nations whereas in the past we have had by far the major share—60–40, or 70–30.

These are the nations we helped during the Marshall plan, not only with the resources but we now have other nations taking more of the share than they have in the past.

We find in many instances the terms are better and in a number of these countries, such as the United Kingdom, France, and Germany, they have increased their grants. For instance, France has an aid program that costs almost twice as much in terms of per capita GNP as ours in the United States. A few of the nations are also ahead of us in terms of GNP for aid.

DEVELOPMENT LOAN PROGRAM IN OTHER COUNTRIES

Mr. FORD. Take France, if I may interrupt. From what you say this is an improvement.

On the other hand, she is contributing significantly to the financial crisis of the United Nations by her failure to participate in the funding for the Gaza strip. I don't know whether she has or has not contributed to the Congo fund but she has not contributed to the Gaza strip fund.

Mr. CONTE. Or the Congo.

Mr. COFFIN. I don't want to be misunderstood by saying that these nations are doing all we feel they should, and this is certainly true of France, in this respect. I don't deny the chairman's criticism of consortia where the other nations have shorter periods than we do. The point is that they are all doing more than we think, and more. They have aid agencies now, nearly all of them except Italy, I think.

They are making loans, not only of the export-import type but much longer type loans. Japan has an oversea economic cooperation fund patterned after our own Development Loan Fund.

Germany has programs in 40 countries. Italy has programs in 30 countries.

The purpose of this Development Assistance Committee, with its frequent meetings and its annual review each year and its Chairman's report is to try to build an aid community so we will not always be in the position of trying to put pressure on this or that one to come into a consortium but they increase their resources and the quality of their programs.

I don't want to paint too bright a picture but at the same time it is a picture of interest because they are now beginning in their parliaments with about the same kinds of aid problems we have wrestled with for some years.

Mr. PASSMAN. Will the gentleman yield?

Mr. FORD. Yes, sir.

Mr. PASSMAN. We would like for you to provide this committee with a list of nations which have given something. You are talking in many instances of a country protecting its own territories and possessions, where they have advantageous trade agreements.

HARD-TERM LOANS BY OTHER COUNTRIES TO INDIA

When we have gone into what the other countries are doing, without exception we find they are making the same types of loans and agreements they made, say, 50 years ago, and that is good, hard-boiled loans with a high rate of interest.

They gave us one example, India. Every one of the loans we have made is for 40 years, no interest, three-quarters percent service charge, 10-year grace period, and so forth.

The other nations run 6.3 percent, 3 years; five and a half percent, 3 years; five and a quarter percent, 15 years; five and three-quarters percent, 4 years; five and a half percent for 13 years; five and a half for 20 years; 3 percent for 20 years.

For the United Kingdom, the Treasury rate plus 1 percent.

Another has the same thing.

Treasury rate plus one quarter, and so on.

Then you get into 5¾ percent, 10 years; 6 percent, 10 years; and right down the line.

We go from the front to the very back and you get another full page of various nations, 2½ percent, 12 years; 2½ percent, 12 years; 2½ percent, 8 years; 2½ percent, 7 years; and so on. There is no record that they have given away anything. They have good, hard-boiled loans, as they have always had.

GRANT AID BY OTHER COUNTRIES

Mr. COFFIN. What you forget in focusing on just one consortium is the fact that many of these nations give a lot of their aid in grants. In 1961, three-fourths of the official aid, which is grants and loans over 5 years, by all of these development assistance country members, were either grants or grantlike contributions. This is an amazing figure.

Canada, for example, has given virtually all of its aid in grants.

France and Britain give a lot of grants. They give a lot for budgetary support.

Mr. PASSMAN. To possessions and territories?

Mr. COFFIN. They are now independent countries.

Mr. PASSMAN. Please, Mr. Coffin, give us a list of funds these people have given to their territories; and when they have emerged as an independent nation, give us the amount of the aid as compared to our aid.

You might be talking about peanuts when you talk about their grant portion.

The substantial part of it is in sound, hard-boiled loans.

I am still trying to find out where Russia has actually given anything.

Mr. COFFIN. If we just take the grants and loans of over 20 years this past year, take ourselves and the Europeans, Japan, and Canada, there was an increase of $750 million which we shared almost equally. It was about 50–50. This is a good trend, Mr. Chairman.

Mr. PASSMAN. Give us, if you will, a list.

Let us take India, the largest aid-recipient nation. Give us a complete spread of every penny that every nation has committed to India. We are in with the free part, 40 years, no interest, 10-year grace period, while the other countries are coming in with their short-term hard loans, at a high rate of interest; and in all probability they will be collecting their loans with our money.

Mr. COFFIN. We will try to give you a breakdown of the grants that these other nations give of the long-term loans——

Mr. PASSMAN. Other than to their possessions and territories. I refer to other independent nations.

Mr. COFFIN. We shall do that.

(The information requested follows:)

DATA ON ASSISTANCE BY DEVELOPMENT ASSISTANCE COMMITTEE MEMBERS OTHER THAN THE UNITED STATES TO DEVELOPING COUNTRIES AND DEPENDENT TERRITORIES

Latest collated data indicating the breakdown of economic aid disbursements by recipients are for 1960. Figures for 1961 are in preparation.

Preliminary estimates of the net official flow of resources in 1960 from members of the Development Assistance Committee of the OECD, excluding the United States, indicate that approximately 46 percent ($947 million) of such resources were to possessions and territories of DAC members. No official tabulations exist, but it should be noted that the 1960 figures exaggerate the volume resources made available to areas classified as dependencies, because in certain cases independence occurred during the year. The total flow for the year, in these cases, is included in the percentage for dependencies, although much of the flow occurred after independence. Data are not yet available for 1961, to permit a similar calculation, but it is clear that the percent of disbursements to dependent territories is greatly reduced, since the total official flows from donor countries involved in the comparison has increased while many of the former dependencies have achieved independence. U.S. aid to these dependent areas totaled $45 million during 1960.

A comparison by DAC member countries of the net flow of official resources to developing countries compared with flow of such resources to their possessions and territories, as estimated for 1960, is shown below:

[In millions of dollars]

Country	Total net official flow to all developing countries	Total net official flow to possessions and territories	Percent of total to possessions and territories
Belgium	101	86	85
Canada	75		
France	837	697	83
Germany	329		
Italy	87	8	9
Japan	159	1	
Netherlands	47	9	20
Portugal	37	31	84
United Kingdom	405	115	28
Subtotal	2,068	947	46
United States	2,827		
Total, all Development Assistance Committee	4,895	947	19

During the period from 1959 to the present, most of the possessions and territories of DAC members have achieved independence. The only data available which reflect the significance of this change for aid purposes is that for obligations which, in fiscal year 1959 totaled $735 million for 31 African countries and areas—8 independent and 23 dependent. In fiscal year 1962, obligations to these countries and areas had increased to $1.5 billion. Of the 31 countries, 27 were independent and 4 remained as dependent areas. Most of the increase was due to United Kingdom contributions, and to the launching of development loans by West Germany to countries having achieved independence. This indicates a preparedness by other DAC members to assume responsibility for the economic problems of the emerging nations. The continuing and increased flow of resources by DAC members, other than the United States, to these independent countries and areas is a significant contribution to their economic development and is an important element in achieving the desired objective of political stability.

Mr. PASSMAN. Include former allies.

Mr. COFFIN. We will give it both ways. It makes no difference today whether Tanganyika was a territory or not. Today it is an independent nation.

Mr. PASSMAN. You know as well as I do that some of these British possessions are getting ready to merge as independent nations and we have tripled their aid.

AID DIGEST

What is the annual cost of programing, printing, and distribution of the publication Aid Digest? That is under your department.

Mr. COFFIN. It is, but I haven't that figure.

Mr. PASSMAN. How many copies do you print a year?

Mr. TENNANT. We would have to get you that information, Mr. Chairman.

Mr. PASSMAN. Do you publish it downtown or contract it?

You do not own your own printing plant, do you?

Mr. TENNANT. I don't know whether this is printed in the duplicating section or outside.

Mr. PASSMAN. You do not know whether or not you own a printing plant?

Mr. TENNANT. We haven't a printing plant in that sense.

Mr. PASSMAN. You don't know what the printing cost is?

Mr. TENNANT. No, sir.

Mr. PASSMAN. This publication is to enlighten the people about the aid program?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. Mr. Conte, I yield to you.

Mr. COFFIN. This is mainly for our own personnel.

Mr. PASSMAN. It gets out into a lot of other hands.

Mr. COFFIN. We think it is a good publication.

Mr. PASSMAN. For your viewpoint.

Mr. Conte?

Mr. CONTE. I think you covered the waterfront, Mr. Chairman. All I can say is that it is disturbing that some of the contingency fund is used for purposes which I do not believe the Congress intended, especially this Japanese labor agent group.

USE OF DISASTER RELIEF FUND IN KENYA

Another item was brought up here for which I would like to put in a plug, and that was the $10,000 authorization for ambassadors. I happened to be in Kenya last December when the American Consul General, Richard Freund gave $10,000 to the Speaker of the House, Humphrey Slade, who happens to be chairman of the Kenya Famine Relief Appeal. At the time 400,000 children were dying. I participated in the airdrop of corn, dried milk, and other commodities to these starving people.

We took a picture with the Speaker of the House, myself, and Congressman Bob Michel. We got more publicity out of the $10,000 check than the $6 million we were giving there. The reason is that there was immediate cash which they needed quickly and the newspapers gave it a tremendous amount of coverage.

I was amused about it. Here we are spending billions of dollars and we got so much play on $10,000.

I agree with the chairman that this thing has to be tightened up.

Mr. COFFIN. I think the virtue of this Ambassador's discretionary authority is a very profitable thing for the United States in the sense that they can move quickly when disaster strikes.

JUSTIFICATION FOR EMERGENCY USES OF CONTINGENCY FUND

I would say, though, taking these cases where we are talking about 30 countries, and the regional programs, that most of the overwhelming majority of instances where we have used the contingency fund this past year has been for the purposes that Congress envisioned. It was either disaster, which accounted for 10 cases, or it was an urgent stabilization question, in 4 cases, or a strategic project or a political purpose which stood on its own feet.

We can look with hindsight and criticize, but I think on the whole we have avoided the criticisms of previous years that we just took contingency funds and supplemented other funds.

We can also show we were prudent in using the money. I made a point of showing we drew on the military as little as possible, far less than one thought it would be at one time.

For this kind of fund, with the problems we face, I think we have managed it as well as could be expected.

For one, I am not ashamed of it a bit.

Mr. CONTE. I think by and large you can justify use of the money. However, when you get a small item like the labor agents from Japan, regardless of the predicament they are in, I think then you are flying in the face of the intent of the law regarding the contingency fund for emergency purposes.

I don't think an item such as that is an emergency. It had been turned down, as the chairman brought out, by another committee in the Congress. It is a small thing like that which can injure the entire fund, and that is unfortunate.

Mr. COFFIN. As we say, last year we did merely what we had done for previous years; namely, fund it from the Mutual Security Act.

I think this year everybody recognizes the thing to do is to place it in the State Department appropriation request and to labor for it there.

I think it is an important program for the interest of the United States and I would hope we will come out with the funding question settled so it is clear cut.

CUBAN REFUGEE PROGRAM

Mr. CONTE. Was any of this money for Cuban refugee airlift or the Cuban refugee program used for the support of the Cuban invasion?

Mr. COFFIN. No.

Mr. CONTE. The papers stated there was some U.S. money there.

Mr. COFFIN. All of the AID funds were committed after the event and it was solely to get them here and give needed relief to them after they got here, working with the Department of Health, Education, and Welfare.

Mr. CONTE. All funneled through that Department?

Mr. COFFIN. Yes, and the State relief agencies, primarily in Florida.

Mr. CONTE. There are no Cuban officials who get money directly from the U.S. Government?

Mr. COFFIN. No.

Mr. HARVEY. Not from these funds, and not that we have knowledge of.

Mr. CONTE. How about other funds?

Mr. HARVEY. We have no knowledge.

Mr. CONTE. Where did that money come from? Does anybody know? There never has been a denial in the newspapers.

Mr. PASSMAN. Off the record.

(Discussion held off the record.)

Mr. CONTE. I have no further questions.

Mr. PASSMAN. Thank you, gentlemen; we will reconvene at 10 o'clock tomorrow morning.

(Discussion held off the record.)

INVESTMENT GUARANTEE AND INVESTMENT SURVEY PROGRAM

TUESDAY, AUGUST 14, 1962.

WITNESSES

SEYMOUR PEYSER, ASSISTANT ADMINISTRATOR, OFFICE OF DEVELOPMENT FINANCE AND PRIVATE ENTERPRISE, AID
EDWARD F. TENNANT, ACTING CONTROLLER, AID
LEIGH M. MILLER, LEGISLATIVE PROGRAMS COORDINATOR, AID
GEORGE RUBLEE, ASSISTANT GENERAL COUNSEL, PRIVATE INVESTMENT, OFFICE OF THE GENERAL COUNSEL, AID
EDWARD DeGRAZIA, CONSULTANT, OFFICE OF DEVELOPMENT FINANCE AND PRIVATE ENTERPRISE, AID
EDMUND WISE, HOUSING GUARANTIES DIVISION, OFFICE OF CAPITAL DEVELOPMENT, AID
CHARLES B. WARDEN, INVESTMENT GUARANTIES DIVISION, OFFICE OF DEVELOPMENT FINANCE AND PRIVATE ENTERPRISE, AID

Mr. PASSMAN. The committee will come to order.

METHOD FOR APPROPRIATING FOR U.S. PUBLIC WORKS PROJECTS

I should like to say again that we have two standards by which funds are appropriated for public works projects, one for projects in America and the other for similar projects in foreign countries under the foreign aid program.

In this country it requires from 5 to 7 years to get an authorization, and this procedure follows about seven different steps. Unless there is indication that the benefits accruing from the estimate exceed the expenditure, it could be stopped anywhere along the line. But if the cost-benefit ratio is favorable—by favorable, I mean that the benefits will be greater than the costs—then you may finally get an authorization. If the Congressman involved is liked all the way from Pennsylvania Avenue to the Speaker's chair, he might, after waiting about 5 years, get an appropriation approved for about one-twentieth of the total cost. Then, he may get a slice of funds the next year, and so on, year by year. But you have waited possibly 15 years to get started, even though you had an authorization. And, along the way, if the cost-benefit ratio should change, the project might be canceled out and marked off. That is the way you get money for projects in America, where we have the best engineers in the world establishing the need and the cost-benefit criteria.

However, on foreign aid projects you eliminate 99 percent of what you require for a local project, and you just ask for the money. You do not know whether it is going to be spent on a henhouse or a deep well or for restoring a Hindu temple. You just know that you are appropriating money. You are given an illustrative list, and the money may or may not be spent on these projects.

I would not want those who read the record to think that I had exaggerated this matter. It is just that bad.

Mr. RHODES. Will the gentleman yield?

Mr. PASSMAN. I shall be glad to yield to the gentleman from Arizona.

Mr. RHODES. There is no doubt but what in the United States it is necessary to go through, you might say, fire and water to get a project authorized for public works or reclamation, the benefit-cost ratio must be carefully computed, carefully considered, and once the authorization is gained, then you must go through a long period of planning, try to get planning money for the project; when the plans are completed, it is necessary to get funds to construct the project.

The chairman is also correct in stating that the appropriations come in driblets throughout the years as the project is in progress. That is, of course, completely different from the way it operates in the foreign aid field.

Mr. PASSMAN. I thank the distinguished gentleman. There is no such thing as funding the domestic project to completion. You get that 1-year slice. I think if the foreign aid program is to continue, at least they could wait long enough for some careful planning to be done.

In all probability the foreign aid program would cost about 30 to 35 percent of what it is costing if you were expending the funds on sound projects that had been properly established by favorable cost-benefit ratios, similar to the standards and the criteria employed here in America.

This afternoon we have with us Mr. Seymour Peyser, Assistant Administrator, Office of Development Finance and Private Enterprise, Agency for International Development.

FISCAL YEAR 1963 REQUEST FOR INVESTMENT GUARANTEE PROGRAM

The administration is requesting for investment guarantees for fiscal year 1963 the sum of $180 million?

Mr. PEYSER. Yes, sir; for reserves for investment guarantees.

Mr. PASSMAN. You still are requesting that $180 million be appropriated, are you not?

Mr. PEYSER. Yes, sir; for reserves.

Mr. PASSMAN. If it is for a reserve, we think you are before the wrong committee; but since you are here, you should be heard.

If you have a statement, we shall be pleased to hear from you.

STATEMENT OF ASSISTANT ADMINISTRATOR FOR DEVELOPMENT FINANCE AND ENTERPRISE, AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. PEYSER. It has become axiomatic in the field of international development that Government cannot do the job alone. Private enterprise is a necessary partner in the economic growth of the emerging nations. The Congress and three Presidents of the United States have enunciated this proposition as a policy of our Government.

As the recently appointed Assistant Administrator for Development Finance and Private Enterprise, I have been given a number of challenging responsibilities. One of my primary functions within the Agency for International Development is to serve as the focal point for private American industry and to encourage a substantial increase in the investment of capital and know-how in developing countries. While the function is not a new one, the specific mandate which we have been given is new in that we have been asked to take

an active and aggressive role and to serve as catalytic agents in the foramtion of private ventures in less developed countries.

Among the important tools provided by the Congress to encourage a substantial increase in the participation of the private sector in these countries are the investment guarantee and the investment survey programs. Appropriations in the amounts of $180 and $2 million, respectively, are being requested of the Congerss for implementation of these programs during fiscal year 1963. This represents an increaseof $80 million over the $100 million originally requested to fund the investment guarantee programs. A formal amendment to the budget has been transmitted to the Congress.

AID INVESTMENT GUARANTEES PROGRAMS

The purpose of these programs is to encourage the participation of American private enterprise in the development of the economic resources and productive capacities of less-developed friendly countries and areas.

There are three types of investment guarantees. Each has its own statutory ceiling. Two of these are essentially new programs in the foreign assistance effort.

SPECIFIC-RISK INVESTMENT GUARANTEE PROGRAM (SEC. 221(b)(1) OF THE FOREIGN ASSISTANCE ACT)

Perhaps the most important and certainly the oldest is the specific-risk investment guarantee program. It has been available to and utilized by private investors since 1948.

As the committee knows, this is the program which insures U.S. private investors against the loss of new foreign investments due to the specific political risks of inconvertibility, expropriation, confiscation, war revolution, and insurrection.

The Foreign Assistance Act of 1961 significantly strengthened this program. Partly as a result of these amendments and partly as a result of the new emphasis placed upon the private sector within our Agency, there has been a marked increase in investor interest in these guarantees. As of the close of fiscal year 1962, specific-risk guarantees amounting to over $800 million in face value were outstanding. Of that amount, $307 million were issued during the past fiscal year, over $100 million more than the original fiscal year 1962 estimate. During the last quarter of fiscal year 1962 alone, almost $200 million in specific-risk investment guarantees were issued. We anticipate that this sharp increase will continue unabated during the current fiscal year. A recent analysis of applications in process indicates that about $200 million are likely to be eligible for issuance during the first several months of fiscal year 1963 with a total fiscal year 1963 activity of $440 million now predicted. In making this estimate we are attempting to take into account the probable effect of our efforts to extend this program, and to expand its coverage to countries not heretofore included by simplifying the basic bilateral agreement, all in accordance with the express desires of the Congress.

In anticipation of this activity, the Congress increased the ceiling on the aggregate face amount of specific-risk guarantees authorized to be outstanding at any one time from $1 billion to $1.3 billion.

EXTENDED-RISK GUARANTEES (SEC. 221(b)(2))

The extended-risk investment guarantee program, patterned after a similar authority contained in the earlier Mutual Security Act, gave AID the authority to insure up to 75 percent of any investment against any risk provided the loss did not arise out of fraud or misconduct for which the investor was responsible. The 1961 legislation provided that emphasis in this program was to be placed upon projects fostering social progress and the development of small independent business enterprises. No single guarantee issued could exceed $10 million and the total face amount for all such guarantees outstanding at any one time was limited to $90 million.

The 1962 amendments to the Foreign Assistance Act extended this guarantee to cover up to 100 percent (when necessary) of loan investments for housing projects where there was participation by the private investor in the loan risk. The maximum amount of single loan guarantees was increased from $10 million to $25 million and the ceiling on the aggregate face amount of all extended-risk guarantees was raised by the Congress from $90 million to $180 million.

The establishment of the new extended or all-risk guarantee program has been a difficult administrative task and has progressed comparatively slowly. Yet close to $30 million in applications are currently under study and mounting interest in this program has been expressed by private business enterprises and institutional lenders. We have conferred with a considerable number of these concerning the potential contribution of this mechanism in the total foreign assistance effort and the criteria which should be established for its implementation. It is one of our priority tasks now to forge the extended-risk guarantee into a vital tool to encourage U.S. investment to move into high risk areas where private investment otherwise could not be expected to be undertaken. We have in mind, especially, projects in areas where chronic instability of an economic or political nature is now acting to discourage U.S. investments.

EXTENDED-RISK INVESTMENT GUARANTEES—LATIN AMERICAN HOUSING (SEC. 224)

The Foreign Assistance Act of 1961 established a special housing guarantee program for Latin America. Under this program, AID was authorized to issue extended-risk guarantees covering investments in self-liquidating pilot or demonstration housing projects in Latin America for types of housing similar to those insured by the Federal Housing Administration and suitable for conditions in Latin America. Under the 1961 act, the aggregate face amount of all such guarantees was limited to $10 million. Here again, however, under the provisions of the Foreign Assistance Act of 1962 the Congress strengthened the program and raised the ceiling to $60 million.

While no housing gurantees are outstanding to date, the backlog of applications currently under intensive consideration suggests that the entire $60 million authority is likely to be used this year. It is expected that the first guarantee contract of this type will be announced this month.

FUNDING FOR THE GUARANTEE PROGRAMS

All the guarantees, regardless of type, are funded from the same source. Prior practice has been to establish a 25-percent reserve against the face amount of specific-risk guarantees. A reserve of 50 percent was required by Congress for the Development Loan Fund guarantees which were the precursors of the extended risk guarantees.

This year the executive branch has requested that the guarantee programs be funded by appropriations. The original budget estimates were as follows:

Type of guarantee	Originally estimated activity, fiscal year 1963	Reserves
Specific risk	250,000,000	62,500,000
Latin American housing	20,000,000	10,000,000
Extended risk (including other housing)	80,000,000	40,000,000
Total		112,500,000

It was also estimated at that time that some $23 million would be available for fiscal year 1963 through carryover of unobligated Treasury borrowing authority, recoveries on terminated guarantees, and fees. On this basis, an appropriation of $100 million was originally requested. But the very sharp increase in specific-risk guarantees issued during the last half of fiscal year 1962 has virtually exhausted all unobligated funds. Moreover, as I have indicated, there is every reason to believe that the progam will continue to grow in size and significance throughout fiscal year 1963.

We have, therefore, been obliged to revise our original budget estimates as follows:

Type of guarantee	Revised estimated activity, fiscal year 1963	Reserves
Specific risk	$440,000,000	$110,000,000
Latin American housing	60,000,000	30,000,000
Extended risk (including other housing)	110,000,000	55,000,000
Total		195,000,000

In order to restrict our request for appropriated funds to the minimum considered necessary to operate these three programs during fiscal year 1963, we have excluded from our request any provision for carryover into fiscal year 1964 or for possible activity in excess of present estimates—despite the fact that fiscal year 1962 activity was substantially in excess of our best estimates for that year. It is particularly difficult to estimate with precision the amount of investment guarantee activity which will occur during any given year since it depends to such a large extent upon appraisals by U.S. private industry of the investment climate in newly developing countries. We have attempted to estimate future reserve needs as carefully and conservatively as possible under all the circumstances. As a demon-

stration of this conservatism, we have in the last 2 weeks reduced our appropriation request by $15 million, an amount we hope to obtain through recoveries on contract terminations and in fees.

In conformity with our Agency policy to emphasize private sector activity in foreign aid and in response to the express injunctions of the Congress to that effect, my office has put in motion a number of concrete operations designed to increase the participation of American companies and of their counterparts in the host countries. The investment guarantee program is one of the most effective tools we have to accomplish this end. The record of developing interest in and increased use of the investment guarantee program on the part of U.S. private enterprise is one of which the Congress and AID may be proud. A continued successful operation of this program, especially in the newer and more experimental aspects of housing and extended risks, may point the way to further means of enlisting American private business in the overall statutory AID purpose to "strengthen friendly foreign countries by encouraging the development of their free economic institutions and productive capabilities, and by minimizing or eliminating barriers to the flow of private investment capital."

The Congress has repeatedly emphasized the importance of this program and urged its administrators to take whatever action may be necessary to speed up its operation. (See, e.g., report of the Committee on Foreign Affairs on H.R. 11921, June 7, 1962, at pp. 9 ff.; report of the Committee on Foreign Relations on S. 2996, May 28, 1962, at pp. 18–19.) We are redoubling our efforts to accomplish the congressional aim. An insufficiency of funds could seriously threaten this effort.

INVESTMENT SURVEYS

The 1961 act authorized AID to encourage the undertaking by private enterprise of surveys of investment opportunities in less developed friendly countries by agreeing to share up to 50 percent of the cost of these surveys.

Previous experience indicated that many a potential investment was not being made because managements were unwilling to spend the necessary funds to identify specific investment opportunities. Under guidelines published by the Agency, AID proposes to reimburse any enterprise undertaking a qualified survey up to 50 percent of the survey costs should the enterprise decide not to invest in the project surveyed. In such a case, the enterprise must turn over to AID a professionally acceptable report on the project. The guidelines also provide for sharing 50 percent of the cost of such surveys regardless of the outcome of the survey in cases where making the survey primarily is in the interest of promoting the AID program.

By the end of March 1962 AID had received more than 100 inquiries about the investment survey program. Since that time, many more have come in. While the first contract was not signed until late in the fiscal year, all evidence suggests that the program will be a substantial one during fiscal year 1963. Policy guidance for the program has been revised and simplified form contracts have been developed. The intensive work of the past few months is about to show results.

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Past experience has indicated foreign aid private sector activities have been difficult to establish and move forward. The Agency is deeply committed to the establishment of an effective AID private sector program. It is difficult to anticipate with precision the amount of money that will be required for the investment survey program. Last year the Congress appropriated $1.5 million to help the Agency start the program. If sufficient funds are not available to carry on this new private enterprise program, the commitment of this Agency to foster private enterprise abroad may be seriously questioned. For this reason, we are recommending that the full amount authorized to be appropriated, $2 million, be made available for the investment survey program.

There has been substantial agreement for many years that the resources of private enterprise must be enlisted in the U.S. foreign assistance programs. These two statutory techniques which the Congress has made available for this purpose, investment guarantees and investment surveys, are now showing signs of working—and working effectively. We respectfully request that the appropriations needed for their proper utilization be made available for this fiscal year.

BACKGROUND OF MR. SEYMOUR PEYSER

Mr. PASSMAN. Thank you, Mr. Peyser. This is your first visit before this subcommittee, is it not?

Mr. PEYSER. It is, Mr. Chairman.

Mr. PASSMAN. Would you give us a brief résumé of your background. Are you a banker?

Mr. PEYSER. No, I am not, sir.

Mr. PASSMAN. Please tell us briefly something about your background, sir.

Mr. PEYSER. I have practiced law for 25 years in New York. For the last 12 years I have been vice president and general counsel and director of the United Artists Corp. involved in both financial and legal matters.

Mr. PASSMAN. United Artists?

Mr. PEYSER. United Artists Corp., motion pictures, television, and the like.

U.S. RECORD FOR FULFILLING COMMITMENTS

Mr. PASSMAN. We were told last year that even though this country, in all of its existence, had never failed to live up to a single commitment we had ever made to a foreign country, those who testified for a different system of getting this aid money stated that the other countries would like to have more assurance that the money would be forthcoming. They had a new plan. Even though the program was then 14 years old, and about $116 or $120 billion had been expended, they wanted some assurance that the money would be forthcoming if the commitment had been made. So, the majority of the Congress supported that position, which was not quite as clear then, however, as it is today. We never thought the time would come when our country had made a commitment to our own citizens, that if they should sustain a loss for certain reasons in a foreign country at the appropriate time they would be paid, an appropriation in advance

would be necessary. We thought the country's guarantee was good enough without having to ask the Congress to make an appropriation that may be outstanding for many years.

We hope before the curtain falls that we shall understand better what it is all about.

CONSOLIDATION OF OFFICES OF INVESTMENT GUARANTEE AND PRIVATE ENTERPRISE

Is this a new office that has been created in the AID Agency?

Mr. PEYSER. No; there has certainly been an Investment Guaranty Division in this Agency and in its predecessor agencies for 14 years. There has been a private enterprise office in this Agency and its predecessor agencies for many years. This is the first time, however, that the office has been constituted in precisely this way and an assistant administrator appointed with the specific title which I have.

Mr. PASSMAN. In effect, then, it is a new division within AID, with a new office and a new title?

Mr. PEYSER. It is a joinder, Mr. Chairman, of functions that have been performed by the Agency for many years.

Mr. PASSMAN. But today you have an Administrator for Development Finance and Private Enterprise, Agency for International Development, so it is operating now as a separate office to itself with an Administrator?

Mr. PEYSER. With myself as the Assistant Administrator.

STAFFING OF OFFICE OF DEVELOPMENT FINANCE AND PRIVATE ENTERPRISE

Mr. PASSMAN. What is the number of personnel you have in your office?

Mr. PEYSER. Forty-three, as of the last count.

Mr. PASSMAN. What is the requested number of personnel for fiscal 1963?

Mr. PEYSER. I am not sure that my internal request is reflected in this document, Mr. Chairman.

Mr. PASSMAN. Of course it is, and the number is 51.

Mr. PEYSER. Yes, sir.

Mr. PASSMAN. Have I made a statement of fact that it is 51?

Mr. PEYSER. Yes, sir.

ANTICIPATORY NATURE OF INVESTMENT GUARANTEE PROGRAM

Mr. PASSMAN. Would not the very fact that the Executive would request $180 million cash for the purpose as stated in your statement indicate that we anticipate some trouble ahead, with which the committee is not presently familiar?

Mr. PEYSER. No, not necessarily, Mr. Chairman.

Mr. PASSMAN. Do you feel that the fact the Congress would be asked to actually appropriate money for losses that are yet to occur would maybe encourage some of these nations to expropriate American properties and investments?

Mr. PEYSER. No, sir; I think quite the contrary. I think that this would be a deterrent to these nations because they would become aware of the fact that the U.S. Government has an interest in the

private investments made by U.S. citizens. I think and firmly believe that the investment guaranty programs where they are in effect in many underdeveloped countries act as a serious deterrent to any such action by the local government.

Mr. PASSMAN. You do not think such an action could encourage them, those who are right on the verge of expropriating anyway?

Mr. PEYSER. Mr. Chairman, let me say that this program is 14 years old. There has always been a reserve set aside for the guarantee contracts from 1948 until now.

APPROPRIATION METHOD TO REPLACE BORROWING AUTHORITY PROCEDURE

Mr. PASSMAN. In what account? From what appropriation was it set aside?

Mr. PEYSER. They were not appropriated until this year. They were under borrowing authority, and the borrowing authority has been exhausted. It was our feeling this year—as you know, I am a recent arrival—it was the feeling of this agency before I arrived that for this purpose it would be fiscally responsible, perhaps more responsible fiscally, to come to this committee for an appropriation rather than to request that the reserves be handled as they had been handled from 1948 through fiscal year 1961.

Mr. PASSMAN. A reserve, or a statutory authority, under which you could borrow if needed? Did the Treasury set up a reserve within its bookkeeping system for this purpose?

Mr. PEYSER. Yes, sir; as I understand it. This was before my time.

RESERVES TO MEET CLAIMS

Mr. PASSMAN. Are you not referring to an authorization that in the event it becomes necessary to pay a claim, then it may be withdrawn from the Treasury?

Mr. PEYSER. No, sir. We are dealing with something quite different.

Mr. PASSMAN. Could you tell us where we will find this reserve set up, either in an appropriation or the Treasury Department?

Mr. PEYSER. I can certainly get for you the necessary and appropriate references to the reserves that were set up out of the borrowing authority that came within $1 million of being exhausted as of the end of fiscal year 1961.

Mr. PASSMAN. I can understand an authority to withdraw a certain amount of money if needed, but so far as any cash reserve within the Treasury being set up to meet such claims, I have never heard of that before.

Mr. PEYSER. That has been in effect just that way for 14 years, as I understand it.

Mr. PASSMAN. Could we have a letter to that effect?

Mr. PEYSER. Surely.

Mr. PASSMAN. Will you get us a letter from the proper authorities that within the Treasury Department they had reserved a certain amount of cash to meet expected claims of this nature?

Mr. TENNANT. We have signed notes to the extent of the borrowing authority of $199 million, as I recall, which represent the Treasury's authorization to us to expend against this borrowing authority.

Mr. PASSMAN. Are you dealing with an authorization or are you dealing with cash that had been set aside?

Mr. TENNANT. I am not an expert on the way the Treasury keeps its particular books.

Mr. PASSMAN. Would you find out whether or not they had actually reserved out of appropriated funds or reserved out of collected revenues an account on the Treasury statement to meet these contingencies?

Mr. TENNANT. Yes, sir.

(The information follows:)

RESERVE PRACTICES AND HISTORY UNDER INVESTMENT GUARANTEE PROGRAMS

The investment guarantee programs operate under statutory authority to obligate and draw on "a single reserve" consisting of (*a*) fees collected from investors; (*b*) proceeds realized from subrogation to investor's claims and assets; (*c*) the proceeds of prior note-issuing authority; and (*d*) funds appropriated by the Congress. Pursuant to the Foreign Assistance Act of 1961, all of the above sources of availability are combined to form a single reserve backing existing and future guarantees. All guarantees issued to date have obligated some part of this reserve. In the early years of the program the amount of reserves obligated for guarantees was fixed by Congress at 100 percent and 50 percent with respect to specific and DLF-type guarantees, respectively. More recently a 25- and 50-percent formula of reserve obligation has been applied. The statutory history of the reserve system is described hereafter.

The Treasury Department does not set aside cash behind the guarantee reserve. In the event the agency were required to draw down some of the reserve against its borrowing or appropriation authority, the drawing would be funded with cash from the general funds of the Treasury, which in turn are generated by U.S. public debt transactions. The accumulated fee income (more than $9 million as of June 30, 1962) and proceeds realized on subrogated claims and assets are by statute deposited with the general funds.

Thus, appropriating funds now for a reserve creates no burden on the taxpayer. The Treasury Department will not increase its cash on hand nor increase the public debt which must be serviced at the expense of the taxpayer. The sole result of a present appropriation would be to place the United States in a position promptly to pay its future debts on investment guaranties if and when they fall due.

There is, at present, uncertainty about the legal authority of AID to create obligations in advance of appropriations for investment guaranties. This uncertainty would make potential investors wary over whether an investment guaranty not backed by reserves would afford them any protection. The executive branch will thoroughly review this question and, if necessary, propose legislation to resolve it.

The existence of reserves is, and has been, a question of importance to potential investors. This was recognized by Congress. The 1956 legislation, which, for the first time, authorized reserves to be established on a "probable ultimate net cost" basis required that there be no dilution of the 100 percent reserves behind the then outstanding guaranties. The present legislation also freezes the 100 percent reserves behind the pre–1956 guaranties and the 50 percent reserves behind DLF guaranties.

Reserves are important not only to assure compensation in the event of loss, but to assure compensation within a reasonable period of time. The time required to seek and obtain supplemental appropriations, in the event of losses in excess of existing rights to draw funds from the Treasury, would be considerable. During this period, among investors with claims of equal validity, some would be paid and others not, until Congress acted. For those deferred, this period would involve needless deprivation.

In an insurance-like program which is moving away from areas of lesser to greater risk, where actuarial calculations are not possible, prior losses are of little significance to estimating future losses and the need for reserves. As of

June 30, 1962, there were reserves of $236,319,384. Against these were total contingent liabilities of $795,793,558. Of these some $114,362,020 were in Argentina, $54,000,000 in Ghana, $72,000,000 in Guinea, $56,357,285 in Taiwan, and $128,164,723 in Turkey, to mention 5 of the 45 underdeveloped countries where the program is in force. The guaranties issued in those five countries alone are $188,565,000 in excess of existing reserves and $8,565,000 in excess of those plus the requested appropriation. Such exposure to risk is indicative of the program's need for reserves.

The appropriation of additional funds for reserves behind investment guaranties should discourage, rather than encourage expropriatory acts. The function of reserves is to provide prompt compensation to the expropriated U.S. investor. Upon payment of that compensation, the U.S. Government becomes subrogated to the investor's claims against the foreign government, and the U.S. Government would thereupon be in a position to address itself directly to that government of settlement of the claim. The basic intergovernmental agreements which are a condition precedent to the issuance of investment guaranties require the other government's consent to this.

Mr. FORD. Will the chairman yield?

Mr. PASSMAN. Yes.

Mr. FORD. Mr. Peyser, could we have some place a statement showing the history of this from its inception, showing how much was established on an annual basis, how much was used?

UNUSED BORROWING AUTHORITY AS OF JUNE 30, 1962

Mr. PASSMAN. Is there any unused or unobligated Treasury borrowing authority as of June 30, 1962, or at this time?

Mr. PEYSER. As of June 30, 1962, the amount was slightly in excess of $1 million. It is $1,074,000.

Mr. PASSMAN. Will you cite the act by which the authority was given?

(The information follows:)

HISTORY OF GUARANTY RESERVES

Section 111(b)(3) of the Economic Cooperation Act of 1948 authorized the issuance of guaranties up to an amount of $15 million covering investments in connection with projects and investments in enterprises producing or distributing informational media. Section 111(c)(2) of that act authorized the Administrator of ECA to issue notes for purchase by the Secretary of the Treasury in an amount not to exceed $1 billion to provide money for all the purposes of the European recovery program, including the providing of reserves behind the guaranties. Section 111(b)(3) of the 1948 act provided that as guaranties were made the authority to realize funds from the sale of notes was to be accordingly reduced. This section also provided that a fee might be charged for the guaranty and that all fees collected were to remain available to discharge obligations under the guaranties.

The 1949 amendments to the Economic Cooperation Act of 1948 provided a separate note issuing authority to provide reserves for the guaranty. The amended section 111(c)(2) thus authorized an additional $150 million of notes to be issued for the sole purpose of meeting liabilities arising under guaranties. The total amount of guaranties authorized was limited to $150 million.

The 1950 amendment to the Economic Cooperation Act of 1948 changed the total amount of guarantees authorized to be issued to $200 million. It also increased the note issuing authority to meet the liabilities under these guarantees to $200 million. Heretofore the risk to be covered pursuant to guarantees was the risk of inconvertibility. The 1950 amendment authorized guarantees to cover against loss by reason of expropriation or confiscation.

The 1956 amendment to the Mutual Security Act of 1954 separated the informational media guarantee program from the investment guarantee program related to projects. The reserves available for new project guarantees were diminished by the amount of $38,428,478.50, being reserves for and recoupments under the informational media guarantees then transferred to USIA. The

balance of the note issuing authority and accumulated fee income in connection with project guarantees created by the Economic Cooperation Act and the Mutual Security Act of 1954 was preserved for investment guarantees. The 1956 amendment required that the 100-percent reserve would be maintained for the already issued guarantees. The amendment authorized a fractional reserve based on "probable ultmate net cost" for future guarantees. It conferred upon the Director of ICA additional note issuing authority, to provide further guarantee reserves in the amount of $37,500,000, and it provided that the total outstanding amount of investment guarantees for projects would be $500 million.

The 1957 amendments to the Mutual Security Act authorized Development Loan Fund guarantees. There was a 100-percent reserve requirement.

The 1959 amendments to the Mutual Security Act authorized a 50-percent reserve to be created behind DLF guarantees and limited the total face amount of DLF guarantees to $100 million. This reserve was to be funded from appropriated funds. The 1959 amendments to the Mutual Security Act authorized a new total amount for outstanding ICA investment guarantees, namely $1 billion. The act did not change the note issuing authority.

The Foreign Assistance Act of 1961 merged the DLF and ICA guarantee authority with some modifications. The reserves behind the ICA and DLF guarantees were combined into one reserve to be behind all AID guarantees. The amounts of such reserves obligated behind the pre-1956 ICA guarantees and the DLF guarantees were not to be reduced without the investors' consent.

The 1962 amendment to the Foreign Assistance Act authorized increases in outstanding face amounts to $1,300 million for the specific risk (ICA-type) guarantees and to $240 million for the extended risk (DLF-type) guarantees. The reserves created under earlier legislation for existing and future guarantees were to be increased by an appropriation. Thus the borrowing authority method of obtaining reserves was abandoned. The amount requested in the President's budget estimate for that appropriation is $180 million. That figure reflects the amount needed for obligation in fiscal year 1963 under the prior practices of obligating a 25-percent reserve for ICA-type guarantees and a 50-percent reserve for extended risk guarantees on the conservative assumption that the present rate of issuing guarantees will continue.

The funds at the close of fiscal year 1962 with respect to reserves were as follows:

Treasury had accepted notes in the amount of $199,071,521.50 which represented all the note issuing authority in connection with investment guarantees, less the amounts transferred to USIA in connection with informational media guarantees. The reserve also included an amount of $27,747,864 being a transfer of the appropriated funds obligated behind DLF guarantees. The reserve also included an amount of $9,491,901.01 as accumulated fee income.

A tabular statement of the history of reserves follows:

AID investment guarantee program reserve funds

Date	Source				Use			Balance
	Borrowing authority	Fee income	Other	Total reserves	Outstanding guarantees	Reserves obligated	Disbursement	
Sept. 30, 1956	$199,071,521	$1,667,837	None	$200,739,358	$94,227,718	$90,955,642	None	$109,783,716
June 30, 1957	199,071,521	2,028,054	do	201,099,575	117,787,371	95,335,919	None	105,763,656
June 30, 1958	199,071,521	2,682,519	do	201,754,040	156,783,507	92,557,253	None	109,196,787
June 30, 1959	199,071,521	4,049,853	do	203,121,374	369,477,957	129,437,409	None	73,683,965
June 30, 1960	199,071,521	5,406,079	do	204,477,600	387,744,007	124,807,456	None	79,670,144
June 30, 1961	199,071,521	7,078,910	do	206,150,431	482,381,250	147,063,014	None	59,087,416
June 30, 1962	199,071,521	9,491,901	Appropriated funds from DLF, $27,747,863; recovery from sale of assets, $8,098	236,319,383	[1] 795,793,558	234,374,362	$659,922	1,285,099

[1] Includes $54,733,286 outstanding guarantees issued under Development Loan Fund guarantee program.

Mr. PEYSER. I do not have the exact citation. I can get that from our lawyers and give you the precise statutory authority by which this borrowing authority was used to set up reserves against investment guarantees issued. At no time was any money paid out except for $1,800 on the specific risk——

Mr. FORD. Against how much utilization?

Mr. PASSMAN. Did you say $1 million?

Mr. PEYSER. Yes, sir, $1,074,000 of borrowing authority still remained available as of June 30, 1962.

APPLICATIONS FOR INVESTMENT GUARANTEES

Mr. PASSMAN. Would you reconcile that with your statement on page 7, where you say that it was also estimated at the time that some $23 million would be available for fiscal 1962 through carryover of unobligated Treasury borrowing authority?

Mr. PEYSER. Of course, sir. That was what we estimated but, as I pointed out in my statement, the private investors in the last 3 months of fiscal year 1962 made large investments and made applications for investment guarantees and as a result we issued in the last 3 months roughly $200 million worth of investment guarantees during that quarter period. That used up, on the 25-percent ratio, all except $1 million of the borrowing authority.

PAYMENTS SINCE 1948

Mr. PASSMAN. Would you give us a list of the payments that you have made since 1948, when this type of authority came into being?

Mr. PEYSER. Yes, sir. That is a very easy one because there have been only two payments made under any investment guarantee since 1948.

Mr. PASSMAN. Give us the amount.

GUARANTEE PAYMENT, PLUSWOOD INDUSTRIES

Mr. PEYSER. One payment was made in connection with a plywood company investment in the Congo of $9,922.

Mr. PASSMAN. When was that?

Mr. WARDEN. Last spring, about February.

Mr. TENNANT. I do not have the specific date.

Mr. PEYSER. That payment was made last spring.

Mr. PASSMAN. Could you give us the date the payment was made?

Mr. PEYSER. I do not have it here precisely, but I can insert it in the record.

(The information follows:)

The date of payment under the Pluswood Industries investment guarantee contract was January 4, 1962.

Mr. PASSMAN. You had another claim?

Mr. PEYSER. That claim—May I explain this?

Mr. PASSMAN. That was in the Congo?

Mr. PEYSER. Yes, sir. On this one I think it is worth explaining that that was in connection with an inconvertibility guarantee; as a result of paying the private investor the $9,922, the United States was

subrogated to the local currency involved. It subsequently made use of that local currency to its own benefit to the extent of $8,099, making a net loss in that transaction of $1,823.

Mr. PASSMAN. As it would apply to appropriated funds or tax funds, actually it was only $1,823. That was the net amount of the cost of the claim?

Mr. PEYSER. That is right, sir.

Mr. PASSMAN. If you had not had any type of guaranteed investment, it would have finally wound up so that the manufacturer, or the contractor, as the case may be, would have lost really $1,823; is that correct?

Mr. PEYSER. The United States only lost the $1,823.

Mr. PASSMAN. If the investor had not had the insurance——

Mr. PEYSER. He might not have been able to make the same use of the local currency that the U.S. Government made.

Mr. PASSMAN. But he would have had that chance?

Mr. PEYSER. If you make that assumption, he would have lost the same amount.

Mr. PASSMAN. Will you tell us what size contract was involved?

Mr. WARDEN. $475,000.

Mr. PASSMAN. Give us the name of the contractor.

Mr. WARDEN. The contract was made to Pluswood Industries, which is a plywood company in Wisconsin.

Mr. PASSMAN. Give us the date of the contract.

Mr. WARDEN. I do not have it, sir.

Mr. PASSMAN. Can you give us the completion date?

Mr. WARDEN. I will have to estimate it. It was on the 2d of June 1960. Yes; it was on the 2d of June 1960.

Mr. PASSMAN. That was the completion date?

Mr. WARDEN. That was the date we issued the contract.

Mr. PASSMAN. When did he complete the project, the contractor?

Mr. WARDEN. I understand he is still putting money into the project in the Congo. He is still expanding the operation to some extent.

Mr. PASSMAN. The contractor is still expanding?

Mr. WARDEN. Yes, sir.

Mr. PASSMAN. Do we have a guarantee for that expansion?

Mr. WARDEN. It is covered under the original guarantee; yes. Some of it was issued ahead of time before he completed his project.

Mr. PASSMAN. Do you anticipate that you are going to have the same type of trouble in the future?

Mr. WARDEN. I think we might have some more trouble.

Mr. PASSMAN. Presently, though, the convertibility arrangement is satisfactory; is it not?

Mr. WARDEN. It seems to have worked out.

Mr. PASSMAN. Which means, of course, if this had been delayed just a bit, this problem would have adjusted itself; would it not?

Mr. WARDEN. We are not sure of that; we are not sure of anything in the Congo.

Mr. PASSMAN. That is right; but, to be specific, this thing has worked itself out and this contract is progressing and this contractor is having no trouble converting the currency; is that not correct?

Mr. WARDEN. I agree with you, sir.

Mr. PASSMAN. It simply means that had he had this $9,922 on hand, that also could have been worked in; is that right?

Mr. WARDEN. If what we are getting to is this question: If he did not have the guarantee, would he have gone ahead with the contract, the answer is precisely "No."

Mr. PASSMAN. This investor is drawing payments, I suppose, every month or every week on fulfillment of this contract, is he not? It is a going outfit?

Mr. WARDEN. Yes, sir.

Mr. PASSMAN. Whatever they get in Congo currency they are able to convert to hard currency?

Mr. WARDEN. Yes, sir.

Mr. PASSMAN. In all probability had they had this on hand, they could have moved this small amount in and converted that to hard currency?

Mr. WARDEN. Yes.

Mr. PASSMAN. Which means that there would have been no loss if this had been delayed a bit. It looks as if you moved with haste.

You have not told us the date that you made payment. You said in the spring. You are going to get that information for us?

Mr. WARDEN. Yes, sir.

Mr. PASSMAN. You have another loss. Give us the history of that loss.

TAIWAN SHIPBUILDING AND DRYDOCKING COMPANY CASE

Mr. PEYSER. The other loss was pursuant to a different kind of guarantee, not a guarantee under the specific risk program we are discussing here and for which we are asking an appropriation this year.

Mr. PASSMAN. What was the amount?

Mr. PEYSER. The amount involved was $650,000, but, Mr. Chairman, it had to do with the Development Loan Fund under a different statute.

It was not the specific risk program.

Mr. PASSMAN. In what country was this?

Mr. PEYSER. Taiwan.

Mr. PASSMAN. In Taiwan?

Mr. PEYSER. Yes, sir.

Mr. PASSMAN. What project was involved?

Mr. PEYSER. It was in connection with an investment by the Bank of America and the Marine Midland Trust Co. of New York for a Taiwan shipbuilding and drydock company which defaulted on loans from these banks.

In the spring of 1962 AID made payments totaling $650,000 pursuant to the guarantee that one of its predecessor agencies, the Development Loan Fund, had made in an extended risk guarantee under the statute that was then applicable, which is not what we are talking about in terms of the specific risk guarantees.

Mr. PASSMAN. You used that item when I asked you the question of how many claims had been settled. If you are now going to say that you have paid only $9,922, that would have adjusted itself had you not paid it, maybe I shall say prematurely, then the loss would have been zero in that field.

Mr. PEYSER. No, sir. I did not intend to exclude this. I am only indicating that it was a Development Loan Fund payment.

Mr. PASSMAN. Was it because you guaranteed investors a profit or was the Government of Taiwan in default on its commitment?

Mr. PEYSER. This was a straight default on a loan made by these two banks, one California bank and one New York bank, to the Taiwan Shipbuilding & Drydock Co.

Mr. PASSMAN. What do you mean by default?

Mr. PEYSER. The company did not pay. We guaranteed the business risk as well as the political risk.

Mr. PASSMAN. You guaranteed the businss risk?

Mr. PEYSER. Under the Development Loan Fund, they had guaranteed the business risk as well as the political risk.

Mr. PASSMAN. That is a new phase to this thing I never heard of before. They guaranteed a profit, in effect?

Mr. PEYSER. They guaranteed the amount of the investment, not the amount of profit.

Mr. PASSMAN. The investor went in, if he is speculating as to whether or not this was a feasible project, and it was poorly planned and he suffered a loss, so he was reimbursed to the extent of his overhead and his capital?

Mr. PEYSER. To the extent of his total investment. Presumably—this is, again, as you understand, Mr. Chairman, before my time with the Agency, this was one of the predecessor agencies—under this statute, as I understand it, the Development Loan Fund analyzed this loan and in order to encourage the investment by these two American banks which supported the investment of American private capital, it gave a guarantee. I do not have here a statement as to whether a hundred percent of the risk was guaranteed; however, I can furnish if for you.

Mr. PASSMAN. What kind of project was involved?

Mr. PEYSER. I would have to check this to be sure. I think it is a shipbuilding operation.

Mr. PASSMAN. Ingalls-Taiwan project; is that right?

Mr. PEYSER. Yes, sir.

Mr. PASSMAN. Did they complete the project?

Mr. PEYSER. Here it is. They did complete the two ships that were planned for construction under the guarantee, but they sustained an operational loss during the construction period.

Mr. PASSMAN. So they completed the ships, turned them over to the Taiwan Government, but they had failed to quote a price high enough so that they would receive their cost?

Mr. PEYSER. As I understand it, the parties guaranteed were the two banks. The two banks were not the entrepreneurs involved. The guarantees ran to the banks. They made a simple banking investment. They lost money because of a default.

Mr. PASSMAN. Who actually defaulted? Was it the Ingalls-Taiwan Co.?

Mr. PEYSER. The Ingalls-Taiwan Co.

Mr. PASSMAN. Is that a solvent company?

Mr. PEYSER. I do not know that I can answer that question.

Mr. PASSMAN. Do you know whether or not the banks endeavored to collect from these people by maybe filing suit?

Mr. PEYSER. I do not know the answer to that. All of this happened before I came to the Agency.

Mr. PASSMAN. Is not that the normal procedure, that you try to collect from the individual or firm?

Mr. PEYSER. That would depend on whether the guarantee were a guarantee of payment or guarantee of collection.

Mr. PASSMAN. You said you guaranteed the bank. If the guarantee went far enough to also cover the contractor, that is something else. Could you tell us about that, Mr. Miller? Are you familiar with it?

Mr. MILLER. No, sir; I am not. The contract controls our guarantee, and we have in each case paid according to its terms.

Mr. PASSMAN. You either guaranteed the bank against loss or you guaranteed the bank and the contractor. We are trying to find out if you guaranteed both against the loss or just guaranteed the bank against the loss.

Mr. PEYSER. In this case it was just the bank.

Mr. GARY. I would like to know what they guaranteed. Are they guaranteeing character and the success of the enterprise and everything else? If you are guaranteeing the loan——

Mr. PASSMAN. They just guaranteed the investor he would not lose money.

Mr. PEYSER. We just guaranteed the two banks, not the shipbuilding company.

Mr. PASSMAN. Is the shipbuilding company still in business?

Mr. PEYSER. As far as I know, it is.

Mr. PASSMAN. Would you pay the bank something you guaranteed against the shipbuilder if he is solvent and still in business and making money?

Mr. PEYSER. It depends on what the contract of guarantee was.

Mr. PASSMAN. That is what we are trying to find out. You keep saying you guaranteed the bank. We want to know whether you guaranteed just the bank or whether you extended the same guarantee to the contractor. Can you get that information?

Mr. PEYSER. Yes, sir.

(The information follows:)

INGALLS-TAIWAN LOAN GUARANTEE

On December 5, 1958, the DLF entered into a guarantee agreement with the Bank of America and the Marine Midland Trust Co. of New York whereby the DLF guaranteed the collection of a $4,500,000 loan to Ingalls-Taiwan Shipbuilding & Dry Dock Co., a Liberian corporation, owned through subsidiaries by a U.S. charitable foundation, to finance working capital needs for the construction by Ingalls-Taiwan at a shipyard they intended to operate in Keelung, Taiwan, of two large tankers. On January 22, 1959, the Development Loan Fund entered into a loan agreement with Ingalls-Taiwan for $2 million for the expansion of this shipyard. As a guarantee fee DLF charged the banks 2 percent of the maximum amount of its liability under the guarantee. About September 1959 it became clear that Ingalls-Taiwan was in serious difficulties, but as the result of efforts by all parties the two ships were completed and delivered. Despite completion, Ingalls-Taiwan was unable to repay the banks $1,200,000 of the guaranteed loan, and also was unable to meet other obligations.

After intensive negotiations between Ingalls-Taiwan, the Chinese Government, the DLF, the New York banks and Ingalls-Taiwan's other prinicpal creditors, a new arrangement was consummated in May of 1961 whereby the Bank of Taiwan lent Ingalls-Taiwan $300,000 for payment to the New York banks and $500,000 for use as working capital; the DLF guaranteed the payment of $650,000 of the remaining $995,000 owed by Ingalls to the banks and guaranteed

the remainder of the debt against war risk; Ingalls-Taiwan's debts to two major U.S. suppliers were guaranteed by its parent; and the DLF loan for shipyard expansion was reduced to $900,000. The banks were charged a fee of one-half percent per annum for the war risk guarantee, and 2 percent per annum for the payment guarantee. Ingalls-Taiwan, however, could not meet its payments under this new loan extended by the banks and after accelerating the loan, on March 14, 1962, the banks presented their claims to AID. On April 25, 1962, AID paid the banks $650,000 under the payment guarantee. At the same time, the banks subrogated to AID their claim of $650,000 against Ingalls-Taiwan.

AID is currently engaging in negotiations with all parties to see what further action it should take with respect to the collection of this debt from Ingalls-Taiwan.

The principal shareholder in Ingalls-Taiwan is a Liberian corporation, the Engineers Tanker Corp. This corporation is owned largely by the China International Foundation, a nonprofit Delaware corporation. The Ingalls Shipbuilding Corp. of Alabama is a minority shareholder, holding 2.17 percent of the oustanding shares.

Mr. GARY. As I understand it, the contractor borrowed the money from the bank and he never paid it. We were guaranteeing the contractor, the enterprise, and everything else connected with the deal.

Mr. PASSMAN. The response would indicate that, but I specifically asked for the information, whether you guaranteed the banks and also the contractor. If you only guaranteed the bank, as you indicated in one of your statements, then you should have foreclosed on the contractor because in all probability if he is still a shipbuilder, he is solvent and could have paid his own losses.

Mr. PEYSER. The note in the file, which I inherited, reads as follows. This may be helpful to you gentlemen:

The banks and AID are now working out an arrangement with the shipyard whereby the entire indebtedness of approximately $1 million, covered by the guarantees, will be rescheduled over a longer period of time. The purpose of the rescheduling is to avoid putting the shipyard into bankruptcy. The expectation is that the shipyard will be enabled on the deferred repayment schedule to discharge its entire obligation not only to the banks but to AID, which has acquired the interest of the Development Loan Fund.

Mr. PASSMAN. I know something about banking. I have made loans myself of a few hundred dollars.

Mr. GARY. Those would be small loans.

Mr. PASSMAN. I have to deal in small figures. Would it not follow, if the bank had a guaranteed loan on which it was drawing 5½ percent interest, that you could have delayed paying the bank until such time as it had actually determined whether you were going to suffer a loss or not?

Mr. PEYSER. Not if the contract were written otherwise. I will procure the contract from the files and let the committee have it.

Mr. PASSMAN. Would you find out whether or not the bank would have extended—because it has already been indicated here that you prematurely paid $9,922, on the other loss, the only other loss you have had in the existence of this outfit, and had he just delayed a little while, it would have worked itself out.

Mr. PEYSER. I do not think that on that $9,922 for the Congo there has been any establishment of premature payment.

Mr. PASSMAN. You say they are in business, they are dealing with money, getting currency, it is convertible today, they are doing business in the same place. If they can convert their present Congo currency into hard currencies, they could have converted that other amount.

You are asking for $180 million. Are there any other claims you know about since the inception of this plan?

Mr. PEYSER. No, sir.

OWNERSHIP OF TAIWAN SHIPBUILDING & DRYDOCK CO.

Mr. GARY. As to this shipbuilding contract in Taiwan, was that an American firm or a local firm?

Mr. PEYSER. It was a Taiwan firm, I understand.

Mr. WARDEN. Taiwan firm, with an American interest.

Mr. PASSMAN. Where is Ingalls domiciled?

Mr. WARDEN. I think it is Alabama, but I am not sure.

Mr. ANDREWS. Pascagoula, Miss.

Mr. PASSMAN. Is that not a going, prosperous, and a solvent concern?

Mr. ANDREWS. They launch ships all the time.

Mr. PEYSER. The general practice is for a joint venture between the American company and the host country.

Mr. PASSMAN. Will you get us information as to what interest? If it is a Taiwan interest and they have an interest, you should know it. This is a pretty weak case on which to get $180 million.

(The information appears on p. 858.)

Mr. PASSMAN. Do you have any claims pending at this time?

Mr. PEYSER. No, sir.

Mr. ALEXANDER. Will the chairman yield?

Mr. PASSMAN. Surely.

GUARANTEED LOANS TO TEXTILE PLANTS

Mr. ALEXANDER. Mr. Peyser, have you guaranteed loans to any textile plants anywhere in the world?

Mr. PEYSER. We have a list of all guarantees outstanding. I can look through them and see.

Mr. WARDEN. There is a rayon company in Taiwan.

Mr. ALEXANDER. Would you supply for the record all guarantees to textile plants throughout the world.

(The information follows:)

Textile guarantees issued

Date	Investor	Product	Convertibility	Expropriation	War risk
May 23, 1956	Von Kohorn International Corp.	Rayon manufacturer.	[1] $1,059,242	[1] $959,242	----------
June 30, 1959	----do----------	----do----------	72,000	100,000	$72,000
Feb. 23, 1961[2]					
Aug. 24, 1961	----do----------	----do----------	24,000	6,000	----------
	Total----------	----------	1,155,242	1,065,242	72,000
	Less cancellation----------	----------	−559,242	−559,242	----------
	New total----------	----------	596,000	506,000	72,000

[1] $559,242 of the convertibility guarantee and $559,242 of the expropriation guarantee have been canceled by the investor. The investments were made in the Republic of China.
[2] War risk.

Mr. CONTE. Will the chairman yield?

Mr. PASSMAN. Yes.

Mr. CONTE. Why can we not get the entire guarantee in the record?

Mr. PASSMAN. We are getting to that. I was trying to develop that so far they need zero money, according to the testimony here.

TIME LAPSE BETWEEN FILING AND PAYMENT OF CLAIM

Will you tell us how long a time elapsed between the filing of the claim by this still going outfit in the Congo, and the time you paid the claim?

Mr. WARDEN. I will furnish that, sir.

(The information follows:)

PLUSWOOD INDUSTRIES GUARANTEE CLAIM—TIME SEQUENCE

On July 11, 1961, notification was received that transfer of local currency to U.S. dollars had been denied by Congolese authorities. The convertibility contract provided that the non-transfer condition had to exist for 30 days before investor could invoke the guarantee. Investor's application to AID for transfer under the guarantee contract was complete (including a draft for the local currency) on September 11, 1961. The contract allowed 4 months for a decision to be made by AID on the claim. (This period expired on January 11, 1962.) On January 4, 1962, payment was made to Pluswood Industries. This was almost 6 months after notification of the claim and 115 days from the time the investor's claim was complete—7 days less than permitted by the terms of the contract.

Mr. PASSMAN. Do you have any claims pending at all under any section of this law, the old law?

Mr. PEYSER. Not that I know of.

Mr. PASSMAN. It could well be that you would have several filed next year or it could be that you would not have any.

Mr. PEYSER. That is right, sir.

QUESTIONABLE NEED FOR GUARANTEE RESERVE FUND

Mr. PASSMAN. If you did not have this appropriation, if the Government writes the guarantee, it would serve the same purpose, would it not?

Mr. PEYSER. No, sir; because, as I say, the Congress itself required a reserve to be set up for the Development Loan Fund guarantees and the system——

Mr. PASSMAN. Was that for loss on bad accounts?

Mr. PEYSER. No, sir; that is for guarantees issued before there is any question of loss. The Congress, in connection with the Development Loan Fund, established the need for a reserve every time a guarantee is issued. It has been the practice for 14 years, on a prudent and conservative basis, to set aside money so that if the event against which a guarantee is issued, comes to pass, there will be money to pay for it.

Mr. PASSMAN. Thank you, sir.

LACK OF CASH RESERVES AGAINST U.S. OBLIGATIONS

We have two public obligations on the Treasury statement. One, as of this date approximately there is borrowed money of $298 billion. We have statutory obligations in the amount of approximately

$746 billion, which gives us an obligation for services already provided for, in the amount of $1,044 billion.

We are getting dangerously close to $10 billion in annual interest payments on the borrowed money, and then there are the various other categories to make up the $1,044 billion. Do you know of any cash reserve we have in the Treasury set up to meet those payments?

Mr. PEYSER. I do not know how the Treasury handled it under the borrowing authority. As I understand it, in each case when an investment guarantee contract was signed, and before there was any knowledge that there would be a claim under this guarantee contract, the practice—consented to by the Congress and, as a matter of fact, required by the Congress in the case of the Development Loan Fund—the practice in each case was for a note to be purchased. Whether they set it up as a reserve or not, I am not enough of a specialist in Treasury accounting to know, but I can find that out.

Mr. PASSMAN. We have existing statutory obligations aggregating approximately $746 billion, such as the interest on the public debt, payments to veterans, payments to retirees, both military and civil service, and various and sundry other accounts. Do you know of any cash reserves set up on the Treasury statement to meet those obligations, Mr. Controller?

Mr. TENNANT. I do not qualify as an expert on Treasury accounting, sir.

Mr. PASSMAN. Do you know of any cash reserves, or have you ever heard of any reserves, set up to meet contingencies to our own people in this country, as such?

Mr. TENNANT. I know of none, sir. I think each of these activities is controlled by its individual legislation.

Mr. PASSMAN. You do not know of any cash reserves set up to meet any $746 billion of statutory obligations that we have?

Mr. TENNANT. I am not qualified, really, sir, to talk to that point.

Mr. PASSMAN. You do not know of any, do you?

Mr. TENNANT. With that qualification, I do not know of any.

Mr. PASSMAN. I believe the Congress annually appropriates money to meet those obligations, such as pensions and veterans' benefits. Is that not the way it operates?

Mr. GARY. Mr. Chairman, as chairman of the Treasury Subcommittee, the Treasury has never asked for any appropriation for reserves to meet these contingencies. I can testify to that fact.

Mr. PASSMAN. I am on the gentleman's subcommittee and I learn something every time we have a committee meeting. Our word is our bond, whether our commitment is to foreign nations or to our own people. We have approximately $746 billion in contingent statutory obligations. We make an annual appropriation to meet whatever the demands may be, whether it is for pensions or veterans' benefits or interest on the public debt.

CONTRACT RECOVERIES LIMITED TO AMOUNTS IN RESERVES

Mr. PEYSER. There is one provision you should know, and that is the contracts which we issue are limited in terms of recovery solely to the amounts set aside in reserves. The full faith and credit of the United States under these insurance contracts is not made available

to the parties to this guarantee. It is limited to the amounts of the reserves. This has been established.

Mr. PASSMAN. I am trying to find out what this is all about. You said they set this up as a full-blown agency with an Assistant Administrator for just this purpose. You have a staff planned of 51 for fiscal 1963.

Mr. PEYSER. Yes, but not just for investment guarantees. That staff does other things not germane to this.

Mr. PASSMAN. Whatever comes in this field of guaranteeing capital abroad, would that cover everything, whether seized by war or expropriation?

INTERNAL DIVISION OF STAFF

Mr. PEYSER. No, sir. Just for the record, the Investment Guarantee Division has only 15 people.

Mr. PASSMAN. For what purposes are the 51 going to be used?

Mr. PEYSER. There is a Financial Policy Division.

Mr. PASSMAN. Dealing with the same subject matter?

Mr. PEYSER. No, sir; dealing with an allied subject, the matter of formulating lending policies generally. There is a Private Enterprise Division which deals with the encouragement generally of private industry in underdeveloped countries.

Mr. PASSMAN. Give us the number of employees in each one now.

Mr. PEYSER. Yes, sir. I cannot do it here.

PERSONNEL FOR INVESTMENT SURVEYS

Mr. PASSMAN. You are trying to get some money. You are supposed to know these things. How many come under investment surveys?

Mr. PEYSER. For investment surveys, we have no separate division. There are two people in my office who work on investment surveys, but not exclusively.

Mr. PASSMAN. Does your office have anything to do with approving loans out in the Far East?

Mr. PEYSER. No, sir; we do not approve loans. I sit on the Development Loan Committee and my office acts as the secretariat for the Development Loan Committee.

Mr. PASSMAN. What we are trying to do is find out how many people are going to be used in this activity. The Office of Development Finance and Private Enterprise covers a broad field. Originally you did not know how many you had. You said "40," and now it is 51.

Mr. PEYSER. It is 51 now.

PERSONNEL FOR INVESTMENT GUARANTIES DIVISION

Mr. PASSMAN. Can you tell us how many personnel are going to be in the field for which you are asking the $180 million?

Mr. PEYSER. I can tell you we now have 14 in the Investment Guaranties Division and are requesting 6 more to do the job because of the increased amount of work involved. There will eventually be approximately 20 working in that area.

Mr. PASSMAN. Can you give us the actual cost?

Mr. PEYSER. I cannot now, but I can get that for you.

Mr. PASSMAN. You are asking for money. Can you tell us the price range these people are in, their grades?

Mr. PEYSER. Yes. GS–15 is the senior grade in the Investment Guaranties Division.

Mr. PASSMAN. Civil service or appointed?

Mr. PEYSER. Civil service.

Mr. PASSMAN. How many are appointed?

Mr. WARDEN. Not one.

Mr. PASSMAN. We are trying to find out how much money you have for this category.

Mr. PEYSER. I am doing my best to answer within my present knowledge.

Mr. MILLER. The administrative budget for the Investment Guaranties Division and Mr. Peyser's office is included within the general administrative expense budget.

FUNCTIONS OF ADMINISTRATOR

Mr. PASSMAN. What are your functions other than administering this guarantee program.

Mr. PEYSER. I have two basic functions. The development finance function is a staff function dealing, insofar as policy——

Mr. PASSMAN. Dealing with what?

Mr. PEYSER. I sit on the Development Loan Committee and my office acts as the secretariat for that committee. This is a staff function.

The other function, generally speaking, has to do with private enterprise and one of those functions has to do with investment guaranties. The Investment Guaranties Division is a separate division in my office.

SCOPE OF PRIVATE ENTERPRISE DIVISION

There is also a Private Enterprise Division which does the job of encouraging private American business to enter into contracts with businessmen in the host countries and encourages the investment of capital and technological know-how.

Mr. PASSMAN. Are you referring to investment surveys?

Mr. PEYSER. No, sir, I am referring to the Private Enterprise Division.

Mr. PASSMAN. What do they do?

Mr. PEYSER. They isolate the needs and these needs are pointed out by the regions. The Private Enterprise Division, working under me, tries to match these needs to specific investments of capital and know-how from the United States in order to work out joint ventures.

Mr. PASSMAN. To whom do they report, these people out in the field?

Mr. PEYSER. When you say "in the field" I want to be clear about that.

Mr. PASSMAN. I am speaking of the people out in Pakistan, for instance.

Mr. PEYSER. The people in Pakistan report to Mr. Gaud. The people I was referring to in the Private Enterprise Division work in the

United States to match the needs identified in Pakistan to American investment.

Mr. PASSMAN. They might talk some textile mill into locating in Pakistan, if they need it?

Mr. PEYSER. If they need a textile mill or a plywood factory they look to an American businessman to work out a joint venture with a Pakistani.

EXPERIENCE OF EMPLOYEES

Mr. PASSMAN. What type of men do you usually employ? Are they civil service personnel in this field directly under you?

Mr. PEYSER. In the effort we were speaking of most recently—because there are many efforts here and there is danger of confusion—in the Private Enterprise Division there is one man who has been in civil service who was a GS–15. There is a young man who has had no prior Government experience but has had international business experience.

Mr. PASSMAN. International business experience in meeting payrolls or in running factories?

Mr. PEYSER. Both.

Mr. PASSMAN. What are you talking about?

Mr. PEYSER. The one man I was referring to had worked with McGraw-Hill on an international basis.

DATE OF PASSAGE OF AUTHORIZATION LAW

Mr. PASSMAN. The law under which you are requesting this appropriation was passed when?

Mr. PEYSER. Within the last 2 weeks.

Mr. PASSMAN. Get your heads together, gentlemen.

Mr. TENNANT. I think Mr. Peyser refers to the 1962 amendments to the basic legislation and that was preceded by the Mutual Security Act.

Mr. PASSMAN. So it was the 1961 law?

Mr. TENNANT. There was legislation before 1961 in the Mutual Security Act as amended.

Mr. PASSMAN. That provided partly for the same things for which you are asking money today?

Mr. TENNANT. Partly, yes.

Mr. PASSMAN. The prior legislation has not been repealed?

Mr. MILLER. It provides the authorization, yes, Mr. Chairman.

Mr. PASSMAN. In the future claims which may be filed will be paid from an appropriation and not from any previous authority?

Mr. TENNANT. No, sir.

Mr. PEYSER. It will be paid out of an appropriation plus any money that comes out of the fees we charge for these guarantees plus the existing borrowing authority to the extent it remains available.

Mr. PASSMAN. You will have the existing borrowing authority, you will have your fees, and the appropriation?

Mr. PEYSER. The fees are only until June 30.

UNUSED BORROWING AUTHORITY

Mr. PASSMAN. How much is the borrowing authority total previously authorized by the Congress?

Mr. PEYSER. $199 million as of 1956, if my memory serves me correctly.

Mr. PASSMAN. And out of that $199 million you have had $1,823 losses and you have paid out $650,000?

Mr. PEYSER. Yes.

Mr. PASSMAN. That is in 14 years?

Mr. PEYSER. Yes.

Mr. PASSMAN. And you may collect the $650,000 before it is over, depending on the type of contract you had?

Mr. PEYSER. That or some part thereof.

Mr. PASSMAN. Why would you anticipate that you are going to have losses of this magnitude in the future, since you did not have them in the past?

Mr. PEYSER. We do not anticipate that we are going to have losses. We anticipate there is a chance we might have losses. There is an established practice for reserves and we would need this appropriation to maintain these reserves. We do think there might be a greater possibility of some losses in the future, particularly since the 14-year record you mentioned includes many of the more sophiscated European countries which are closer to us in their ways of doing business.

Mr. RHODES. Mr. Chairman, will you yield at this point?

Mr. PASSMAN. Yes.

RESERVE FUNDS OF OTHER NATIONS

Mr. RHODES. How do the other nations of the world handle this thing? Do they set up reserves?

Mr. PEYSER. I do not know about their reserve funds, Mr. Congressman.

Mr. RHODES. It would be interesting to know how the others do it. I am under the impression some of the other countries handle it on the basis of a contractual liability.

Mr. Chairman, do you not think we should get that information for the record?

Mr. PASSMAN. Yes, I think we should, because if we are in business and selling on credit we have a contingent liability. I am not opposed to there being a reserve, but we are discriminating between an American plan and a foreign plan. We have billions, in fact tens of billions, of federally guaranteed housing in America that goes through the banks, and so forth, and it is not a contingent liability, it is a direct liability. I would think the Government's commitment to business should be that if they sustain a loss then we will appropriate money to cover that loss. I can see some justification for a small reserve, but with a loss of $1,823 in 14 years and having paid out $650,000 you may get back, $20 million, it seems to me, would be more than ample.

(The following was supplied for the record:)

FUNDING OF INVESTMENT GUARANTEE PROGRAMS OF OTHER COUNTRIES

The only investment guarantee programs (as distinguished from export credit guarantee programs) known to exist in other countries are those of the Federal Republic of Germany and Japan, both of which were inaugurated after the U.S. program. Other countries are said to be contemplating such programs. In 1961, the Development Assistance Group of the OECD asked the International Bank

for Reconstruction and Development to study the possibility of multilateral investment guaranty systems. The staff report entitled "Multilateral Investment Insurance" of the Bank describes the main features of the Japanese and German programs but does not report on the methods by which those programs are funded. It is believed, but not here subject to confirmation, that the German program involves reserves established by appropriation. No documentary information concerning this aspect of the programs is at this time available.

It may be pertinent to note that in its examination of the possibility of a multilateral program, the Bank "assumed that the *total amount of insurance written* under the program, at least initially, would *not exceed the equivalent of subscribed capital plus reserves*," and stated "it would presumably be necessary to assure from the outset that members' commitments *fully covered* the amount of any possible liability." [Italic added.]

INVESTMENT GUARANTIES IN LATIN AMERICA

You have a Latin American guarantee, I think, coming up.

Do we have any cash reserve set aside to meet the guarantees in this country where there is a default on housing?

Mr. PEYSER. We have not yet issued any Latin American guarantees, One will be issued this month.

Mr. PASSMAN. You will guarantee the investor, and you want money to put aside that you may never need. Are we doing the same thing in America where we are guaranteeing on housing?

Mr. PEYSER. I see your point.

Mr. PASSMAN. Will you look into that matter?

Mr. PEYSER. Yes.

(The following was supplied for the record:)

FEDERAL HOUSING ADMINISTRATION GUARANTY PROGRAMS

The following information is based upon informal inquiries of Federal Housing Administration (FHA) and Veterans' Administration (VA) officials.

It is our understanding that funding of the several programs of the Federal Housing Administration are accomplished through different accounts. The home mortgage program is funded by premiums charged for the insurance of mortgages, which premiums amount to one-half of 1 percent. The FHA has carried out experimental or emergency programs which have not been able to be funded sufficiently by premiums. One such program, the war housing program, had a deficit which required supplemental funding from other accounts. It is our understanding that section 219 of the National Housing Act permits the FHA to borrow from one program account to fund another program.

It is our understanding that the VA housing guaranty program does not contain provision for premium charges. Prior to July 1961 the VA housing program was funded through appropriations based upon estimates of the funds that would be required to cover losses for the subsequent fiscal year. Subsequent to July 1961 it is our understanding that funding has been based upon profits available from direct loan operations and the transfer of these funds to the loan guarantee revolving fund. When there are insufficient funds in this revolving fund, the VA secures funds through borrowings from the Treasury.

LATIN AMERICAN HOUSING GUARANTEE RISKS

Mr. PASSMAN. Is the risk greater under the extended-risk investment guarantee program for Latin American housing than under the specific-risk investment guarantee program?

Mr. PEYSER. Presumably the Congress has answered that question for us.

Mr. PASSMAN. Why would the risk be any greater in one field than in the other?

Mr. PEYSER. Because from a business point of view the risks are greater in housing and because the need for Latin American housing has been established to be so central and so important to the development of these countries that in order to encourage American institutional investors to lend money on a mortgage basis on housing, this extended-risk investment guarantee program has been decided upon as a useful tool.

AVERAGE LENGTH OF GUARANTEE

Mr. PASSMAN. What is the average length of time the guarantee is in force?

Mr. PEYSER. Twenty years is the contract limit.

Mr. PASSMAN. In effect, you are guaranteeing the contractor against a loss?

Mr. PEYSER. In most cases in the Latin American housing program we are not.

Mr. PASSMAN. What are you guaranteeing?

Mr. PEYSER. In most cases the applications that we have on file run in favor of the institutional investor.

Mr. PASSMAN. Who is the investor?

Mr. PEYSER. Insurance companies, pension funds, investment banking houses—not the builder himself.

ENCOURAGEMENT OF U.S. CAPITAL DRAIN

Mr. PASSMAN. Do you not think we have made it too attractive to drain capital out of the United States? We have a serious balance-of-payments deficit. The gold is flowing out so fast we do not know how to stop it. Is this not making it more attractive for the American investor to go abroad, where he has less taxes and people easier to deal with? Are we not just making it mighty easy for a businessman to get his capital out of America and to invest it where he is guaranteed against any loss? Do you see where it would be attractive to them?

Mr. PEYSER. If you are talking about Europe——

Mr. PASSMAN. I am talking about any place on the face of the earth. In the Congo that man probably was disappointed he got his money back so fast, even before he had lost it. Do you not think this program is leading capital out of this country?

Mr. PEYSER. I think we have been trying to lead capital to the underdeveloped countries, and for the underdeveloped countries we are responding to an overriding need.

Mr. PASSMAN. But it is true that you lead capital to Europe, and they make a tremendous profit there and then they can move to an underdeveloped country and invest the profit?

Mr. PEYSER. Nothing in our program leads people into Europe.

Mr. PASSMAN. You have plenty of American businessmen operating in Europe, do you not?

Mr. PEYSER. Yes, but there is now no relationship to our program.

Mr. PASSMAN. They can make their profit in Europe and then move into an underdeveloped country with that profit and not have to pay income taxes on it?

Mr. PEYSER. No, sir. As I understand, under the tax bill——

Mr. PASSMAN. What tax bill?

Mr. PEYSER. The tax haven bill; they could take money made anywhere.

Mr. PASSMAN. You have no applications pending for claims at this time?

Mr. PEYSER. No claims; no, sir.

AMERICAN BUSINESS INVESTMENTS IN OTHER COUNTRIES

Mr. PASSMAN. Of course, you have many people working under you trying to get American businessmen to go abroad looking for investments. Do you find those people receptive to our willingness to cooperate with them; that is, the leaders in these countries?

Mr. PEYSER. That varies from country to country.

DANGERS OF EXPROPRIATION

Mr. PASSMAN. Do you go in where there is a chance of the property being expropriated?

Mr. PEYSER. You are talking about American capital? American businessmen, of course, are cautious about going in countries where there is a chance of their property being expropriated.

Mr. PASSMAN. Is the American Government cautious about guaranteeing investments where it thinks the danger of expropriation is great?

Mr. PEYSER. If the Government thought the danger of expropriation was great they would not encourage American business to go there.

Mr. PASSMAN. On page 5 of your statement, you say:

> We have in mind, especially, projects in areas where chronic instability of an economic or political nature is now acting to discourage U.S. investments.

That means you are encouraging investments in those areas, are you not?

Mr. PEYSER. Yes, sir. This has to do with the all-risk authority. The Senate report, in talking about the all-risk authority, stated it was—

> designed to attract private capital to areas where chronic instability, combined with strong nationalistic attitudes and administrative inexperience, serves to discourage investment.

Mr. PASSMAN. Why force ourselves in if we are not welcome? Why do we not just go into countries that are receptive to our plans? Even in Latin America, could we not pick out just three or four nations that cooperate and go there?

Mr. PEYSER. I am not sure I understand your question, Mr. Chairman.

Mr. PASSMAN. If you find three or four friendly Latin American countries, where the leaders indicate they are pro-American, if we would go in with a sound program and take outside investment in, and show the other countries what could be done where you have public officials who want to cooperate, would that not be better than spreading it all over the world?

Mr. PEYSER. That is precisely what we are doing, among other things, in our private enterprise efforts. Right now we have identified one country in each of the four regions to start just such a pro-

totype program, because we find they are friendly countries where there is real possibility of growth in the near future.

Mr. PASSMAN. If you would read the hearings you would see that in 101 nations and just about every British possession, all you have to do is land in one of them and spend 2 hours and we have a foreign aid program there.

You are trying to get $180 million there is no indication you need.

If you were in business and wanted to invest abroad, would you not be willing to follow the criteria established in the past 14 years, during which no losses were suffered; and would you not feel you had sufficient security if the Government said, "If you sustain any losses we will reimburse you after you prove your claim"? Would you be satisfied to go in there with that assurance?

Mr. PEYSER. Yes, I would, Mr. Chairman.

Mr. PASSMAN. Then why——

JUSTIFICATION FOR INVESTMENT GUARANTEE PROGRAMS

Mr. PEYSER. Let me explain my answer, Mr. Chairman.

What I mean, very simply, is this: From my point of view as a newcomer to this Agency, the investment guarantee technique is an extremely valuable one to bring private investment into the underdeveloped countries. I come into the Government at a time when there has been an established system of setting up reserves for 14 years for the guarantees that are issued, not the guarantees paid out against. It is on that basis we come to you and make our request for the necessary reserves based on the system established by the executive department, consented to by the Congress, and as a matter of fact actually imposed by the Congress, in the past. From the standpoint of the investment guarantee, obviously the incentive is the same and I agree with the chairman if the liability is the liability of the United States I, as a citizen of the United States, would be willing to take that contract. There are obviously reasons why reserves have been found to be prudent. I have not investigated those reasons. I have taken that system as the established system for 14 years.

Mr. PASSMAN. How long have you been in the Government?

Mr. PEYSER. Three months.

Mr. MILLER. Mr. Chairman, there is one other thing which Mr. Peyser mentioned. It is my understanding that the full faith and credit of the United States is not on the line under the investment guarantee. The statute states that guarantees shall be obligations only to the extent of the probable ultimate net cost to the United States of all outstanding guarantees, so unless we have some reserves the full faith and credit of the United States is not behind an investment guarantee contract.

Mr. PASSMAN. You mean that $199 million authority, under which you had $1,823 losses in 14 years, with $650,000 paid out, is not available to meet claims if we had them?

Mr. MILLER. Yes; it is.

Mr. PASSMAN. And based on your record, your present authority would be good for 1,000 years just about, would it not?

Mr. MILLER. Mr. Chairman, as we have suggested, if the program grows at the rate it is growing——

Mr. PASSMAN. But you are talking about a contingent obligation. I am in business and I am permitted to set up a reserve based upon my losses. I may have $150,000 outstanding on receivables and my endorsement may be on an additional $150,000, but there is a record of what my losses have been per year for the past 10 years. I am not permitted to continue to build my reserves up on losses I cannot show I might sustain in the next year.

In this case, our Government is guaranteeing these losses, and you are defending the categories in which they are guaranteed. You have been going 14 years and have suffered no losses to speak of, yet you want to pyramid the reserves; furthermore, you say you do not have any claims pending and do not know that you will have any claims made upon the U.S. Treasury during fiscal 1963.

It appears to me you people could be as realistic with this program as we are in America. We guarantee tens of billions through the banks and insurance companies on FHA loans, in the event a loss is sustained.

But you people will build a huge building, and this aid program will go on, and if you ask for $180 million and get it you will ask for more, and you may have half a billion dollars without a single claim made against this large appropriation for any losses sustained. If you had been more reasonable I would have thought there was some justification for your request.

MEANING OF COUNTERPARTS IN HOST COUNTRIES

What has your office done to "put in motion a number of concrete operations designed to increase the participation of American companies and of their counterparts in the host countries"? What do you mean by the phrase "their counterparts"?

Mr. PEYSER. I mean private enterprise in the host countries.

EXTENT OF GUARANTEE

Mr. PASSMAN. If a North Carolina manufacturer has a wholly owned mill in Pakistan, is he guaranteed his entire investment?

Mr. PEYSER. Yes, for specific political risks.

Mr. PASSMAN. We want to know, by letter, how far this guarantee goes and what you are guaranteeing. You guarantee a bank against a loss, but do you also guarantee the shipbuilder domiciled in Mississippi? I am familiar with chargeoffs and expense accounts. So, give us a letter spelling out what you are guaranteeing, because, as it stands now, none of us knows. You may be guaranteeing a profit. If you are guaranteeing these people against any type of loss, such as the loss indicated in Taiwan, this is just about the most lucrative thing conceivable.

Will you give us a letter covering the matter, because we do not know what you are guaranteeing.

Mr. PEYSER. Yes, sir.

(The information follows:)

COVERAGE PROVIDED UNDER AID GUARANTEES

AID has two basic types of guarantee authority. The first, which is a continuation of the specific risk guarantee program administered by ICA, FOA, and ECA in the past, protects U.S. investors against loss of their investments in projects in the underdeveloped countries where such loss is caused by inconvertibility of the foreign currency, expropriation, or damage from war, revolution, and insurrection.

The guarantee against inconvertibility is not a guarantee against general and nondiscriminatory devaluation. What it does assure the investor is that he will be able to get out of the foreign country his actual earnings at a rate of exchange which is realistic at the time the investor is blocked. This realistic rate is determined by looking first to the rate used by the U.S. Customs Bureau in assessing duties on imports into the United States from that foreign country. If there is no such rate, the contracts look to the rate applicable to exports from the United States into the project country. When the investor establishes that he is totally blocked, or for all practical purposes totally blocked, because the only rate at which he can come out is a discriminatorily high, AID will buy the investor's blocked currency, using a rate which is 95 percent of the realistic rate of exchange determined in accordance with the contract. The 5-percent deduction is to allow for such charges as transfer commissions, stamp taxes, cable transfer charges, which are normally borne by investors transferring foreign currencies in dollars. The amount of foreign currency which an investor may transfer is limited to 200 percent of his original investment.

The expropriation guarantee assures the American investor of dollar compensation where foreign governmental action deprives him of substantial control over the investment property for 1 year, or for that period prevents debt servicing on a loan investment or destroys the value of the foreign enterprise as a going concern. The measure of the relief to be provided the investor is essentially his share[1] of the net book value of the project in the case of an equity investor, or in the case of a loan investor, the principal balance and accrued interest owing on the date of expropriation. In neither case is the investor guaranteed a profit. In order to obtain relief under the guarantee, the investor must assign to AID all his rights and claims in connection with the expropriated investment.

In the case of loss arising out of war, revolution, or insurrection, the investor is compensated for an agreed percentage of the damage to physical property caused by the war, revolution, or insurrection. Again, this is not a guarantee of profits, but insurance against a catastrophe.

The second basic type of AID guarantee is the extended-risk guarantee which might be regarded as a successor to the guarantees issued by the corporate Development Loan Fund. These guarantees are intended to cover loss from any reason other than the investor's own fault or gross misconduct or loss arising out of normally insurable risks. The investors are to be coinsurers, since the guarantees will not cover 100 percent of the investments. It is contemplated that these guarantees would be used to supplement rather than duplicate the coverage provided under the specific risk guarantees. It is further contemplated that just like the specific risk guarantees, the extended risk guarantees will not insure potential as distinguished from actually earned profits on an investment. As in the case of the specific risk guarantees against expropriation, to obtain relief under the extended risk guarantee the investor would have to assign to AID all his rights and claims in connection with the loss.

The Latin American housing guarantees are applications of the extended risk coverage to investments in qualified Latin American housing projects.

The categories of investors eligible for guarantees are defined in sections 221(b) and 224 of the Foreign Assistance Act. Wholly owned oversea subsidiaries of U.S. corporations themselves substantially beneficially owned by U.S. citizens are eligible for specific risk guarantees and for extended risk guarantees other than those authorized under section 224 for Latin American housing projects.

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[1] Limited to 200 percent of his original investment.

Mr. PASSMAN. Would the same type of consideration be extended to the U.S. firm where it is a wholly owned subsidiary, under the tax provosions of the present law?

Mr. PEYSER. I am sorry, I do not understand the question.

Mr. PASSMAN. There are certain tax advantages given to American enterprises located abroad, and I wonder if those advantages are extended to a wholly owned subsidiary or a partially owned subsidiary of an American company. I think I know the answer, but I would like to get it from you.

Mr. PEYSER. Are you asking a question dealing with the applicability of the tax law?

Mr. PASSMAN. That is correct, because with the advantages of a businessman going abroad to save income taxes, and with the advantages and the guarantees, that combination, is a tremendous incenbegun. With that kind of guarantee, it will not be necessary for your people to encourage American businessmen to go abroad, we will need somebody to encourage them to stay at home. The tax advantages and the guarantees, that combination, is a tremendous incentive to businessmen to go abroad.

Mr. PEYSER. In answer to your question I think it should be stated that our specific-risk guarantees do not guarantee against everything. The Taiwan situation you referred to was a guarantee under a different statute. We are talking about three types of investment guarantees. The specific-risk guarantee——

DEFINITION OF SPECIFIC-RISK GUARANTEE

Mr. PASSMAN. How do you define a specific-risk guarantee?

Mr. PEYSER. Where we guarantee against inconvertibility——

Mr. PASSMAN. That means if there is mismanagement in a country and you cannot convert the local currencies into dollars?

Mr. PEYSER. If you cannot convert the moneys due to you in the local currency into dollars this guarantee will cover that; yes.

Mr. PASSMAN. Do you realize that in Laos we were supporting the kip at 35 to 1 when the actual value was 110 to 1?

Mr. PEYSER. This is not a guarantee against devaluation. It is a guarantee you will receive dollars at the going rate.

Mr. PASSMAN. If you are supporting a rate that is three times the realistic rate, would the businessman be guaranteed at that rate? You have two rates, the official rate and the unofficial rate. We would have to support it at the official rate, would we not?

Mr. WARDEN. We do not get trapped into things like that.

Mr. PASSMAN. We got trapped in Laos.

Mr. PEYSER. Not on this program.

Mr. PASSMAN. Can you give us a letter that our Government supports these investments at the unofficial rate or at the official rate?

Mr. WARDEN. Under the specific-risk guarantee we use the free market rate or the official rate.

Mr. PASSMAN. We have been trapped all over the world in situations of that nature. Are you familiar with what happened in Laos?

Mr. WARDEN. No, sir; that is not my region.

Mr. PASSMAN. You are in that part of the world, are you not? You are trying to get American industry into underdeveloped countries, are you not?

Mr. WARDEN. Not into Laos.

Mr. PASSMAN. Laos is an underdeveloped country, is it not?

Mr. WARDEN. Yes.

Mr. PASSMAN. What about Cambodia?

Mr. WARDEN. We are not doing anything there.

Mr. PASSMAN. They are eligible, are they not?

Mr. PEYSER. There has not been an intergovernmental agreement signed.

Mr. PASSMAN. You have a textile mill in Cambodia?

Mr. PEYSER. Not pursuant to private investment that is guaranteed under this program.

COUNTRIES WHERE INVESTMENT GUARANTEES ARE AVAILABLE

Mr. PASSMAN. Can you tell us which countries you are in?

Mr. PEYSER. Yes, sir.

Mr. PASSMAN. How many are you in?

Mr. WARDEN. Fifty-nine.

Mr. PASSMAN. Fifty-nine underdeveloped countries?

Mr. WARDEN. No, 45 underdeveloped countries.

Mr. PASSMAN. You are in Afghanistan?

Mr. WARDEN. Yes, sir.

Mr. PASSMAN. You are in Yugoslavia?

Mr. WARDEN. Yes.

Mr. PASSMAN. You are in Togo?

Mr. WARDEN. Yes, sir.

Mr. PASSMAN. You are in Morocco?

Mr. WARDEN. Yes, sir.

Mr. PASSMAN. And you are in Iran?

Mr. WARDEN. Yes, sir.

Mr. PASSMAN. Are you familiar with their budgetary system?

Mr. WARDEN. A little bit.

Mr. PASSMAN. If you are familiar with their budgetary system a little bit you would want to take back what you said, and I would give you permission to do so.

We shall put this list of countries where investment guarantees are available in the record at this point.

(The list follows:)

COUNTRIES WHERE INVESTMENT GUARANTEES ARE AVAILABLE, JUNE 1, 1962

Convertibility	*Expropriation*	*War risk*
Afghanistan	Afghanistan	Afghanistan
Argentina		
Bolivia	Bolivia	
Chile		
China, Republic of	China, Republic of	China, Republic of
Colombia [1]		
Costa Rica	Costa Rica	
Dominican Republic	Dominican Republic	Dominican Republic
Ecuador	Ecuador	
El Salvador	El Salvador	
Ghana	Ghana	
Greece	Greece	
Guatemala [1]	Guatemala [1]	
Guinea	Guinea	Guinea
Haiti	Haiti	
Honduras	Honduras	
India	India	
Iran	Iran	
Israel	Israel	Israel
Ivory Coast	Ivory Coast	Ivory Coast
Jordan	Jordan	Jordan
Korea	Korea	Korea
Liberia	Liberia	Liberia
Malaya, Federation of	Malaya, Federation of	
Morocco	Morocco	Morocco
Nepal	Nepal	Nepal
Nicaragua	Nicaragua	Nicaragua
Niger	Niger	Niger
Pakistan	Pakistan	Pakistan
Panama	Panama	Panama
Paraguay	Paraguay	
Peru		
Philippines	Philippines	
Portugal	Portugal	
Sierra Leone	Sierra Leone	Sierra Leone
Spain	Spain	
Sudan	Sudan	Sudan
Thailand	Thailand	Thailand
Togo	Togo	Togo
Tunisia	Tunisia	Tunisia
Turkey	Turkey	
Uruguay [1]	Uruguay [1]	
Vietnam	Vietnam	Vietnam
Yugoslavia	Yugoslavia	

[1] Agreement not in force until ratified by country's legislative body.

NOTE.—An agreement with Ethiopia was signed August 3, 1962, covering convertibility expropriation, and such other risks as may be agreed upon.

Although the Mutual Security Act of 1959 excluded economically developed countries for purposes of the investment guarantee program, guarantees are still available for the underdeveloped oversea dependencies of the following countries:

Convertibility	*Expropriation*	*War risk*
Belgium	Belgium	
Denmark	Denmark	
France	France	
Netherlands	Netherlands	
Norway	Norway	
United Kingdom		

The following countries also have signed the agreement to participate in the investment guarantee program but due to the Mutual Security Act of 1959 guarantees may no longer be issued for investments there: Austria; Finland; Germany, Federal Republic of; Ireland; Italy; Japan; and Luxembourg.

Cuba signed the agreement in 1957 for convertibility and expropriation but due to conditions existing in that country the program is inoperative there.

Mr. PEYSER. That list is as of June 1. There may be one or two more that were added after that.

Mr. PASSMAN. How many are there?

Mr. WARDEN. There should be 59, of which 45 are underdeveloped.

Mr. FORD. Mr. Chairman, it might be well to list the number of investment guarantees for each of the countries and the dollar amount involved.

Mr. PASSMAN. We have asked for that data. Actually, we have had an established loss of $1,823 as of this time, and you have paid $650,000 that you may recover, and you are going to check into that?

Mr. PEYSER. Yes, sir.

(The information follows:)

AGENCY FOR INTERNATIONAL DEVELOPMENT, OFFICE OF DEVELOPMENT FINANCE AND PRIVATE ENTERPRISE, INVESTMENT GUARANTEES DIVISION, WASHINGTON, D.C.

Quarterly report of all investment guarantees issued through June 30, 1962

Investor	Product	Convertibility	Expropriation	War risk	Date of contract
Afghanistan: Pan American World Airways, Inc	Air travel	$400,000	$200,000	$200,000	Oct. 27, 1960.
Algeria (French):					
Africa Cities Service	Oil exploration		9,750,000		Dec. 15, 1961.
Drilling Specialties Co	do		2,000,000		Jan. 12, 1961.
Do	do		2,500,000		July 27, 1961.
Do	do		1,500,000		Do.
Total			15,750,000		
Argentina:					
Ford Motor Co	Automotive vehicles	14,000,000			Apr. 10, 1962.
Do	do	55,200,000			June 26, 1962.
American Life Insurance	(PASA project)	251,669			Feb. 26, 1962.
Chase International (CIIF)	Petrochemicals	5,201,181			Nov. 26, 1962.
Chemical International (CIC)	do	838,901			Feb. 26, 1962.
Cities Service Co.[1]	do	8,880,000			June 29, 1962.
Continental Oil Co.[1]	do	8,880,000			Do.
Eli Wishnick Foundation	do	167,781			Feb. 26, 1962.
Empresas Electricas Argentinas	do	1,677,800			Do.
Keystone Custodian Funds, Inc	do	671,120			Do.
Do	do	671,120			Do.
Lazard Freres	do	1,887,524			Dlo
Levy, Janet W	do	167,781			Do.
Morgan Guaranty International Finance Corp	do	838,901			Do.
Philadelphia International (FIIC)	do	838,901			Do.
Underwriters Bank, Inc	do	335,560			Do.
U.S. Rubber Co.[1]	do	8,880,000			June 29, 1962.
Witco Chemical Co., Inc.[1]	do	4,810,000			Do.
Witco Foundation	do	167,781			Feb. 26, 1962.
Total		114,366,020			
Austria:					
Socony Mobil Oil Co., Inc	Oil distribution	1,000,000	1,000,000		June 20, 1957.
Syntron Co	Vibratory equipment	30,000			Do.
Total		1,030,000	1,000,000		
Belgium:					
Cowles Dissolver Co., Inc	Grinding equipment	30,000	30,000		Mar. 5, 1959.
Morehouse Industries, Inc	do	30,000	30,000		Do.

Ro-Search, Inc.	Footwear	300,000			Sept. 17, 1959.
Smith-Corona, Inc.	Typewriters	72,000	60,000		Oct. 1, 1955.
Total		432,000	120,000		
Bolivia:					
Andes Oil Co.	Oil exploration and drilling		300,000		June 15, 1961.
Andes, Sohio & Hancock	do		2,000,000		Do.
Big Chief International Corp.	do	500,000	2,000,000		June 30, 1959.
Do	do		2,000,000		Do.
Chaco Petroleum (Union Petroleum Boliviana, S.A., Monsanto Bolivia, Inc., Murphy Oil de Bolivia, S.A.).	do		10,000,000		Oct. 15, 1959.
Pan Geo Atlas Corp.	Oil well services		51,344		May 4, 1961.
Do	do		84,957		Dec. 18, 1959.
South American Placers, Inc.	Gold dredging		3,000,000		June 19, 1958.
Total		500,000	19,436,301		
China, Republic of:					
Allied Chemical Corp.	Ammonia, urea, fertilizer	8,960,000	8,400,000		Oct. 1, 1962.
Do	do	1,750,000	1,750,000	6,500,000	Feb. 21, 1962 [23] and June 1, 1962.[4]
Do	do	1,400,000			Oct. 1, 1962.
American Cyanamid Co.	Drugs and animal feed		700,000	550,000	June 1, 1961.
International Dairy Engineering Co. of Asia, Inc.	Recombined dairy products	120,000	120,000		Feb. 11, 1960.
Do	do	875,000			Do.
International Engineers, Inc.	Coke oven	200,000	200,000		June 2, 1960.
Von Kohorn International Corp.	Rayon manufacture	1,059,242	959,242		May 23, 1956.
Do	do	72,000	100,000	72,000	June 30, 1959 [23] and Feb. 23, 1961.[3]
Do	do	24,000	6,000		Aug. 24, 1961.
Socony Mobil Oil Co.	Ammonia, urea, fertilizer	8,400,000	8,400,000	7,000,000	Oct. 1, 1962.
Westinghouse Electric International	Electric generator equipment	2,140,320	1,881,600		Fe. 17, 1955.
Total		25,000,562	22,516,842	14,122,000	
Congo (Belgian):					
Pluswood Industries	Lumber processing	100,000	100,000		
Do	do	(+A-75,000)	(+A-75,000)		June 2, 1960.
Do	do	300,000	300,000		
Total		475,000	475,000		
Costa Rica:					
American broadcasting-Paramount Theatres, Inc.	TV station	105,000	105,000		Apr. 28, 1960.
Do	do	31,250	26,250		Do.
Do	do	28,125	23,625		Do.
Do	do	12,500	10,500		Do.
Do	do	9,555	7,791		Apr. 20, 1961 [2] and Apr. 21, 1961.[3]
Standard Fruit Co	Banana processing plant		700,000		Apr. 13, 1961.
Total		186,430	873,166		

See footnotes at end of table.

Quarterly report of all investment guarantees issued through June 30, 1962—Continued

Investor	Product	Convertibility	Expropriation	War risk	Date of contract
Denmark: Ray-O-Vac International Inc.	Leakproof batteries	182,500			May 27, 1953.
Ecuador:					
FMC Corp [1]	Growing pyrethrum for insecticides	165,200	165,200		Apr. 10, 1962.
Do [1]	do	221,700	221,700		June 28, 1962.
General Tire & Rubber Co.	Tires and tubes	1,549,360	1,549,360		Apr. 16, 1962.
W. R. Grace & Co.	Paints and chemicals	252,945			Oct. 2, 1958 and May 14, 1962.[3]
Total		2,371,705	1,936,260		
France:					
Armstrong Paint & Varnish Co.	Paints and varnishes	12,000			Feb. 3, 1955.
Chicago Molded Products	Plastics	35,000			Mar. 20, 1958.
Godfrey L. Cabot, Inc.	Carbon black	4,430,000	2,215,000		Mar. 29, 1957.
Do	do	4,400,000	2,215,000		Mar. 29, 1957 [2] and Oct. 24, 1957.[3]
Chrysler Corp.	Trucks and cars	920,108			Apr. 12, 1950.
Do	do	6,987,310	3,493,655		June 12, 1958.
Clark Equipment Co.	Materials handling equipment	479,250			Dec. 1, 1954.
Concrete Chemicals Co.	Concrete admixes	90,000			Aug. 9, 1951.
Corhart Refractories Co.	Refractories	70,000			Dec. 22, 1949.
Dana Corp.	Automotive parts	200,000			Jan. 11, 1950.
Dennis, John K.	Plastics	4,070	4,070		Sept. 25, 1958.
Dow Corning Corp.	Silicones	304,950			Dec. 29, 1949.
Do	Chemicals	591,450			June 1, 1959.
Ellicott Machine Corp.	Dredging machinery	40,214	20,107		Feb. 25, 1957.
Do	do	34,132	17,066		June 25, 1957 [2] and Feb. 25, 1957.[3]
Do	do	40,765	20,383		Dec. 24, 1959.
Ford Motor Co.	Auto products		713,875		Aug. 29, 1957.
Foster Wheeler Corp.	Construction engineering	213,500			Dec. 18, 1950.
Do	do	172,500			Apr. 27, 1956.
Fruehauf Trailer Co.	Truck trailers	437,500			Dec. 11, 1952.
Guthery, Frank F.	Spotwelding	15,000	15,000		May 21, 1959.
Harshaw Chemical Co.	Ceramic colors	100,000	100,000		June 11, 1959.
Do	do	200,000	100,000		June 30, 1955.
Heyden Chemical Corp.	Streptomycia	300,000			Dec. 14, 1949.
Hohenstein, Walter P.	Polystyrene	56,000			Sept. 17, 1953.
Houdry Process Corp.	Petroleum refining	202,000			June 28, 1956.
J. H. Huber Corp.	Silicate Pigments	50,000			May 7, 1959.
Huppert, Peter	Plastics	4,070	4,070		Sept. 25, 1958.
International Water Corp.	Water wells	51,000			Mar. 5, 1953.
Koppers Co.	Styrene monomer	465,000			Aug. 24, 1954.
Landis Tool Co.	Cylinder grinding machinery	3,000,000	3,000,000		Dec. 31, 1959.
Lee C. Moore Corp.	Oil drilling equipment	42,000	21,000		Dec. 18, 1959.
Do	do	100,000			Do.

Lincoln Electric Co.	Welding equipment	1,072,636			June 30, 1955.
Do.	do	3,211,000			Dec. 24, 1958.
Marmon-Herrington Co., Inc.	Transportation vehicles	54,860	27,430		Sept. 26, 1957.
Morrison-Knudsen Co., Inc.	Construction engineering	252,000			Feb. 21, 1951.
National Fastener	Slide fasteners	17,500			Nov. 17, 1950.
New Britain Machine Co.	Machine tools	1,000,000	1,000,000		Apr. 24, 1958.
Phillips Petroleum Co.	Carbon black		1,520,000		Dec. 24, 1959.
Do.	do		250,000		Do.
Procter & Gamble Co.	Soaps and deterrents	1,050,000			Sept. 3, 1959.
Rohm & Haas Co.	Agriculture fungicides	441,100			Mar. 12, 1954.
Ronson Corp.	Lighters and related products	400,000	400,000		June 19, 1958.
Do.	do	390,000	354,000		Dec. 31, 1959.
Singer Manufacturing Co.	Sewing machines	717,000			Jan. 25, 1950.
Standard Oil Development Co.	Oil refinery	550,000			June 22, 1950.
Do.	do	504,000			
Sundstrand Corp.	Machine tools	247,880	247,880		Dec. 31, 1959.
Yoder Co.	Metal-working machinery	204,500			June 7, 1951.
Total		34,160,295	15,738,536		
Germany:					
Bostitch, Inc.	Staplers	150,000	150,000		June 18, 1959.
Godfrey L. Cabot, Inc.	Carbon black	1,000,000			June 24, 1953.
Clevite Corp.	Electronic products	37,792	37,792		Mar. 21, 1957.
Do.	do	274,877	274,876		Do.
Deere & Co.	Farm equipment		4,700,000		Aug. 6, 1959.
Firestone Tire & Rubber Co.	Tires and tubes	1,841,700	1,052,400		Nov. 21, 1951.
Ford Motor Co.	Trucks and automobiles		8,314,863		Mar. 22, 1956.
Do.	do		9,593,062		Sept. 26, 1957.
Do.	do		8,889,384		Feb. 5, 1959.
Gardner-Denver Co.	Mine carloaders	140,000			Mar. 29, 1951.
W. R. Grace & Co.	Sealing compounds	203,000			Dec. 31, 1958.
Do.	Food preserving bags	400,000			June 18, 1959.
Harris Intertype Corp.	Paper cutters	355,105	177,552		Apr. 4, 1957.
E. F. Houghton & Co.	Chemicals and lubricants	93,150			June 24, 1953.
Johns-Manville Co.	Asphalt tile	350,000			Oct. 30, 1952.
Marchant Calculators, Inc.	Business machines	95,120	95,120		June 27, 1957.
Mine Safety Appliance Co.	Safety appliances	1,250,000	1,250,000		Nov. 21, 1958.
National Aluminate Corp.	Water treating chemicals	1,298,000	50,000		Mar. 8, 1956.
Olin Mathieson Chemical Corp.	Powder actuated tools	571,428			Oct. 25, 1956.
Do.	do	369,048	184,524		Oct. 25, 1956,[3] and Mar. 28, 1957.[3]
Do.	do	91,875	91,875		Oct. 25, 1950,[3] and Mar. 28, 1957.[3]
Oppenheimer Casing Co.	Animal sausage casings	20,805	10,402		May 9, 1957.
Do.	do	106,144	106,144		Do.
Otis Elevator Co.	Elevators and elevator equipment		250,831		May 17, 1951.
Perkins-Elmer Corp.	High precision instruments	548,230	274,115		Oct. 25, 1956.
Raytheon Manufacturing Co.	Radar and sonar equipment	93,500			Mar. 18, 1954.
Rockwell Manufacturing Co.	Power tools		964,000		Dec. 24, 1958.
Do.	do		2,450,000		Do.
Do.	do		58,800		Mar. 26, 1959.
Do.	Small motors, valves, etc.		959,600		May 29, 1959.
Do.	do		612,500		Dec. 10, 1959.

See footnotes at end of table.

Quarterly report of all investment guarantees issued through June 30, 1962—Continued

Investor	Product	Convertibility	Expropriation	War risk	Date of contract
Germany—Continued					
Ronson Corp	Lighters, related products	250,000	250,000		Dec. 18, 1958.
Do	do	214,375	198,625		Do.
Do	do	90,000	90,000		Dec. 17, 1959.
Do	do	390,308	354,280		Do.
J. Sklar Manufacturing Co	Optical equipment	10,000	10,000		Mar. 8, 1956,[2] and Sept. 26, 1957.[3]
Smith-Corona Marchant Inc	Office equipment	97,400	48,700		Dec. 31, 1958.
The Coleman Co	Space heaters	100,000	50,000		Dec. 31, 1957.
Union Twist Drill Co	Drills and other tools	1,397,204	1,397,204		Sept. 26, 1957.
Do	do	1,495,000	1,495,000		Oct. 3, 1957,[2] and Sept. 26, 1957.[3]
Do	do	230,230	174,790		Feb. 19, 1959.
Do	do	299,000	227,000		Dec. 18, 1959.
Total		13,863,291	44,843,439		
Greece:					
Dresser Industries	Barite and bentonite	250,000	250,000		Aug. 24, 1961.
Do	Barite mining	594,700	595,000		June 13, 1957.
Don Baxter, Inc	Intravenous solutions, etc	100,000			Apr. 20, 1961.
Total		944,700	845,000		
Guatemala:					
Farmen & Son Logging Co	Logging operation	177,000	177,000		Apr. 12, 1956.
Farmen, Oliver	do	70,000	70,000		Do.
Goodyear Tire & Rubber Co	Rubber and rubber products		100,000		June 25, 1959.
Do	do		1,900,000		Do.
Koppers Co., Inc	Timber operation		325,000		Oct. 24, 1957.
R. J. Noble Co	Sand and gravel operation	200,000	200,000		Mar. 26, 1959.
Total		447,000	2,772,000		
Guinea:					
Olin Mathieson Chemical Corp	Bauxite and alumina		32,000,000		Sept. 25, 1958.
Omaf Corp	do		40,000,000		Do.
Total			72,000,000		
Haiti:					
Continental Copper & Steel Industries, Inc	Copper mining and exploitation	1,770,000	1,340,000		Aug. 29, 1961.
Louis Scharf, et al	Chocolate and associated products	63,000	63,000		Oct. 29, 1959 [2] and Oct. 19, 1959.
Do	do	117,000	117,000		Oct. 29, 1959.
West India Fruit & Steamship Co	Banana production and processing		1,000,000		July 15, 1960.
Total		1,950,000	2,520,000		

Honduras:					
American Broadcasting-Paramount Theatres, Inc.[5]	Television	150,000	150,000		Jan. 2, 1962.
Pure Oil Co. of Honduras	Exploration for oil		1,900,000		Dec. 15, 1961.
Standard Fruit Co	Banana processing plant		1,200,000		Apr. 13, 1961.
Total		150,000	3,250,000		
India:					
American Home Products Corp	Pharmaceuticals	84,612	42,306		Oct. 29, 1959,[2] and June 2, 1960.
Do	do	134,720	134,720		Do.[2]
Carrier Corp	Refrigeration	1,260,000	1,260,000		Aug. 24, 1961.
Do	do	1,000,000			Aug. 23, 1961.
Goodyear Tire & Rubber Co	Rubber products	6,800,000	4,500,000		Apr. 6, 1961.
Do	do	5,700,000			Do.
Johnson & Johnson	Surgical dressings	756,000			Aug. 14, 1958.
Merck & Co., Inc	Pharmaceuticals	5,040,000	3,000,000		June 11, 1959,[2] and Nov. 17, 1960.
Mississippi Glass Co	Glass	500,000	500,000		Aug. 29, 1961.
Otis Elevator Co	Elevators	460,000	630,000		Oct. 8, 1958,[2] and May 26, 1960.
Parsons & Whittemore, South Asia Co., Inc	Pulp and paper	3,150,000	3,150,000		June 1, 1961.
Phillips Petroleum Corp	Carbon black plant	787,500	787,500		Sept. 29, 1960.
Sulphur Export Corp.[5]	Sulfuric acid	400,000	424,000		Jan. 1, 1962.
Total		26,072,832	14,428,526		
Iran:					
Dresser Industries, Inc	Mining and processing barite	250,000	250,000		Aug. 18, 1960.
Do	do	175,000	175,000		Do.
B. F. Goodrich Co	Rubber tubes and tires	3,080,000	3,080,000		Sept. 11, 1958.
Do	do	1,450,000	1,120,000		Do.
Do	do	6,000,000	2,000,000		Do.
Philipp Bros. Division Minerals & Chemical, Philipp Corp.	Chrome mining and marketing	522,666	522,666		Sept. 29, 1960.
Webster Publishing Co	Book publishing	20,177	20,177		Nov. 25, 1959.
Total		11,497,843	7,167,843		
Italy:					
American Home Products Corp	Pharmaceuticals	288,000	288,000		May 7, 1959.
Do	do	1,082,350	640,572		Mar. 25, 1954.
Do	do	(571,000) + (A+96,000)	(396,000) + (A+96,000)		Feb. 9, 1956.
Do	do	480,000	240,000		Aug. 29, 1957.
Do	do	1,152,000	576,000	507,040	Dec. 9, 1957, and Dec. 31, 1959.
Do	do	240,000	200,000	169,013	July 10, 1958, and Dec. 31, 1959.
American Motels of Italy	Motels	195,000	172,500		June 26, 1958.
Associated Seed Growers, Inc	Seed cultivation	87,500	150,000		Mar. 22, 1950.
Do	do	340,000	340,000		May 22, 1958, to Mar. 11, 1954.[3]
Don Baxter	Intravenous solutions	29,190	29,190		Dec. 23, 1955.
Godfrey L. Cabot, Inc	Carbon black	1,130,000	1,130,000		Dec. 31, 1959.
Do	do	4,000,000			Do.
Do	do	659,000	659,000		Do.
Do	do	806,000	806,000		Do.

See footnotes at end of table.

Quarterly report of all investment guarantees issued through June 30, 1962—Continued

Investor	Product	Convertibility	Expropriation	War risk	Date of contract
Italy—Continued					
Caltex Oil Products Co	Oil refinery	4,630,000			Jan. 18, 1951.
Chicago Molded Products	Plastics	35,000			Mar. 20, 1958.
W. R. Grace & Co	Food preserving bags	107,700			Mar. 26, 1959.
Do	do	107,688			Do.
Houdry Process Corp	Petroleum refining	75,000			May 9, 1957.
E. F. Houghton & Co	Chemicals and lubricants	17,000			Feb. 3, 1955.
Mine Safety Appliances Co	Safety appliances and equipment	87,750	43,875		Feb. 19, 1959.
Monsanto Chemical Co	Chemicals	42,000,000	22,000,000		Dec. 31, 1958.
Do	do	11,400,000	5,700,000		Aug. 20, 1959.
M.S.A. Financing Corp	Safety appliances and equipment	2,250	1,125		Feb. 19, 1959.
National Aluminate Corp	Boiler compounds	1,331,000	271,000		Apr. 17, 1952 [2] and Dec. 31, 1952.[3]
National Biscuit Co	Biscuits and crackers	900,000			May 26, 1955.
Olin Mathieson Chemical Co	Industrial chemicals	8,551,800	4,275,900		June 30, 1955.
Do	do	2,500,000			Do.
Otis Elevator Co	Elevators and elevator equipment	192,500			May 27, 1953.
Joseph Pacifico	Building stone	20,000			June 29, 1949.
Pennsalt Chemicals Corp	Refrigerants, aerosol propellants, and chemicals.	375,000	375,000		Feb. 5, 1959, and Apr. 30, 1959.[3]
Raytheon Manufacturing Co	Electronic tubes	329,000			June 8, 1954.
Smyth Manufacturing Co	Bookbinding equipment	67,440	67,440		July 10, 1958.
Do	do	33,851	33,852		Apr. 30, 1959.
Socony Mobil Oil Co. Inc	Oil refinery	5,600,000	2,800,000		Feb. 17, 1955.
Do	Cracking unit	7,234,000	3,617,000		Mar. 24, 1955.
Standard Oil Co. (New Jersey)	Oil refinery	14,487,500			Apr. 26, 1950.
Syntron Co	Vibratory equipment	36,000			Apr. 2, 1953.
Torrington Co	Steel needles	2,300,000			June 30, 1959.
Westinghouse Air Brake Co	Railroad equipment	60,300			Sept. 7, 1949.
Total		113,636,819	44,908,454	676,053	
Ivory Coast: Intercontinental Hotel Corp	Hotel in Abijan	1,500,000	1,500,000		Feb. 28, 1962.
Japan:					
Dow Chemical International, Ltd	Production of plastics	560,000	560,000		June 28, 1956.
Do	do	812,000	812,000		Do.
Hamilton Watch Co	Watches	500,000	50,000		Sept. 18, 1958 [2] and Oct. 30, 1958.[3]
United Engineering & Foundry	Machinery	1,000,000	1,000,000		Dec. 17, 1959.
Total		2,872,000	2,422,000		

Jordan:					
Phillips Petroleum Co	Oil exploration		6,750,000		Jan. 4, 1957.
Robert L. Parker	Oil exploration equipment		1,250,000		Dec. 19, 1957.
Total			8,000,000		
Liberia:					
First National City Bank of New York	Iron exploitation		6,042,000		June 1, 1961.
Intercontinental Hotel Corp	Hotel	1,200,000	1,200,000		Mar. 19, 1962.
Raymond International	Construction equipment		4,180,000		Mar. 28, 1961.
Do	do		3,000,000		Apr. 25, 1962.
Total		1,200,000	14,422,000		
Malaya:					
Carrier Corp	Refrigeration	233,300	233,300		Aug. 29, 1961.
Pahang Rubber Co. Ltd	Rubber trees and products		387,650		May 4, 1961.
Total		233,300	620,950		
Morocco:					
General Tire & Rubber Co	Tires, rubber products	2,567,696	2,200,000		Mar. 23, 1962.
Morgan Guaranty International Banking Corp	Development banking	200,000	200,000		Dec. 6, 1961.
Total		2,767,696	2,400,000		
Netherlands:					
American Home Products Corp	Pharmaceuticals	210,000	105,000		June 26, 1956.
A-P Controls Corp	Oil heater regulators	75,000	50,000		June 30, 1955.
Dow Chemical Co	Chemicals	2,640,000	1,320,000		Sept. 22, 1955 and Jan. 19, 1956.[1]
Henry Drake	Writing fluids	29,750	17,000		June 30, 1955.
Fluor Corp., Ltd	Oil and chemical plant design	900,000			Nov. 5, 1959.
H. J. Baker Bros	Castor oil derivatives	16,085	19,800		June 24, 1955 and Jan. 21, 1954.[1]
H. H. Sonnenberg	Venetian blinds	175,000			Apr. 12, 1950.
Louis E. Stahl	Chemical finishes		50,000		Apr. 4, 1957.
Kresno-Stamm Manufacturing Co	Oil burners	70,000			May 10, 1956.
Do	do	20,000			Do.
Sparkler International Ltd	Industrial filters	16,488			June 24, 1953.
Tokheim Oil Tank & Pump Co	Oil tanks and pumps	350,000	200,000		Oct. 7, 1953.
United Greenfield Corp	Drills and other tools	52,512	26,256		Sept. 13, 1956.
Do	do	1,590,000	795,000		Dec. 13, 1957[2] and Dec. 31, 1957.[1]
Do	do	700,000	700,000		Dec. 24, 1959.
Do	do	600,000	600,000		Do.
Total		7,444,835	3,883,056		
Pakistan:					
American Home Products Corp	Drugs and chemicals	750,000	375,000		Nov. 23, 1960.
General Mills	Food processing	480,000	315,000		June 28, 1956.
Warner Lambert	Pharmaceuticals	179,000	350,000		Dec. 17, 1959.
Total		1,409,000	1,040,000		

See footnotes at end of table.

Quarterly report of all investment guarantees issued through June 30, 1962—Continued

Investor	Product	Convertibility	Expropriation	War risk	Date of contract
Paraguay:					
Dugger-Holmes	Agricultural products	785,000	785,000		Dec. 16, 1960.
First National City, Morgan Guaranty & Imperial Agriculture.	Cattle raising and farming	3,127,000	3,127,000		Jan. 11, 1962.
Pure Oil Co. of Paraguay, Inc. (Williams Bros. Corp., Sinclair Paraguayan Oil Co., Tidewater Oil Co., and Paraguay Gulf Oil Co.).	Exploration and exploitation for oil		3,000,000		Mar. 25, 1959.
Total		3,912,000	6,912,000		
Peru:					
General Foods Corp	Food processing	50,000			May 17, 1956.
Do	do	74,000			Sept. 26, 1957.
W. R. Grade & Co	Caustic soda, chlorine	3,000,000			Sept. 24, 1959.
Do	Synthetic fertilizer	112,660			Jan. 25, 1960.
Do	Folding boxes	222,800			Apr. 20, 1961.
Kellogg Credit Corp	Telephone service	8,220,468			Sept. 12, 1957.
Total		11,679,868			
Philippines:					
Consolidated Dairy Products Co	Dairy products	660,000			June 26, 1958.
Phelps Dodge Corp	Metal ores and alloys	357,000	765,000		Sept. 18, 1958.
Do	do		293,250		Sept. 18, 1958.
Rheem Manufacturing Co	Metal drums	200,000	250,000		Feb. 3, 1955.
B. F. Goodrich Co	Tires and tubes	1,500,000	792,000		Sept. 13, 1956.
Do	do	1,200,000	1,200,000		Aug. 1, 1957 [2] and Sept. 13, 1956.[2]
Do	do	792,000			Sept. 13, 1956.
General Milk	Filled milk products	576,300	576,300		Mar. 23, 1961.
Phelps Dodge Corp	Metal ores and alloys and their products.	765,000			Do.
Do	do	510,000	510,000		Do.
Total		6,560,300	4,386,550		
Thailand:					
Harry F. R. Dolan	Tapioca rice	49,400	100,000		Feb. 23, 1956 [2] and Feb. 23 1956.[3]
Do	do	50,000	50,000		Dec. 23, 1956 [2] and May 17, 1956.[3]
Do	do	100,000	100,000		Feb. 2, 1961.
Electric Storage Battery Co	Batteries and flashlights	400,000	300,000	288,000	Oct. 12, 1960.
International Dairy Engineering Co., of Asia, Inc	Dairy products	207,500	207,500		May 29, 1959.
Do	do	162,730	162,730		Feb. 9, 1961.
Do	do	750,000			Do.
Total		1,719,630	920,230	288,000	

Turkey:					
Bank of America	Hotel furnishings	1,049,600			Jan. 15, 1955.
California Texas Oil Corp	Oil refinery	9,800,000			Aug. 25, 1960.
Do	do	29,357,000			Do.
Eregli:					
Chase International [1]	Integrated steel mill	15,458,660	14,032,441		Apr. 24, 1962.
Corde Co.[1]	do	1,661,750	1,661,750		May 25, 1962.
Chase Manhattan [1]	do	4,111,391	4,111,392		Do.
Koppers Co., Inc.[1]	do	(6)	(6)		Do.
Westinghouse Electric Corp.[1]	do	(6)	(6)		Do.
Federal Motor Truck Co	Truck and vehicle parts	187,339			Aug. 29, 1957.
General Electric Co., Inc.	Electrical products	137,500			Mar. 20, 1959.
Goodyear International Corp	Tires and retreading	40,000			July 12, 1957.
Goodyear Tire & Rubber Co [1]	Tires, tubes and other rubber products	4,940,000			June 28, 1962.
Do [1]	do	8,000,000	6,000,000		Do.
Do [1]	do	2,720,000	2,720,000		Do.
International General Electric [1]	Electric lamps	1,100,000	1,100,000		Apr. 5, 1962.
U.S. Rubber Co [1]	Tires, tubes, other rubber products	6,000,000	6,000,000		June 28, 1962.
Do [1]	do	5,000,000			Do.
First National City Bank [1]	do	2,510,000	2,510,000		Do.
U.S. Rubber Co [1]	do	(6)	(6)		Do.
Marshall Oil & Chemical Co	Waste oil refinery	84,000			Oct. 9, 1957.
Do	Resin base and varnish	59,000			May 7, 1959.
Olin Mathieson Chemical Corp	Pharmaceuticals	96,863			May 8, 1952.
Do	do	2,711,450			Apr. 17, 1952.
Total		95,024,553	38,135,583		
United Kingdom:					
Automatic Switch Co	Electrical control equipment	580,000			Oct. 29, 1959.
Barber-Green Co	Construction machinery	47,565			Nov. 30, 1949.
Brown & Sharpe Manufacturing Co	Machine tools	1,400,000			Aug. 25, 1955.
Do	do	1,400,000			Aug. 29, 1957.
Do	Machine tool repairs	1,120,000			Mar. 20, 1958.
Do	Machine tools	560,000			Dec. 24, 1958.
Godfrey L. Cabot, Inc.	Carbon black	2,025,000			Nov. 3, 1948.
Chicago Molded Products	Plastics	70,000			June 6, 1957.
Cincinnati Shaper Co	Machine tools	1,008,000			Sept. 4, 1958.
Do	do	985,000			Do.
Cone Automatic Machine Co	Automatic screw machines	262,500			May 27, 1954.
Do	Machine tools and parts	1,675,000			Sept. 26, 1957.
Cooper Alloy Foundry Co	Stainless steel valves	153,500			May 8, 1952.
Dictaphone Corp	Dictaphones	350,000			Apr. 19, 1950.
Euclid Road Machinery Co	Earth-moving equipment	857,500			Nov. 24, 1950
General Times Instrument	Clocks and watches	1,000,000			Mar. 16, 1949.

See footnotes at end of table.

Quarterly report of all investment guarantees issued through June 30, 1962—Continued

Investor	Product	Convertibility	Expropriation	War risk	Date of contract
United Kingdom—Continued					
W. R. Grace & Co. (Trinidad)	Chemical fertilizer	17,729,125			July 24, 1958.
Jacobs Manufacturing Co	Drill checks	650,350			Feb. 23, 1949.
Knott Hotels Corp	Hotel operations	1,436,100			Jan. 28, 1954.
Do	do	1,300,000			June 14, 1956.
Kraft Foods	Food processing	1,379,514			June 28, 1956.
Do	do	1,278,457			Jan. 24, 1957.
Landis Tool Co	Precision grinding machines	4,600,000			Dec. 18, 1958.
Do	do	313,998			Aug. 6, 1959.
Lapointe Machine Tool Co	Machine tools	53,365			Dec. 15, 1955.
Ledgehill International Inc. (Jamaica)	Paint and related products	56,000			Apr. 2, 1959.
Do	Ready-mix concrete	150,000			Apr. 21, 1960.
Leeds & Northrup Co	Control instruments	392,000			Oct. 8, 1953.
Metallizing Engineering Co., Inc	Metal spray equipment	103,750			May 18, 1949.
Mine Safety Appliance Co	Miners lamps	250,000			Nov. 3, 1949.
McGraw-Hill International Corp	Publishing	40,000			Nov. 24, 1950.
Minneapolis-Honeywell Regulator Co	Regulating instruments	300,000			Feb. 10, 1949.
Parke, Davis & Co	Pharmaceuticals	735,000			Aug. 3, 1950.
Pocket Books, Inc	Publishing	218,750			Apr. 26, 1950.
Preferred Utilities Manufacturing Co	Oil burners	60,000			June 28, 1956.
Ro-Search, Inc	Shoes	500,000			Oct. 29, 1959.
S. F. Appliances	Home appliances	49,000			June 28, 1951.
E. R. Squibb & Sons	Pharmaceuticals	981,750			Nov. 22, 1949.
Standard Brands, Inc	Soluble coffee	75,000			Mar. 2, 1949.
The Haloid Co	Photocopying	3,000,000			Oct. 24, 1957.
Universal Oil Products	Catalyst for petroleum refining	750,000			Mar. 11, 1954.
Total		50,336,224			
Vietnam: Parsons & Whittemore Inc	Pulp and paper	2,000,000	2,000,000	[1] 1,000,000	Nov. 23, 1960.[2] [3] May 29, 1962.[4]
Yugoslavia: New Holland Machine Co	Farm machinery	2,000,000	2,000,000		Oct. 12, 1960.
Total by type for all countries through June 30, 1962 (537 contracts).		538,143,903	359,423,738	16,286,052	

[1] Issued since Mar. 31, 1962.
[2] Convertibility.
[3] Expropriation.
[4] War risk.
[5] Issued Dec. 31, 1961.
[6] As assigned.

Fiscal year 1962 specific risk guarantees, 91 contracts: $306,658,220.
Grand total for all specific risk guarantees written through June 30, 1962: $913,853,693.

Development Loan Fund guarantees

	Product	All risk	War risk	Date
China, Republic of:				
Ingalls Taiwan Shipbuilding Co	(1)	(1)		Dec. 5, 1958
Do	Renegotiated	$650,000	$345,727	May 16, 1961
Ghana: VALCO	Bauxite and alumina	54,000,000		Aug. 31, 1961
Liberia: Bank of Monrovia	Development banking	500,000		Oct. 9, 1959
Total		59,650,000	345,727	
Total DLF guarantees written			59,995,727	
Overall total, all types guarantees			973,849,420	

[1] Originally $4,500,000, but this was canceled.

Outstanding guarantees on June 30, 1962:	
Specific risks	$741,211,204
All risks	54,733,286
Total outstanding guarantees, June 30, 1962	795,944,490

Fees collected: $9,491,901, June 30, 1962.

Mr. PASSMAN. This is during 14 years, during the time we have been cultivating the friendship of these people with our dollars, and they should feel more friendly toward us now than when we started 14 years ago. You may never have a claim filed, and that is why it is difficult for me to understand why you need this money.

INVESTMENT SURVEYS

I think the Agency came in 4 years ago and requested funds for investment surveys, and the justifications were so weak it was on Mr. Gary's motion that we left it out. You came back the following year, and you had spent money for this purpose out of some other appropriation; we asked if you had read our report, and the man who was appearing before us said he had not read the report. You got this item back in a compromise last year with the other body and you received $1.5 million. Have you spent the entire $1.5 million?

Mr. PEYSER. No, sir.

Mr. PASSMAN. How much have you spent?

Mr. PEYSER. At the moment we have not disbursed anything. We have entered into one contract.

Mr. PASSMAN. For how much?

Mr. PEYSER. $1,750.

Mr. PASSMAN. You have entered into one contract for $1,750?

Mr. PEYSER. We entered into a contract with the Archer, Daniel, Midland Co.

Mr. PASSMAN. Where is that company domiciled?

Mr. PEYSER. Minneapolis.

Mr. PASSMAN. Where are they going?

Mr. PEYSER. Pakistan.

Mr. PASSMAN. Are you actually serious that you want to add $500,000 to the $1.5 million, when you have approved only one application for $1,750 out of the $1.5 million on hand?

Mr. PEYSER. Yes, sir. That is because we have just been able now to work out our guidelines. We have now been able to publicize this so that the public knows about it. We now have many applications pending which are ready for issuance. This program is just ready to get underway.

Mr. PASSMAN. Can we have a list of those, the companies, and where they are domiciled?

Mr. PEYSER. Yes, sir.

Mr. PASSMAN. If all of these should materialize, all of them, and since you have only spent $1,750—and that has not been spent, only obligated; is that right?

Mr. PEYSER. Obligated.

Mr. PASSMAN. You have obligated it, but the man has not gone out there yet?

Mr. PEYSER. No, sir. We just signed the contract.

Mr. PASSMAN. If our imagination is drawn upon to the fullest extent, and if all of these should materialize, it would only call for $693,000; is that right?

Mr. PEYSER. That is right, but this is just the beginning of a program. We seriously expect this program will involve a considerably larger sum.

INTERCONTINENTAL HOTELS CONTRACT

Mr. PASSMAN. International Hotels. Who are they?

Mr. PEYSER. Intercontinental Hotels.

Mr. PASSMAN. You give an abbreviation, and I did not know just what it meant.

Mr. PEYSER. It is a subsidiary of Pan American Airways.

Mr. PASSMAN. Does Pan American Airways need $25,000 to have the United States encourage them to open a hotel?

Mr. PEYSER. That is in the Congo. It is an application that is now being processed, Mr. Chairman.

Mr. PASSMAN. I believe this same company got a loan for a hotel in India. Would you check that matter?

Mr. PEYSER. Yes.

APPLICATION FROM D.C. TRANSIT

Mr. PASSMAN. You have the D.C. Transit. That is O. Roy Chalk, who has a pretty profitable operation here. He wants $80,000 to go to the Philippines.

JOHNS-MANVILLE APPLICATION

You have Johns-Manville.

Mr. PEYSER. Asbestos manufacturers.

Mr. PASSMAN. They are worldwide, are they not?

Mr. PEYSER. Yes, sir.

Mr. PASSMAN. Did you have any trouble encouraging them to file an application for $6,800 to go to Bolivia for a survey?

Mr. PEYSER. Johns-Manville might very well not be interested otherwise in making the investment.

Mr. PASSMAN. Do not firms like Johns-Manville have surveys made for which they spend millions a year to determine where they should invest their money?

Mr. WARDEN. We are trying to put them to work there.

Mr. PASSMAN. You think you can prevail on Johns-Manville to go to Bolivia to see if they want to go in business there?

Mr. FORD. Mr. Chairman, will you yield?

Mr. PASSMAN. Yes.

JUSTIFICATION FOR INVESTMENT SURVEY PROGRAM

Mr. FORD. Here we have a list of 59 countries in which we have investment guarantees, and here is another list——

Mr. PEYSER. These are the guarantees outstanding.

Mr. FORD. This is a list of countries where investment guarantees are available and this is a list where you have guarantees outstanding?

Mr. PEYSER. Yes. We may not yet have been able to get the guarantees processed in the countries that have been added to the list.

Mr. FORD. But, as I understand, you have had a great upsurge in applications for investment guarantees?

Mr. PEYSER. Yes, sir.

Mr. FORD. And all, or practically all, of this upsurge in interest came about without the investment survey program; is that correct?

Mr. PEYSER. That is right.

Mr. FORD. Then why do you need the investment survey program?

Mr. PEYSER. Because we do not think the surface has been scratched in terms of what private enterprise can do in underdeveloped countries.

Mr. FORD. You consider this upsurge you have had in applications inadequate?

Mr. PEYSER. I think with the tools the Congress has given us, plus our other abilities to encourage private investment, we may be successful in having American business go into underdeveloped countries with capital to a greater extent than they have now.

Mr. FORD. I think the record is pretty good when you look at this list and what you have told us about the increase in applications, all of which has been done without the investment survey program.

Mr. PEYSER. Despite the increase, Mr. Congressman, the net private investment, for example, in Latin America, this past year has been disappointing.

Mr. FORD. But for other reasons.

Mr. PEYSER. For other reasons. And it seems to us we have an obligation, if we want to make this not only a government-to-government operation but also a private investment operation, to do whatever we can to encourage private investment to go into Latin America and other underdeveloped countries. So while this indicates an upsurge in investment guarantees, that is a very small amount compared to the potential and compared to the total uninsured investment during that period.

Mr. FORD. Can it not be argued you have done so well, relatively speaking, in the last 3 months that you do not need this relatively small amount?

Mr. PEYSER. I think the chairman's comments are relevant here to some extent. The investment survey, as we see it, is likely to assist the medium-sized and small companies even more than the large companies. It is designed to assist the small companies that might not invest unless they got some assistance at the feasibility study level, such as in putting a milk factory in Bolivia.

Mr. FORD. I am not convinced that the amount requested for the investment survey program will accomplish what we want done. I think the previous record is evidence you do not need it. I am familiar with relatively small companies in my district and it is the political environment and not the investment survey that is important.

IMPORTANCE OF SOUND POLITICAL ENVIRONMENT

Mr. PEYSER. The political environment is very important, but before they get to the point of deciding if the political environment would inhibit them, they must know if there is a feasible business enterprise they can start there.

Recently I attended the World Trade Conference in Chicago and I had literally dozens of inquiries directed to me personally because I listed the investment survey among the many tools we have, many inquiries saying this would be a great help in getting over the hurdle in the medimum-sized community.

Mr. PASSMAN. Intercontinental Hotels is a subsidiary of Pan American Airways, and, of course, weather permitting, they are in and out of the Middle East every day, are they not? They are presently building a hotel, I believe, in India?

Mr. PEYSER. I do not know that.

Mr. PASSMAN. And no doubt with borrowed money out of the Development Loan Fund. Let us find out if that is true.

Mr. TENNANT. We will check that, sir.

Mr. PASSMAN. Let us check it now.

This subsidiary of Pan American, are they requesting money to build a hotel either in India or Pakistan?

Mr. MILLER. We will be glad to check that, Mr. Chairman.

Mr. PASSMAN. If it is true, did we pay the expenses of this subsidiary of Pan American to make a survey in India or Pakistan, or both? Does anyone here know the answer to that question?

Mr. MILLER. I do not know, Mr. Chairman, but we will check that.

Mr. PASSMAN. You do not know of any money given to them to make such a survey, do you?

Mr. MILLER. Under the investment survey program no money has been spent for that.

Mr. PASSMAN. Do you know of any other money you have given Pan American to survey possibilities for their hotels out there?

Mr. MILLER. I personally do not.

Mr. PASSMAN. Do you think the fact you will give them $25,000 to go to the Congo would have anything to do with their going or staying away?

LIST OF INVESTMENT SURVEY APPLICATIONS

Mr. PEYSER. Mr. Chairman, this is a list of applications.

(The list follows:)

Status of applications for AID participation in investment surveys in process within AID

[In thousands of dollars]

	Project	Country	Estimated total cost
Africa-Europe:			
1. Jay F. Rainwear	Apparel manufacturing	Nigeria	20.0
2. Afram Continental Corp	Cement block	Sierra Leone	11.0
3. Afram Continental Corp	do	Nigeria	18.8
4. International Hotels	Hotel	Congo	25.0
5. BIDCO	Foundry	Nigeria	6.0
Subtotal			80.8
Far East:			
1. Kelvin Engineering	Sugar mill	Vietnam	15.4
2. D.C. Transit	Transit system	Philippines	80.0
Subtotal			95.4
Latin America:			
1. Kelsey Hayes Co	Housing	Central and South America.	50.0
2. Hogan & Co	International sugar	Costa Rica	5.0
3. Controles Automaticos	Machine tools	Brazil	10.0
4. Johns-Manville	Asbestos building materials.	Bolivia	6.8
5. Evans Products Co	Plywood manufacturing.	Honduras	390.0
6. Bresler Ice Cream Co	Milk factory	Colombia, etc	25.0
Subtotal			486.8
Near East-south Asia:			
1. Jefferson Lake Sulphur	Plastics	Turkey	30.0
Total			693.0

Mr. PASSMAN. Do you think if they wanted to go out there this consideration would have anything to do with it?

Mr. PEYSER. It might or might not have.

Mr. PASSMAN. What about O. Roy Chalk of the D.C. Transit Co.? Do you think the fact you will give this multimillionaire $80,000 to go to the Philippines will have anything to do with his going out there?

Mr. PEYSER. He has not gone yet but it may very well. It could or could not.

Mr. PASSMAN. Johns-Manville Co. is one of the largest asbestos companies in the world, is it not?

Mr. PEYSER. That is right.

Mr. PASSMAN. They are asking for $6,800 to go to Bolivia and see if they want to put an asbestos company there. Do you think this $6,800 would have anything to do with their going to Bolivia?

Mr. PEYSER. It might very well in the case of Bolivia.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. But these are only applications, and if you approved every one of them that would only call for $693,000?

Mr. PEYSER. Yes.

STATUS OF APPLICATIONS FOR INVESTMENT SURVEY PROGRAM

Mr. PASSMAN. And out of the $1.5 million we appropriated last year you have obligated only $1,750?

Mr. PEYSER. That was solely because it took several months to get this program organized and we are now getting this particular function ready to go.

Mr. PASSMAN. What amount did you ask for last year?

Mr. PEYSER. I was not here last year.

Mr. PASSMAN. Did you not have some money out of the contingency fund the year before?

Mr. MILLER. For investment surveys, Mr. Chairman?

Mr. PASSMAN. Investment incentive.

Mr. MILLER. I do not believe the investment incentive fund has anything to do with this. I was not here when it was first used but I think it was for an entirely different purpose.

Mr. PASSMAN. If the committee extended you the invitation at this time to withdraw your request for this $2 million, would you do so?

Mr. PEYSER. I do not think so.

Mr. PASSMAN. But if you do not get any more applications than you now have you would not need $2 million, would you?

Mr. PEYSER. We expect to get more.

Mr. PASSMAN. With all the solicitation you should have had 50 pages of applications but the American people are not that gullible. As of this time, this list covers all your applications?

Mr. PEYSER. These are all the applications that are in the form of applications. There are hundreds of inquiries now being translated into formal applications.

We have issued policy guidelines and proposed a form we send people who are applying for investment survey money to put into their applications. We have between 100 and 200 inquiries.

Mr. PASSMAN. Letters?

Mr. PEYSER. Letters and inquiries. These people have now been furnished with our forms and we anticipate these inquiries will be translated into formal applications.

NO APPROVED APPLICATIONS

Mr. PASSMAN. You have not approved any of these?

Mr. PEYSER. No.

Mr. PASSMAN. They are pending?

Mr. PEYSER. Yes.

Mr. PASSMAN. You are not likely to approve all of them?

Mr. PEYSER. We are not apt to approve all of them.

Mr. PASSMAN. And if you approved all of them it would take only $693,000?

Mr. PEYSER. Yes.

Mr. PASSMAN. Out of this $1.5 million you have, the expenditures have been zero and the obligations have been $1,750?

Mr. PEYSER. That is correct, for the reasons we mentioned.

Mr. PASSMAN. But, I wanted to be sure you have not spent anything and you have only approved $1,750; and you are not sure that man will go, are you?

Mr. PEYSER. We are sure he will make the survey.

Mr. PASSMAN. And that money is to pay for his airplane ticket, and so forth, and if he decides he does not want to go in business there you still pay half of it?

REPAYMENT OF SURVEY COST

Mr. PEYSER. If he decides to go forward the cost of the survey becomes a cost of the project.

Mr. PASSMAN. If he decides he does not want to go ahead you pay one-half of the cost?

Mr. PEYSER. Yes.

Mr. FORD. Mr. Chairman, will you yield?

Mr. PASSMAN. Yes.

Mr. FORD. If you pay half of the cost of the survey and subsequently the company makes the investment, is there any provision for repayment of what you advanced?

Mr. PEYSER. Yes. If he goes forward with the investment our contract provides he pays us back and both our 50 percent and his 50 percent becomes a part of the cost of the project. If the project is not feasible he does not pay us back for the 50 percent we have paid, he merely passes to us his report on the feasibility of the project.

Mr. FORD. What are the terms of the contract?

Mr. PASSMAN. The cost of going out would be a part of his overhead, would it not?

Mr. PEYSER. A part of the overall project.

Mr. PASSMAN. And if you made a 40-year loan, with a 10-year grace period, interest free——

Mr. PEYSER. We do not make loans like that to private investors.

Mr. PASSMAN. But the cost of his going out would be a part of his overhead?

Mr. PEYSER. Yes.

Mr. PASSMAN. And if he does not go through with it he gets one-half of what it costs to make the survey?

Mr. PEYSER. That is right and we get the survey.

Mr. PASSMAN. And he charges that off as a business expense?

Mr. PEYSER. I would guess so.

Mr. PASSMAN. It is still a good gimmick.

Mr. FORD. How many instances have you had where investment surveys have been undertaken as of now?

Mr. PEYSER. We have just started, Mr. Congressman. We have signed only one contract at the end of the last fiscal year, because it was not until this spring that we got the guidelines set which state our policies, and made announcements to the public at large that this technique was available.

Mr. FORD. The cost of this one investment survey was $1,750?

Mr. PEYSER. The total cost was $3,500. Our half was $1,750.

Mr. FORD. But you have signed one contract for one investment survey?

Mr. PEYSER. That is right.

Mr. FORD. Will you put in the record the terms for repayment if a bona fide investment in the project subsequently develops?

Mr. PEYSER. I have only the summary here.

SURVEY BY ARCHER, DANIEL, MIDLAND CO.

Mr. FORD. If you could give us the summary now it would be helpful so that we could have an idea what the situation is.

Mr. PEYSER. This is a survey to be conducted by three employees of Archer, Daniel, Midland Co. They will review the largest paint manufacturing companies in east and west Pakistan. The total cost is $3,500 and our total obligation is $1,750.

Mr. PASSMAN. Will you itemize the expenses you approved?

Mr. PEYSER. Yes, sir.

Mr. PASSMAN. And on what basis they traveled, whether tourist or first class. Will you find out what this $3,500 will cover?

Mr. PEYSER. We will give you the terms of the contract and an analysis of the expenses that were approved.

Mr. PASSMAN. By item.

Mr. PEYSER. Or the prospective expenses that were approved.

Mr. PASSMAN. And where they are domiciled.

Mr. PEYSER. They are domiciled in Minnesota.

Mr. PASSMAN. Is it an old company?

Mr. PEYSER. I think this is a leading company in that area.

Mr. FORD. Mr. Chairman, could he summarize the terms of repayment of this particular one?

Mr. PEYSER. I do not have the terms of repayment, even in summary, but we can supply that.

(The following was submitted for the record:)

DETAILS OF INVESTMENT SURVEY GRANT

The investment survey participation grant with Archer, Daniels, Midland Co., provides that the Government will reimburse the company for 50 percent of its actual costs in conducting the survey described in the grant up to a maximum of $1,750. The survey is to be performed by three company employees. The grant provides that the principles and procedures for determining the reimbursability of costs are those set out in subpart 1-15.2 of the Federal Procurement Regulations. Requests for reimbursement are required to be submitted to the Con-

troller of AID with specified supporting documentation indicating the nature of the expenses incurred. All payments made by AID are subject to postaudit.

No request for reimbursement has yet been received by AID. The company has given AID the following breakdown of its anticipated costs:

Salaries (22 man-days)	$1,332
Living expenses (22 days)	440
Travel expenses	1,728
Total	3,500

The company is required to determine by September 25, 1962, whether it intends to undertake the contemplated investment. If on or before such date the company takes action to invest, the company is required to repay to AID all amounts previously paid by AID to the company. If on or before the specified date the company fails to take action to invest, the company is required to deliver to AID three copies of a professional technical report acceptable to AID with respect to all matters explored by or on behalf of the company. Should the company change its mind in the 2 years after its delivery of the report and make the investment, the company would have to repay the grant. Such report becomes the property of the Government and the Government is entitled to have access to, and obtain copies of, all underlying correspondence, memorandums, working papers, documents, and other materials financed thereunder.

Mr. PASSMAN. You people need to start some kind of a program downtown to get some of this capital coming back to America rather than going out. I think you are sending it out too fast. Fifty percent of our steel mills are closed this afternoon because we have lost our markets abroad and they are opening mills all over the world.

Mr. GARY. Off the record.

(Discussion off the record.)

Mr. PASSMAN. Mr. Gary?

INFORMATION ON INVESTMENT GUARANTEE PROGRAM

Mr. GARY. Mr. Peyser, it is my understanding that you will furnish the committee a statement as to the exact kind of transactions that you are guaranteeing under this investment guarantee program?

Mr. PEYSER. Yes, sir.

Mr. GARY. And I believe the chairman has called for information as to the list of transactions, and so forth?

Mr. PEYSER. Yes, sir.

Mr. GARY. I think the subject has been very fully covered. I have no further questions.

Mr. PASSMAN. Mr. Andrews?

Mr. ANDREWS. I would like to ask one or two questions.

FEES FOR SERVICES FROM COMPANIES RECEIVING GUARANTEES

The statute requires that these companies that receive the guarantees pay fees for services?

Mr. PEYSER. Yes, sir.

Mr. ANDREWS. Those fees are to be determined by the President?

Mr. PEYSER. Yes, sir.

Mr. ANDREWS. Have you established the rate of those fees?

Mr. PEYSER. Yes. For specific-risk investment guarantees there is a fee of one-half of 1 percent per annum based on the amount of investment for each of the three types of specific political risks: inconvertibility, expropriation, and war, revolution, and insurrection. For each he pays one-half of 1 percent of the amount covered.

Mr. GARY. Are you limited to those three?

Mr. PEYSER. In the specific-risk investment guarantee program we are. In the extended-risk investment guarantee program it is our expectation we will charge 2 percent.

Mr. ANDREWS. This one-half of 1 percent, is that one-half of 1 percent for each category?

Mr. PEYSER. For each category of risk.

Mr. ANDREWS. It could be 1½ percent, then?

Mr. PEYSER. Yes.

Mr. ANDREWS. That is paid in dollars, I assume?

Mr. PEYSER. Yes.

Mr. ANDREWS. In advance?

Mr. PEYSER. Yes, sir.

DISPOSITION OF GUARANTEE FEES

Mr. ANDREWS. What disposition is made of the amount collected from those fees?

Mr. PEYSER. Those fees are added to our reserve fund for future guarantees.

Mr. ANDREWS. In other words they go back into the program?

Mr. PEYSER. In the sense of reserves. There is a special account in which they are placed and that is why the request has been reduced from $195 million to $180 million because we expected in the coming fiscal year, by fees and cancellation of contracts, we will collect $15 million.

Mr. ANDREWS. How long have you been collecting those fees?

Mr. PEYSER. 14 years.

TOTAL FEES COLLECTED

Mr. ANDREWS. Can you tell us how much has been collected in fees during that period?

Mr. PEYSER. $9,491,901.

Mr. PASSMAN. Will the gentleman yield?

Mr. ANDREWS. Yes.

ORIGIN OF RESERVE

Mr. PASSMAN. When did you make a request for $195 million? We have been doing some research and we do not find any place such a request was ever made to Congress.

Mr. PEYSER. If I said we made a request to Congress I was mistaken. Our analysis of the reserves necessary showed $195 million and we reduced it to $180 million because we hope to obtain $15 million through contract terminations and fees.

Mr. PASSMAN. That is an interbureau affair?

Mr. PEYSER. I was explaining to the Congressman that we hope to obtain $15 million——

Mr. PASSMAN. But, in reality, this is the only request that has ever been presented to Congress?

Mr. PEYSER. Yes.

Mr. PASSMAN. And anything else is downtown bureau mechanics?

Mr. PEYSER. Yes.

Mr. PASSMAN. Thank you.

Mr. ANDREWS. You mentioned three kinds of risks.

Mr. PEYSER. Yes. We have the specific-risk guarantee, and we have the extended-risk guarantee we have not yet used.

EXTENDED-RISK GUARANTEE

Mr. ANDREWS. What would that guarantee?

Mr. PEYSER. It could guarantee against all risks except for fraud or misconduct of the investor or such risks that can be covered by commercial insurers.

Mr. ANDREWS. Would it cover such risks as fire losses?

Mr. PEYSER. No; it would not cover fire losses nor would it cover fraud or misconduct of the investor or such losses that can be covered by commercial insurers.

Mr. ANDREWS. Suppose he locates a plant in a backward part of the world where fire insurance is not available?

Mr. PEYSER. I do not know the answer to that. It has not arisen. This is a matter we probably would have to negotiate.

Mr. ANDREWS. Do you know whether or not fire insurance companies operate in these countries you have mentioned?

Mr. PEYSER. I know they operate in many but whether they operate in all I do not know.

Mr. ANDREWS. For that type of guarantee your fee would be 2 percent?

Mr. PEYSER. Generally it would be 2 percent for that type.

EXTENDED RISK GUARANTEE FOR HOUSING

We than have the housing guarantee under section 224 which is also an extended-risk guarantee but restricted to certain types of housing projects under which we can guarantee up to 100 percent of an investment.

Mr. ANDREWS. What kind of risk do you guarantee on housing?

Mr. PEYSER. There we guarantee against the business risk of the investor. In the case of housing we have restricted it to the institutional investor, the pension fund, et cetera. We have not guaranteed the investment of the builder beyond 50 percent, but we propose to guarantee the investment of the institutional investor up to 75 percent. These applications were pending before the recent amendment.

Mr. ANDREWS. What is the fee for that?

Mr. PEYSER. Two percent.

Mr. ANDREWS. What would be the situation if a man started a housing project and it did not turn out like he thought it would and he wound up in the red? Does the guarantee cover that?

Mr. PEYSER. Yes, to the extent of 75 percent or such larger sum as the new amendment would permit; it covers the risk up to the amount of the investment. This is the reason the applications have been so carefully processed and evaluated. We have professional housing people.

Mr. ANDREWS. Describe one of the housing projects, and how much loss you would be responsible for.

Mr. PEYSER. I think Mr. Wise can give a summary of the very project we are planning to guarantee this month.

APPLICATIONS FOR HOUSING GUARANTEES

Mr. ANDREWS. How many applications do you have for housing?

Mr. PEYSER. We have applications under intensive review that total $48 million and applications under preliminary review totaling $36 million.

Mr. ANDREWS. Tell me about one typical project that you have in mind. Have you issued any guarantees on any housing projects yet?

Mr. WISE. No, sir.

Mr. ANDREWS. You have not?

Mr. WISE. No, sir. Our first project would be a guarantee of the long-term mortgage-type investment but we would require the investor to make assurances that individual defaults would be covered so that an individual default by one homeowner would not create a default in the overall loan.

Mr. ANDREWS. You are talking now about individual family homes?

Mr. WISE. Yes, sir.

Mr. ANDREWS. This contractor will go in there and build X number of those homes?

Mr. WISE. Yes, sir.

Mr. ANDREWS. And sell them?

Mr. WISE. Yes, sir.

Mr. ANDREWS. Let's say he has $1½ million project. He has a contract. What type of a risk guarantee will you give him?

Mr. WISE. He takes a complete risk, sir, because generally we won't be guaranteeing the contractor. We will only guarantee the long-term mortgage type investment.

Mr. ANDREWS. You do not get into the picture until after the houses have been constructed?

Mr. WISE. The greater part of the program, perhaps almost all of it, will be that type where our guarantee would only apply after the houses have been constructed. The contractor will not be getting our guaranty. The contractor will be taking the risk of building the houses.

Mr. ANDREWS. But a mortgagee will be protected by your program?

Mr. WISE. Yes, sir, after the houses are completed, we would protect the long-term money from the institutional investor.

Mr. ANDREWS. Do you have any idea about what a typical house under that program will sell for?

Mr. WISE. It will vary between each country, of course, depending on the price of homes in the country but they will be for those people who can afford to make monthly payments. This is self-liquidating private home ownership.

Mr. FORD. Will the gentleman yield?

Mr. ANDREWS. Yes.

FINANCING HOUSING CONSTRUCTION

Mr. FORD. Who finances the construction loan? In this country we have construction loans and we have the actual long-term mortgage.

Builders in this country cannot finance their own construction. I cannot visualize them financing their construction in these countries.

Mr. WISE. They will get it from commercial sources.

Mr. FORD. If they can get construction loans from commercial sources, why can't they get the other kind of loans?

Mr. WISE. They cannot get the long-term loan to go down to Latin America for 10 or 15 years. They can get it for the period of construction but not for the long period.

Mr. FORD. I presume they would have to have an agreement from your Agency for the long-term financing before they get the construction?

Mr. WISE. That is right.

Mr. ANDREWS. You protect the mortgagee for that house.

Mr. WISE. Yes, sir.

HOUSING PLAN SIMILAR TO FHA

Mr. ANDREWS. What would be the situation if the mortgagor bought the house, moved into it, and stopped making payments on it the end of 2, 3, 4, 5 years?

Mr. WISE. We would require the investor not to hold the mortgages directly because we would not want him to hold a mortgage on a house in Latin America. We would require him to have local fiduciaries which would service and administer the mortgages and also take care of all foreclosures and individual defaults. It would only be a major default which would arise which would create a default for the U.S. investor. For instance, 50 or 60 defaults in a hundred-house projects or an expropriation or something such as that. If there are only one or two houses we require the local fiduciary to take care of those individuals.

Mr. ANDREWS. You protect the mortgagees for the amount of loss he suffers?

Mr. WISE. A percentage of his loss.

Mr. ANDREWS. What percentage?

Mr. WISE. For the first it will be 75 percent.

Mr. ANDREWS. Your housing program is comparable to our VA and FHA programs here in the United States?

Mr. WISE. Yes, sir, FHA.

Mr. PEYSER. The statute suggests that FHA be used as a model.

TOTAL HOUSING GUARANTY APPLICATIONS

Mr. ANDREWS. You have $48 million worth of applications pending for housing?

Mr. PEYSER. More than that.

Mr. WISE. More than $80 million, sir.

Mr. PEYSER. $48 million under intensive review and about $36 million under preliminary review.

Mr. WISE. $48 million would be for those that probably would be ready within the next quarter.

Mr. ANDREWS. That is all, Mr. Chairman.

Mr. PASSMAN. Mr. Ford?

Mr. FORD. Just to be certain, Mr. Chairman, that we have this information in the record, this one list shows countries where investment guarantees are available.

Mr. PEYSER. Yes, sir.

Mr. FORD. This is in the record?

Mr. PEYSER. Yes, sir.

Mr. FORD. This other document shows the quarterly report of all investment guarantees issued through June 30, 1962. That is also in the record?

Mr. PEYSER. Yes, sir.

Mr. WARDEN. From the very beginning of the program.

Mr. FORD. I think it would be helpful at the time this is put in the record to show alongside each of these line items the date that the contract was consummated.

Mr. WARDEN. It can be done.

EXPROPRIATION OF PROPERTY OF COMPANIES HAVING GUARANTY

Mr. PASSMAN. We want you also, if you will, at this point in the record to indicate whether or not we have ever had any property expropriated in any of these countries; if so, in what countries.

Mr. FORD. In this one showing?

Mr. PEYSER. When you say whether we have had any——

Mr. PASSMAN. Speaking of the American business people who have investments in those countries.

Mr. PEYSER. Not necessarily covered by our guarantee.

Mr. PASSMAN. That has nothing to do with it. Whether or not in past history, or we shall say since 1948, the inception of the program, 14 years ago, there has been any property expropriated in those countries. If so, what properties, the amount, and how the country settled it. Could you do that for us?

Mr. PEYSER. Yes, sir. I think we could.

(The information follows:)

EXPROPRIATIONS SINCE 1945 IN LESS DEVELOPED COUNTRIES

October 31, 1952

Bolivia: Nationalized tin mines including the Patino interests of which one company was partially owned by U.S. stockholders. None of nationalized companies incorporated in United States.

Settlement: Interim payments pending final settlement made to U.S. stockholders out of proceeds of tin sales under agreement between Bolivia and Patino interests in 1953, renewed in 1956. Final settlement now under negotiation between company and government.

March 5, 1953

Guatemala: Expropriation of 234,000 acres of subsidiary of United Fruit Co. for purposes of agrarian reform.

Settlement: United States submitted formal claim against Guatemala after company exhausted local remedies, but expropriation was rescinded by new government which took power in 1954.

July 26, 1956

United Arab Republic: Nationalization of Suez Canal Co. which had some U.S. stock ownership.

Settlement: Compensation agreement signed July 13, 1958, by United Arab Republic and representatives of stockholders. International Bank afforded good offices in negotiations between United Arab Republic and stockholders.

July 7, 1958

Argentina: Municipal government of Toberia in Buenos Aires province expropriated subsidiary of American & Foreign Power Co. (ANSEC).

Settlement: Overall settlement between government and company for this property and other properties expropriated, seized and intervened previously by local governments in Argentina made November 28, 1958, with all American

& Foreign Power electric facilities in Argentina transferred to Argentine Government. Settlement contract called for court evaluation of properties which was issued April 26, 1961, and accepted by company.

December 26, 1958

Yugoslavia: Nationalization of urban dwellings, business premises and underdeveloped building lots, including U.S.-owned property.

Settlement: United States and Yugoslavia have agreed to begin negotiations soon for settlement of claims arising after 1948.

May 11, 1959

Brazil: Governor of Rio Grande de Sol issued order expropriating American & Foreign Power Co. holdings in state.

Settlement: Case now pending in Brazilian courts.

June 3, 1959

Cuba: Agrarian reform law provided for expropriation of estates over a certain size including U.S.-owned sugar plantations. U.S. note to Cuban Government protested inadequate provision for compensation.

Settlement: None concluded to date.

July 5, 1960

Cuba: Law authorized nationalization of all U.S.-owned properties to be carried out as applied to particular properties by subsequent decrees. Law was in specific retaliation against United States cutting Cuban sugar quota. Probably all or nearly all U.S.-owned property in Cuba has been taken under this or other expropriation law. Several U.S. notes to Cuban Government protested discrimination and inadequate provision for compensation.

Settlement: None concluded to date.

1962

Brazil: Governor of Rio Grande de Sol expropritaed International Telephone & Telegraph properties in that State.

Settlement: Presently under negotiation between company and Government.

Ceylon: Requisition of certain assets of oil companies, including American.

Settlement: Formal note from Ceylon Government received stating its intention to make prompt and effective compensation for all assets requisitioned.

1945–62

Mexico: From time to time Mexico expropriates U.S.-owned, and other property under its agrarian reform program.

Settlement: While there has been no overall settlement of claims, there have been isolated instances of individual settlements.

SCOPE OF INVESTMENT SURVEY PROGRAMS

Mr. FORD. In fiscal year 1962, the Congress made available for surveys of investment opportunities the amount of $1,500,000. Is that 1-year or no-year appropriation?

Mr. PEYSER. That is as I understand it a 1-year appropriation.

Mr. FORD. In other words, the $1.5 million less the $1,750 has lapsed?

Mr. PEYSER. Yes, sir.

Mr. FORD. You are starting fiscal year 1963 at scratch?

Mr. PEYSER. Yes, sir.

Mr. FORD. The obligational authority for fiscal year 1963, if anything does materialize, will also be a 1-year appropriation?

Mr. PEYSER. Yes, sir.

Mr. FORD. Earlier Mr. Peyser you indicated you were concentrating the program, or seeking to emphasize it in four countries in order to serve as examples. Is that what you said?

Mr. PEYSER. As a prototype of what can be done in the private sector.

Mr. FORD. Could you names those four countries?

Mr. PEYSER. Yes. In Latin America, Colombia; in Africa, Nigeria; in the Near East and South Asia region, Pakistan; and in the Far East, Thailand.

POLICY FOR EXAMPLE COUNTRIES

Mr. FORD. Why have you picked those four countries?

Mr. PEYSER. Those countries were picked by our regional administrators on the basis that they are the friendly countries that are reasonably receptive to American private investment, and that there is a climate in these countries which would welcome private investment and where it could be useful in helping to build the economy.

Mr. FORD. When was this policy established for these four countries?

Mr. PEYSER. We have been working on it for about a month or a month and a half.

The announcement to the four countries was made only within the last 10 days. We are now trying to identify the priority needs of those countries which are appropriate to the private sector in the hope and in full intention of helping to work out private joint ventures between American businessmen and businessmen in those countries.

Mr. FORD. It is a little early then to come to any conclusion whether this emphasis program will have any impact?

Mr. PEYSER. Yes, sir. Next year at this time I hope to be able to report favorably on that.

INVESTMENT GUARANTEE PERFORMANCE RECORD

Mr. FORD. As I understand the previous testimony, since 1948, since we had the investment guarantee program, you virtually had no losses. You had one for $650,000 involving Taiwan and you had one in the Congo.

Mr. PEYSER. A small one, that is right, sir.

Mr. FORD. This record, which is commendable, would indicate there is no need for reserves. You could argue that, could you not?

Mr. PEYSER. You could, but it may be excepted.

Mr. FORD. Why?

Mr. PEYSER. For the reason the program was not in full swing. For example, Cuba was an eligible country and yet no American investor took advantage of the fact that there were investment guarantees available in Cuba.

If they had, there would have been large losses. We do not anticipate that there will be future Cubas. We have no reason to be pessimistic. By the same token, since we are undertaking a program that is in the nature of an insurance program, we feel that there is a need to be prudent and that we have no reason to believe that our record of claims is going to be the same in the future as it has been in the past.

REQUESTED APPROPRIATION TO REPLACE BORROWING AUTHORITY

Mr. FORD. Can it be argued that because you now want reserves that there will be a definite policy shift and your prudence won't be as good in the future as it has been in the past?

Mr. PEYSER. No, sir. There is no change whatsoever in terms of our operation. The only difference here is purely a financial one. Instead of having a borrowing authority from which we got our reserves we are now coming to the Congress and asking for an appropriation to replace the borrowing authority.

We have felt that this would be welcomed by the Congress and by this committee because by coming to you each year, and specifically pointing out what our record has been in the previous year in terms of investment guarantees written and claims actually filed, we will be able from year to year to make a better estimate, rather than using, as we did prior to this time, our open borrowing authority for these reserves.

Mr. FORD. In the past has the reserve authority been generated by what is commonly called "back-door financing"?

Mr. PEYSER. I am sorry I did not hear the first part of that.

I do not know that I should characterize or agree with your characterization. It has been done by borrowing authority and by a system of Treasury notes that corresponded in amount to the actual guarantee contracts that we issued.

Mr. FORD. This is in broad terms what we call back-door financing, and the fact that you are going from that to a direct appropriation, at least from my point of view, is a step forward.

QUESTION AS TO NEED FOR RESERVES

On the other hand, the past record of relatively minor payments would argue against the need for any such reserve authority, whether it was by back-door financing methods or by appropriation authority in advance.

Mr. PEYSER. Mr. Congressman, I am not sure that I made clear before my point that the 14-year program involved, at least to the extent of more than a third of the total amount issued, the highly developed countries of Europe where the problems of inconvertibility, war and insurrection, were not as likely to be as serious as in the program. Now, in more recent years the program is geared and directed to the less developed countries where fiscal matters and where the political matters are admittedly less secure.

Mr. FORD. But in two-thirds of a billion dollars almost you have only had less than a million-dollar loss.

Mr. PEYSER. That is right.

I think you could make a further analysis and that is as we add countries to the list of the countries where guarantees are available, we are adding the countries that are at least potentially able to create a certain amount of danger. It is impossible to do this kind of thing on an actuarial basis. We are convinced of that. If I say that we cannot hope to be as lucky in the future, I should not want that to be interpreted to mean that I have any expectation that we are going to be unlucky to any specific degree. We felt that it was prudent for us to set up a reserve. We are not married to the specific amount of this reserve. When I came into the Agency I found that this is where we stand on it. Personally I feel the reserve could be subject to some adjustment.

Mr. FORD. What would be wrong with the Congress, or this committee endorsing wholeheartedly the investment guarantee program

but doubting the wisdom of the need for a reserve program of obligational authority in advance, and on the other hand, not approving the so-called back-door method of financing the reserve program?

In other words, saying, "You proceed with your program using the same prudence that has been used for the last 14 years and if and when any losses materialize this committee will feel bound to meet its responsibility." Is there anything wrong under the law with that?

JUSTIFICATION FOR SETTING UP RESERVES

Mr. PEYSER. There would be something wrong under the present form of our investment guarantee agreements which, as Mr. Miller and I have both pointed out, do not have the full faith and credit of the United States behind them, but are limited solely to the amount of this reserve that has been set up. In answer to your question directly, if you assume that the full faith and credit of the United States and the obligation of this committee and of the Congress had been clearly stated to American citizens who had received full guarantees from us, unequivocal guarantees from us, then purely from the parochial point of view of our Agency, it would not matter. This is a problem of Treasury financing and the prudence of the executive department, which has felt necessary in the past to set up reserves in advance.

Mr. FORD. Somewhere in the record, if it has not already been made available, I would like to see the year-by-year reserves that were set up since the inception of the program and the method by which those reserves were generated.

Mr PEYSER. I think the chairman has already asked for that.

Mr. PASSMAN. Yes.

Mr. FORD. That is on an annual basis so we know exactly the amount and what relationship they bear to the outstanding investments?

Mr. PEYSER. Yes, sir.

Mr. FORD. How long do these investment guarantees last?

Mr. PEYSER. Twenty years by their terms.

EFFECT OF EXPROPRIATION OF PROPERTY

Mr. FORD. What effect, if any, will there be on this program by the provision in the foreign aid authorization bill which got into the problem of expropriation?

Mr. PEYSER. When you say what effect on this program——

Mr. FORD. As I recall the provision, and this is a very general statement, the recent authorization bill for the AID program said that no aid can go to a country if there is expropriation, without prompt payment, et cetera. Will that provision have any impact and if so, what will it be on your program?

Mr. PEYSER. This is a question our lawyers have not yet advised us on. It is a question I have asked, namely, whether the continued granting of investment guarantees could be regarded as continuing aid under the terms of that amendment. We have not as yet had an opinion on this.

Mr. FORD. In other words, if there is an expropriation, not involving your program, would that preclude you from going into that country?

Mr. PEYSER. That is the question I have asked. Clearly it would

preclude the making of loans, unless the exceptions that are in that amendment become operative.

Mr. FORD. What impact would it have on going contracts you have, if any?

Mr. PEYSER. I should think it would have no impact on going contracts. We have made a commitment on an American investor and I would think those would still stay in effect.

The question I asked was whether the inhibition that that amendment places upon the granting of further aid would be interpreted to include the issuance of investment guarantee contracts with Americans.

Mr. FORD. When do you expect to get that opinion?

Mr. PEYSER. It should be shortly. I do not know the answer to that.

Mr. FORD. If the answer is it would preclude your program into a country, conceivably it would cut down the size of your program?

Mr. PEYSER. Conceivably, surely, it could, except that I might say, aside from certain businesses, such as public utilities, the actual record on expropriation has not been an unfavorable one. Aside from Cuba and the Communist bloc, the actual record of expropriation in all of the underdeveloped countries throughout the world in manufacturing and service businesses has not been a serious one, so that we do not look with any great pessimism toward our program being impeded by it.

Mr. FORD. I suggest, Mr. Peyser, that as soon as that opinion is prepared and given to you that we have a copy of it.

That is all, Mr. Chairman.

NEED FOR JUSTIFICATION FOR RESERVES

Mr. PASSMAN. If we can just apply reasoning to this consideration, your request is greatly in excess of what any need could ever be.

Taking the entire world, the amount of the guarantees as of this time, it is $775 million, and your losses over a 14-year period have been less than one-tenth of 1 percent. Yet, with the authority and the appropriation request, you are asking for a reserve of 25 percent.

If you made it 5 percent on a worldwide basis, if you made it 10 percent, we could see some justification. Yet, when your losses have been less than one-tenth of 1 percent for 14 years, you ask for an aggregate of 25 percent reserve.

Mr. FORD. That is why I questioned the change of policy as far as prudence is concerned. Certainly those figures would argue this is a possibility.

Mr. PEYSER. There is no change in prudence but a change in countries we have dealt with over the past 14 years. You cannot use the 14-year record as a basis.

Mr. PASSMAN. Much of the program has been in the countries where you will continue programs, such as Taiwan, and many of them are the friendlier countries.

I think it is going to be very important that you give us a letter, outlining clearly what we are guaranteeing. If you are guaranteeing these people a profit, or if you are guaranteeing to fill in where inflation has devalued the currency—I do not know what you are guar-

anteeing but before I cast my vote to give you 80 cents, I am going to want to know what you are guaranteeing.

I yield to Mr. Rhodes.

SOURCE OF LOANS TO INTERCONTINENTAL HOTELS

Mr. GAUD. The chairman asked for information a few moments ago about the hotel. I checked with my office and as far as we can make out the United States has not made any loans to this pan-American subsidiary for a hotel in India; but in December of 1961 the Export-Import Bank did make a dollar loan and also a rupee loan to this corporation for a hotel in Karachi.

Mr. PASSMAN. The story is that they have had the experience and they are building a hotel out there.

Mr. GAUD. In Karachi.

Mr. PASSMAN. The same people for which we want to pay their expenses to see if they want to build a hotel in the Congo. Will you also find out whether or not be paid the expense of the subsidiary of pan-American to make the survey to see whether they should have one in Karachi?

Mr. GAUD. They did not.

Mr. PASSMAN. Mr. Rhodes?

DETERMINATION OF AMOUNT FOR RESERVES

Mr. RHODES. Mr. Peyser, it has been brought out before that the losses have been phenomenally, low, which, of course, gives rise to this question: What mechanical means do you use in figuring your required reserves?

Mr. PEYSER. We have no mechanical means, Congressman Rhodes. This has been an estimate which, as far as I am concerned, I have accepted as being historical.

Mr. RHODES. Who made the estimates?

Mr. PEYSER. The estimate was made by a predecessor agency to ours many years ago. It was approved by the National Advisory Council, which includes representation of the State Department, Commerce Department, and Department of Defense.

Mr. RHODES. Let me understand this, if I might. The estimate was made when?

Mr. PEYSER. 1956, I am told.

Mr. RHODES. Was it made in dollars or on a percentage of exposure? Was it determined at that time that the reserves required would be to the tune of $195 million and you reduced it to $180 million this year?

REASON FOR REDUCED ESTIMATE

In your statement you said that you reduced your request by $15 million.

Mr. PEYSER. The chairman has asked about that and so that there will be no misunderstanding, let me state again that certainly there was no intention to mislead. The reduction was purely an internal reduction within our own executive deliberations. We computed an amount based on the projections of the face amounts of the investment guarantees we anticipate having to issue in fiscal year 1963.

We computed that amount which came out to a total of $195 million needed in reserves, if you use the 25 percent ratio of reserves for specific risks and the 50 percent ratio which we used for the extended risks.

Mr. RHODES. Are these the figures you used in 1956?

Mr. WARDEN. In 1956. The calculation based on what cash we had and the flood we had at that time came out to 26.9 percent.

Mr. RHODES. Cash or Treasury credits?

Mr. WARDEN. That is right. A year or two later we decided to round that out because we were carrying too many decimals; so the figure of the probable ultimate net cost ratio of 25 percent was arrived at and was held, as the testimony shows, for the last 4 years approximately.

ESTIMATE OF NET COST OF GUARANTEES

Mr. RHODES. Do you have any idea how that figure was originally arrived at? The experience does not seem to indicate anything anywhere near that is required.

Mr. WARDEN. There isn't any actuarial experience in this field. This was a judgment of reasonable expectations at that time.

Mr. RHODES. The law reads, and I am reading from section 222(e):

All guarantees issued prior to July 1, 1956, exclusive of informational media guarantees, all guarantees issued under section 202(b) of the Mutual Security Act of 1954 as amended, may be considered and all other guarantees shall be considered for the purposes of section 3679 (31 U.S.C. 665) and section 3732 (41 U.S.C. 11) of the revised statutes as amended, as obligations only to the extent of the probable ultimate net cost to the U.S. Government of all outstanding guarantees.

Now my question is, How do you determine what "the probable ultimate net cost" is?

Mr. PEYSER. We cannot, really. We have actually in the past, as I understand it, even asked insurance people to see whether they could come up with some actuarial mechanism. The threw up their hands because this is such a dynamic thing, it involves so many considerations of a political nature, there is no historical background that you can relate to, and, as I pointed out, we are changing our customers to some extent each year and each day.

Mr. RHODES. So at the best we are in a guessing game?

Mr. PEYSER. It is an estimate and it is a prudent estimate. There is no question that when you estimate for this purpose you tend to estimate higher than you expect you will have to pay.

Mr. RHODES. There was some doubt expressed as to whether or not the full faith and credit of the United States is behind this obligation and as I gather the reason for the doubt exists in the statutory language, which seems to describe this fund as coming from various sources. I gather that in so describing the funds you believe that the obligations to the extent of the probable ultimate net cost to the United States have to be appropriated and obligated prior to the time loss occurs?

Mr. PEYSER. Yes.

Mr. RHODES. Why do you read that into the statute? I would think the reverse would be true. I would think your obligations, if they come into being, would certainly receive preferred treatment. In fact,

the law sets forth priorities by which obligations should be met. I would also imagine that a fair interpretation of the statute would indicate that if the funds available and obligated are not sufficient to meet the present requirements for funds to meet claims that in subsequent years the United States would be obligated to a degree to provide the balance.

I will have to admit, of course, that this obligation does not have anywhere near the sanctity of the obligation to pay the interest on the public debt, but it does seem to me that a certain obligation on the part of this Government to pick up any deficiency is pretty inherent in this law.

Mr. PEYSER. What you are saying, in other words, Congressman Rhodes, is that you see no reason why in our agreements we could not make it a complete obligation of the United States?

COMMITMENT OF CONGRESS TO APPROPRIATE IN THE FUTURE

Mr. RHODES. I think that you probably could, subject to congressional appropriation always. I mean there is no way that either you or I could obligate future Congresses to appropriate funds, but I think we can give them some idea of the degree of obligation we now feel, for their guidance. I think the obligation to appropriate to meet any bona fide deficiency caused by legal claims is a great one.

I wish Mr. Miller were here. I think there is a much, much greater obligation to appropriate in this instance than there could ever be under the 202(b) agreements.

Mr. PEYSER. I am familiar with the 202(b) agreements.

Mr. RHODES. To me this guarantee is a very solemn obligation. It is founded in contract. The United States has made a contract with these people. I think the United States has to honor the contract with these people.

Mr. PEYSER. As I said to Congressman Ford, if you assume that the full faith and credit, subject to this limitation of congressional appropriation, were behind it, then from the purely parochial point of view of AID, as distinct from whatever qualifications the Treasury Department may have, I do not think that it would impede our program. We merely want to get ahead with the encouragement of private investment in these countries and the public financing of it is not really our function as an agency.

Mr. RHODES. For convenience' sake, it may be well for you to have some funds available so that you would not have to wait until the next Congress convened to meet every small claim which comes up from the field. I do not want to deprive you of a few dollars to jingle around in your pocket but I am not sure you need $180 million, if my interpretation of the statute is correct.

I noted that you said before that you were not wedded to this figure. I think that is a very reasonable approach to take.

TRANSFERABILITY OF FUNDS

Tell me this: Are these funds, if we appropriate them, subject to transferability? I refer, of course, to section 610, which states as follows:

Whenever the President determines it to be necessary for the purposes of this Act not to exceed 10 per centum of the funds made available for any provision of this Act may be transferred to and consolidated with the funds made available for any other provision of this Act.

There are other words which are not too relevant. If we appropriated this full $180 million, would not 10 percent of it be subject to transfer for other purposes?

Mr. PEYSER. On the face of the statute I would assume it would be.

Mr. RHODES. Does anybody in the room disagree?

(No response.)

Mr. RHODES. I do not think there is any doubt but what it is subject to transferability.

Mr. PASSMAN. Would the gentleman yield?

Mr. RHODES. Yes.

Mr. PASSMAN. If we only made an appropriation here in the amount that is actually needed, or may not be needed for 40 years, by the same authority the President could transfer out of other appropriations into this one.

Mr. RHODES. I think there is no doubt about it.

Mr. PASSMAN. Thank you.

Mr. RHODES. That is all, Mr. Chairman.

SCOPE OF GUARANTEE PROGRAM

Mr. PASSMAN. I believe I stated it correctly when I said that of the total amount of guarantees outstanding, the losses paid under the program as we have had it in the past amounted to less than one-tenth of 1 percent.

Mr. PEYSER. That is correct.

Mr. PASSMAN. And in the event the Congress should approve your request for $180 million, and if you had the present authority, the total of the two—the authority and the appropriation—would be equivalent to approximately 25 percent reserve on the aggregate amount of the guarantees? Is that correct?

Mr. PEYSER. As we are asking for this appropriation on the basis of a 25-percent reserve for the specific risk guarantees.

Mr. PASSMAN. And much of it will go into the same countries in which you have programs that have been going on ever since the inception of foreign aid; is that correct?

Mr. PEYSER. Much of it will, but a great deal of it——

Mr. PASSMAN. The question is that of the $895 million that is presently outstanding with this guarantee, much of it is in countries that we consider friendly, and the guarantee part will be coming to an end, will it not, in a few years?

Mr. PEYSER. Yes, it will.

Mr. PASSMAN. So it could very well be, if we would keep up with that part—that lapse—because the guarantee expires and the renewal that is going on, this may become a static figure, more or less. You have to anticipate what it will eventually reach. It is up to $895 million now.

PROJECTION OF FUTURE INVESTMENT

Guarantees are expiring every year as the new ones go in. Have you projected this to know what your ultimate potential may be?

Mr. PEYSER. It is impossible, Mr. Chairman, it seems to us, to project into the future and to pretend to be scientific about the amount of investment that American investors, exercising their own free will and discretion, will wish to make in underdeveloped countries and on how much of that amount they will wish to apply for guarantees.

Mr. PASSMAN. Free will and discretion—with a lot of encouragement from the people downtown, the Agency for International Development?

Mr. PEYSER. Of course, encouragement.

Mr. PASSMAN. This is your own judgment and discretion. I thought that would not be complete unless we indicated also that they do have some encouragement and some help out of Washington.

Mr. PEYSER. Of course, we encourage it. This is what we have been asked to do.

Mr. PASSMAN. Are U.S. steel mills eligible for development credits to establish plants in foreign countries?

Mr. PEYSER. I do not understand the question—development credits?

ELIGIBILITY OF U.S. FIRMS FOR DEVELOPMENT LOANS

Mr. PASSMAN. Are U.S. steel mills eligible for development credits, sometimes referred to as loans, to establish plants in foreign countries?

Mr. PEYSER. Yes.

Mr. PASSMAN. And have their investment guaranteed by this program?

Mr. PEYSER. Yes.

Mr. PASSMAN. I believe presently they have some steel mills under construction, do they not, where maybe they are a subsidiary of some of the U.S. steel mills? Do you know of one going in anywhere?

Mr. WARDEN. No. We do have an investment in Liberia to get iron ore to keep our own steel mills going, however, good cheap ore.

Mr. PASSMAN. How about in Spain?

Mr. WARDEN. I do not know anything there, sir.

Mr. PASSMAN. You answer my question in the affirmative, they will be eligible and they will be guaranteed?

Mr. WARDEN. Yes, sir; they could be guaranteed.

Mr. PASSMAN. By any accurate analysis, we are experiencing a substantial trade deficit, not just balance-of-payments deficit, but a trade deficit if you remove from our exports that part that is shipped out against the foreign aid credits, and the subsidy that we are having to give to the exporters to meet world competition.

STEEL IMPORTS AND EXPORTS

This is from the Commerce Department: "Steel Imports Exceed Exports." I quote:

> For the first 5 months of this year, exports totaled 801,000 tons, valued at $174,779,000. Imports, 1,689,000 tons, were valued at $198,675,000.

That means, of course, that we are now importing more than twice as much steel as we are exporting, and we are able to get the 1,689,000 tons for only about $24 million more than we had to charge for 801,000 tons.

You can go into every store in Washington, and shelves are loaded with foreign goods at prices substantially below our own. And, if you would make a careful analysis of this matter, you would find that in many instances it is being shipped back by firms that have American capital invested abroad, if not directly, at least indirectly.

Mr. WARDEN. But not 1 pound from an underdeveloped country, nor will it be.

AID DOLLARS RELEASE DOLLARS HELD BY RECIPIENTS FOR OTHER USES

Mr. PASSMAN. Is it not true that every one of the underdeveloped countries, even primitive ones, earn dollars, convertible currency from their exports?

Mr. WARDEN. Yes, sir.

Mr. PASSMAN. Ordinarily those convertible currencies, dollars or otherwise, that they earn, move into the channels of commerce. Eventually the dollars buy something out of America. Is that a statement of fact?

Mr. WARDEN. Yes.

Mr. PASSMAN. If you credit to these foreign countries, whether they be primitive, whether they be backward, or whether they be underdeveloped countries, they can requisition, to a large extent, their needs against the dollars we credit, can they not—tractors, automobiles, and roadbuilding machinery, and all the other material?

Mr. WARDEN. I do not know what the term "requisition" means.

Mr. PASSMAN. All right, purchase; if they need fertilizer, bulls, cows, tractors, they can say, "Please ship, because we have these dollars with which to pay you."

Mr. WARDEN. Yes.

Mr. PASSMAN. We have no control over their internal affairs, do we?

Mr. WARDEN. No, sir.

Mr. PASSMAN. So, that would release to them whatever dollars they earn in convertible currencies to either buy our goods, or to buy gold, or to speculate, or to accumulate? Isn't that right?

Mr. WARDEN. Or more properly to buy machinery that they need for development.

Mr. PASSMAN. Let us say they do that. They can also accumulate, speculate, or buy gold, can they not?

Mr. WARDEN. If they do that, I doubt that they would get much development aid from this country.

Mr. PASSMAN. There have been some months, if you give them $15 million they would buy $15 million of our gold in the same month.

Look at the statistics, look at the amount of gold that went into Laos, Iran, and some of the other heavy aid-recipient countries. It looks as if we pour the dollars in and they come back the following week and buy our gold. The record speaks for itself.

Good wishes to you.

Mr. PEYSER. Thank you.

TUESDAY, AUGUST 14, 1962.

ADMINISTRATIVE EXPENSES, AGENCY FOR INTERNATIONAL DEVELOPMENT

WITNESSES

HON. FRANK M. COFFIN, DEPUTY ADMINISTRATOR FOR OPERATIONS
ROY W. CRAWLEY, DIRECTOR, OFFICE OF PERSONNEL ADMINISTRATION, AID
ALBERT D. NEMECEK, CHIEF, ADMINISTRATIVE BUDGET BRANCH, AID
EDWARD F. TENNANT, ACTING CONTROLLER, AID
LEIGH M. MILLER, LEGISLATIVE PROGRAMS COORDINATOR, AID

Mr. GARY. The committee will come to order.

Mr. Coffin, the committee will now consider the question of administrative expenses for the Agency for International Development.

You are going to testify, I believe?

Mr. COFFIN. Yes, Mr. Chairman.

Mr. GARY. We will be very glad to hear from you at this time.

Mr. COFFIN. Thank you, Mr. Chairman.

STATEMENT OF DEPUTY ADMINISTRATOR FOR OPERATIONS, AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. Chairman and members of the committee, I welcome this opportunity to appear before your committee as the witness for the "Administrative expense" appropriation of the Agency for International Development. In my opinion, this is one of the most vital and critical appropriation items in the entire act. Large sums are appropriated by the Congress for the programs. It appears to me that the provision of adequate resources to manage these programs is essential as a measure of protecting this important investment of the American taxpayer. The amount of $53 million in this request for administration of the programs is not large by comparison with amount requested for the programs. It represents something less than 2 percent.

FACTORS AFFECTING ADMINISTRATIVE BUDGET

The changing character of the program and the organization of the AID to pursue new emphasis have a significant bearing on the amount of resources required to administer the program. For the past several weeks, Mr. Hamilton and other witnesses have discussed with this committee salient features of the change in direction of the foreign assistance program and the organization of the AID to carry out this program. I do not wish to repeat at any length what has been reported in some detail by these witnesses. However, a brief summary is desirable as background for considering the "Administrative expense" appropriation.

The Agency for International Development has a considerably broader responsibility and a larger task to perform than those of our

predecessor agencies. These arise from: (1) New recognition of the urgency of substantially expanded development needs in Latin America and Africa; (2) New emphasis on long-range comprehensive development planning; (3) The need for a more intensified and detailed coordination of U.S. foreign economic assistance efforts, including those of other U.S. agencies; for example, Export-Import Bank, and those of other free world nations and of international instrumentalities, and greater emphasis on coordination of military assistance efforts; and (4) The new emphasis on self-help by recipient countries. Furthermore, the AID has responsibility for several functions for which its predecessor agencies had much more limited, if any, responsibility. These include encouragement of private enterprise to play a larger development role and certain aspects of the food for peace program.

These fundamental and sweeping changes have created an increase in activities financed from administrative expense funds. Furthermore, the need to establish, or increase the size of, posts in newly independent countries in Africa and the progressively increasing size of development loans reaching the implementation stage have generated increased demand on the administrative expense resources for both fiscal year 1962 and fiscal year 1963.

In the 9 months during which the AID has been operational, it has not been possible to fully attain the degree of administrative efficiency to which we aspire. We are still in the process of organizing the administrative structure both in Washington and the field and staffing the Agency. The new organization, which we are confident will prove increasingly effective, is still in the trial period and almost daily we are discovering new needs for fiscal and personnel resources to meet the high challenge of this complex program which we are charged with administering.

FISCAL YEAR 1962 BUDGET AS BACKGROUND FOR FISCAL YEAR 1963 REQUEST

To place the request for fiscal year 1963 in perspective, the fiscal year 1962 administrative expense budget should be considered, briefly. About a year ago, the fiscal year 1962 administrative budget for the proposed new Agency for International Development was presented to this committee. At that time only the broad outlines of the organization structure and the operating concepts had been developed. Until the details could be worked out, it was not feasible to project a firm budget request for fiscal year 1962. In view of the imponderables at that time, the President's task force determined to present an administrative budget based on the then existing levels of operation in the predecessor agencies of AID. The committee was informed of the provisional nature of the budget request for fiscal year 1962 and of the possible need for the President to use the transfer authority of section 610 of the act to provide further funds, if additional requirements developed during fiscal year 1962.

An amount of $47.5 million was appropriated for fiscal year 1962. In addition $1.1 million of unobligated balances were available from fiscal year 1961 and prior years, bringing the total availability to $48.6 million. As the year progressed, it became apparent that additional funds were needed for: (1) Additional staff in Washington to carry out new functions placed upon the AID and to implement the

reorganization plan of AID; (2) requirements of the Alliance for Progress; (3) strengthening of the program for training AID personnel; and (4) increased staffing and support costs for missions in Africa. An amount of $3 million was transferred pursuant to a Presidential determination dated March 22, 1962, making the total available for the year $51.6 million. Of this total, $465,000 or less than 1 percent remained unobligated at the end of the fiscal year.

APPROPRIATION REQUEST FOR FISCAL YEAR 1963

The appropriation request for fiscal year 1963 is for $53 million. This is the amount authorized for fiscal year 1963 under section 637(a) of the Foreign Assistance Act, as recently amended. In addition, unobligated balances of administrative funds from fiscal year 1962 and prior years are requested to be continued available in fiscal year 1963. These balances are about $465,000 from fiscal year 1962 funds and $635,000 from the prior years' funds, for a total of $1.1 million. This would bring the total amount available for fiscal year 1963 to $54.1 million.

An appropriation of $55 million for "Administrative expenses" of AID was requested by the President for fiscal year 1963. The detailed budget estimate that has been furnished to the committee was for this amount. It was proposed, additionally, in that budget to use the unobligated balances of administrative funds from fiscal year 1962 and prior years.

Within the last few days, the new obligational authority for fiscal year 1963 has been reduced by the authorizing act from the amount requested by the President to $53 million. Time has not permitted a complete revision of the detailed budget in line with the reduced authorization. However, a revision of the worldwide summary, which appears on page 3 of the administrative expense budget document, has been furnished to the committee to show the estimated utilization of the total funds that would be available under this request.

The $55 million requested by the President as new obligational authority, plus unobligated prior year balances of $1.1 million, was considered as a very minimum amount necessary to carry on the essential administrative functions of the AID. Subsequent developments have indicated an even larger requirement. The $54.1 million that would be available under this request is substantially below what the Agency believes is required to manage effectively all phases of the program. The committee is urged, therefore, to appropriate the requested amount.

If I may interject here, Mr. Chairman, the authorizing legislation also put in a prohibition against using contingency funds for administrative expenses. This avenue is no longer open to us.

The amount of $54.1 million for fiscal year 1963 will provide for a total of 3,039 positions for U.S. national employees distributed among operating activities as follows: (1) Overseas operations, $28.5 million 1,114 positions; (2) Domestic operations, $21.4 million and 1,870 positions; and (3) Supporting activities and services, $4.2 million and 55 positions. These amounts represent increases over fiscal year 1962 of (*a*) roughly $1.9 million for the overseas missions, (*b*) about $200,000 for Washington expenses, and (*c*) somewhat more than $400,000 for the supporting activities and services.

OVERSEA OPERATIONS

The estimate of $28.5 million for oversea missions consists of amounts for the various regions as follows: Latin America $5.3 million, Near East and south Asia $6.3 million, Africa $9.3 million, Europe $0.7 million, and Far East $6.9 million. The increase of $1.9 million for the oversea missions provides for 30 additional U.S. national positions and 211 additional foreign national positions; an increase in man-years resulting from a fuller period of employment for positions established prior to fiscal year 1963; periodic pay increases for American personnel and wage scale increases for foreign national personnel; and increases in mission operating costs. This increase covers the establishment of new missions mostly in the African area and small increases in staff for several missions. Reductions in staff are planned for Greece, Israel, Lebanon, Spain, Yugoslavia, and Korea.

DOMESTIC OPERATIONS

The increase of $200,000 in Washington expenses is a net amount. It is comprised of reductions totaling $2.9 million and increases totaling $3.1 million.

Increases in Washington expenses cover 153 additional man-years of employment under positions established in fiscal year 1962 but not filled for the full period, the cost of periodic within-grade pay increases, and increases in operating expenses such as rental of space, moving costs and alternations of office space, etc.

The major portion of the decrease is represented in the proposed shift of 258 positions to program funding to implement the proper assignment of program support functions in the new organization of AID. The shift of these positions results from the continuing analysis conducted to determine more precisely the proper funding allocation of positions. Traditionally there had been, in the major predecessor agency (ICA), separate administrative and program funded categories of personnel. Administrative personel were those concerned with program planning, control, and the normal administrative functions of any U.S. Government agency. Program personnel were those concerned with implementation and support of assistance programs. This principle of the two separate categories of personnel has been adopted by the AID. With the formation of the AID organizational structure, and the assignment of functions and merging of personnel of predecessor agencies within this new structure, certain personnel formerly financed from administrative funds were found to be engaged in functions classed as program in AID. The transfer of those personnel to program funding will permit a consistent application of the adopted principle within all elements of the AID Washington organization. Although this shift of personnel is an outgrowth of the reorganization, it was not made during fiscal year 1962 in the belief that such a change should first undergo budgetary review. All such positions are in the regional bureaus of the AID and consist mainly of staff engaged in technical direction in the various fields (e.g., agriculture, education, housing, etc.) and in the contracting, lending and engineering functions.

SUPPORTING ACTIVITIES AND SERVICES

This activity consists of training of staff ($800,000), temporary assignment complements for Foreign Service personel of AID ($300,000), and support services furnished AID by the Department of State and other Federal agencies ($3.1 million). These amounts represent increases over fiscal year 1962 of $69,000 for orientation and training of oversea personnel, $108,000 for our Foreign Service complements and $265,000 to provide for the increased cost of necessary supporting services by the Department of State and other U.S. Federal agencies.

SUMMARY

Mr. Chairman, I know that traditionally you have had a very close interest in this program and have been particularly concerned with the maner in which it has been administered. I sincerely believe that, given the new challenges before us in terms of program and administrative complexity, it is of utmost importance that we be adequately staffed and adequately financed to do a good administrative job.

I hope that in your consideration of this request you will agree with me that we must preserve a strong administrative structure during this fiscal year and will provide the resources, which we have requested, to permit us to do so.

Mr. GARY. Thank you, Mr. Coffin.

COMPARISON OF FISCAL YEAR 1962 AND FISCAL YEAR 1963 ESTIMATES

As I understand it, your estimate for administrative expenses for fiscal year 1963 is $55 million?

Mr. COFFIN. That is correct.

Mr. GARY. That was reduced in the authorizing legislation to $53 million?

Mr. COFFIN. Right.

Mr. GARY. Your 1962 appropriation was $47.5 million?

Mr. COFFIN. Right.

Mr. GARY. Therefore, you are requesting an increase of $5.5 million for 1963?

Mr. COFFIN. That is correct. I point out that during the year we supplemented the budget with $3 million transfer, so that we are asking for funds of $2.5 million above what were actually used last year, taking into account the initial appropriation and the subsequent transfer during the year.

Mr. GARY. The transfer has to be added to your appropriation for 1962 to get a true picture.

POSITIONS TRANSFERRED TO PROGRAM FUNDING

In addition to the $5.5 million, there is an item referred to on page 6 of your statement of a shift from 258 positions to program funding to implement the proper assignment of program support functions in the new organization of AID.

Agency for International Development

Administrative expe nses—Worldwide summary by activity (revised to a total availability of $54,100,000)

Activity	Fiscal year 1961 actual					Fiscal year 1962 estimate					Fiscal year 1963 estimate				
	Permanent positions		Total man-years [1]		Obligations (thousands)	Permanent positions		Total man-years [1]		Obligations (thousands)	Permanent positions		Total man-years [1]		Obligations (thousands)
	U.S. nationals	Foreign nationals	U.S. nationals	Foreign nationals		U.S. nationals	Foreign nationals	U.S. nationals	Foreign nationals		U.S. nationals	Foreign nationals	U.S. nationals	Foreign nationals	
1. Oversea operations:															
(a) Latin America	185	355	147	270	$3,896	194	373	178	318	$5,055	203	460	194	373	$5,287
(b) Near East and south Asia	243	540	232	428	5,601	243	540	237	469	5,926	245	575	245	548	6,300
(c) Africa	326	297	174	161	6,011	332	305	286	250	8,108	360	400	340	362	9,272
(d) Europe	33	62	35	58	771	32	56	33	54	719	24	56	29	55	671
(e) Far East	298	676	289	611	6,744	283	666	272	611	6,758	282	660	277	638	6,933
Subtotal, oversea	1,085	1,930	877	1,528	23,023	1,084	1,940	1,006	1,702	26,566	1,114	2,151	1,085	1,976	28,463
2. Domestic operations	1,867	-------	1,693	-------	18,791	2,150	-------	1,853	-------	21,232	1,870	-------	1,771	-------	21,389
3. Supporting activities and services:															
(a) Staff training and development	30	-------	17	-------	420	30	-------	21	-------	731	30	-------	25	-------	800
(b) Foreign Service staffing complements	20	-------	14	-------	166	20	-------	15	-------	169	25	-------	21	-------	277
(c) Administrative support services by Department of State and participating agencies	-------	-------	-------	-------	2,805	-------	-------	-------	-------	2,906	-------	-------	-------	-------	3,171
Subtotal, supporting activities and services	50	-------	31	-------	3,391	50	-------	36	-------	3,806	55	-------	46	-------	4,248
Total	3,002	1,930	2,601	1,528	45,205	3,284	1,940	2,895	1,702	51,604	3,039	2,151	2,902	1,976	54,100

[1] Includes part-time and temporary and consultant man-years.

Mr. COFFIN. That is correct.

Mr. GARY. What is the amount of that shift in dollars?

Mr. NEMECEK. $2,735,000.

Mr. GARY. Considering that shift, that would mean you are asking for $7,725,000 over 1962, is that correct?

Mr. COFFIN. Yes, we would put it that we are really having in mind that we told the committee last year we were giving the 1962 budget but we were not certain about it because we were in the throes of reorganization. We merely extend prior year budgets and said that if we had need to supplement this, we would, which we did, to the extent of $3 million. The real difference, I think, is roughly $5.2 million.

CONTINGENCY FUND TRANSFER IN FISCAL YEAR 1962

Mr. GARY. You transferred $3 million from the contingency fund to the 1962 administrative expenses appropriation?

Mr. COFFIN. Yes, sir.

Mr. GARY. Which meant that you actually had $50.5 million in 1962?

Mr. COFFIN. Yes, sir; that is roughly right.

Mr. GARY. Taking into consideration the shift now of certain personnel over to the program support appropriation, that would make the exact amount of the increase you are requesting over 1962 approximately $5.2 million?

Mr. COFFIN. Right.

Mr. GARY. Gentlemen, we shall take a short recess to answer a rollcall of the House.

(Thereupon, a short recess was taken.)

PERSONNEL REQUESTS, 1963

Mr. GARY. Mr. Coffin, applying the same methods, what is the difference in personnel of the 1963 request as compared with 1962?

Mr. COFFIN. You are asking for the Washington administrative personnel in this budget?

Mr. GARY. We would like to have it both for the Washington office and overseas, as compared with 1962, taking into consideration the transfers you enumerated in the discussion of the cost factor.

Mr. NEMECEK. May I speak to that?

Mr. GARY. Yes.

Mr. NEMECEK. We had 3,284 permanent positions for fiscal year 1962 shown in our statement. This would be reduced by 258 to make it comparable and that would bring us down to 3,026. We are asking for 3,039 positions for fiscal year 1963. The difference between the 3,039 and the 3,026 would be 13 positions increase, on a comparable basis.

Mr. GARY. In the Washington office?

Mr. NEMECEK. No; this was a total.

Mr. GARY. That is overall?

Mr. NEMECEK. This was the worldwide total.

INCREASE IN PERSONNEL REQUIREMENTS

Mr. GARY. That many additional employees certainly would not cause $5.2 million. Where is the balance of your $5.2 million increase going?

Mr. NEMECEK. A good portion of the increase in 1963 as compared to 1962 is for filling positions that were authorized during fiscal year 1962 but not filled for the full period of fiscal year 1962—a longer period of employment during fiscal 1963 for positions authorized in 1962.

Mr. GARY. How many did you ask for last year?

Mr. NEMECEK. For Washington?

Mr. GARY. No; total.

Mr. NEMECEK. We asked for 3,012 positions last year.

Mr. GARY. How did you get to the 3,284 figure with an authorization for only 3,012?

Mr. NEMECEK. The difference between the 3,012 and the 3,284 results from increases in positions that were required for the new Agency after we had had time to take stock of requirements in the new Agency. The original budget for fiscal year 1962 was a provisional budget and it did not take into account all of the requirements of the new Agency for the reason we were not in a position to anticipate all requirements at the time we submitted the fiscal year 1962 budget.

Mr. COFFIN. May I add to that, Mr. Chairman?

Mr. GARY. Yes.

COMPARISON OF FISCAL YEAR 1961 WITH FISCAL YEAR 1963 OVERALL PROGRAM

Mr. COFFIN. The comparison that I think is helpful is taking the increase since 1961, comparing 1963 with 1961.

The funds for which we are responsible increased from 1961 to 1963 by 44 percent. The U.S. nationals personnel, worldwide increased, if we consider 1963, only 4.3 percent. In other words, in 1962 we practically doubled the development lending appropriation. We increased development grants and instead of having an appropriation of about $2 billion, we had an appropriation of $2.9 billion. This year our request is $3.2 billion and when we contrast the change between 1961 and 1963 the increases there are made up as follows: About $5 million was for increased staffing for oversea missions; and for AID staffing in Washington—this is the total—there was a net figure of $1 million; for training, $380,000; foreign service staffing complements, $110,000; pay increases and wage scale increases, $1.2 million; increased travel, $400,000; general increases in operating costs, $565,000.

The difference between 1961 and our request for 1963 is $8.8 million, but that is the increase in responsibilities not only in the appropriation but also in the accumulation of lending funds which have been obligated and the implementation of these loans still has to be accomplished.

This takes place over a long period of time, Mr. Gary.

JUSTIFICATION FOR PERSONNEL INCREASES

Mr. GARY. Apparently what you did last year is that you employed more persons than were authorized by the Appropriations Committee. You put on a number of them at the end of the year and now you have to ask for additional money to carry them on through another year; is that correct?

Mr. COFFIN. We put on a number through the year. I do not know that they bunched up at any particular time. We told the Congress a year ago that with the new Agency merging DLF, ICA, we could not intelligently say what the budget would be except to take the preceeding expenses of DLF and ICA and project that figure, saying at the same time that as we worked out the new organization based on regional lines, we would feel free to draw on other funds if we needed to. In other words, we said this is a projection of the past but we realized we are entering a new period of complexity with some new functions and new things demanded of us. If this required more funds, we would draw them from another account.

FINANCING OF ADDITIONAL PERSONNEL

Mr. GARY. I take it that most of these additional people were employed with the money you transferred from the contingency; is that correct?

That enabled the employment of these additional people?

Mr. COFFIN. Yes, sir. The net effect was that, as the contingency fund drawdown took place in March, the people hired earlier came out of the regular appropriations but the availability of transfer authority certainly made it possible for us to proceed in an orderly way with our recruiting.

Mr. GARY. Can you tell us how many positions were filled during the months of April, May, and June?

Mr. CRAWLEY. I can, Mr. Chairman.

I can tell you what our accessions were for last fiscal year. During the entire year, we brought on board 1,439 employees and they were not bunched. This is at an average monthly rate of about 120 and it was about on that level.

Mr. GARY. Will you supply the information for the record for those 3 months?

Mr. CRAWLEY. All right, sir.

(The information follows:)

AID employment accessions during final quarter of fiscal year 1962 (U.S. national employees)

Categories of accessions	1962			4th quarter of fiscal year 1962, total
	April	May	June	
Washington headquarters:				
Regular staff	52	116	127	295
Other Agency details	3	11		14
Subtotal	55	127	127	309
Oversea missions:				
Direct-hire	39	53	48	140
Other Agency	10	3	4	17
Subtotal	49	56	52	157
Total	104	183	179	466

NOTE.—Does not include consultants, short-term details from other agencies, and temporary summer and student appointees.

ANNUALIZATION COSTS INCLUDED IN FISCAL YEAR 1963 ESTIMATES

Mr. GARY. On page 14 of the justifications, you show 153 nationals at a cost of $2,310,000. That is over $15,000 each. Can you give us some explanation of that figure? That is an additional cost to a current year to annualize expanded operations financed for part of a prior year.

Mr. CRAWLEY. Do you have that?

Mr. NEMECEK. Yes.

The total cost is $2,310,000 and it is not limited to salaries. It is the total cost related to the annualization of 153 man-years during fiscal year 1963.

Mr. GARY. It is an additional cost you have here?

Mr. NEMECEK. Yes, sir.

Mr. COFFIN. But you allocate to each person a certain amount of overhead or space and services.

Mr. NEMECEK. Supporting costs; yes, sir.

This would be the additional cost in fiscal year 1963 to support these people for a full year during that period, whereas during fiscal year 1962 they were supported for only a part of the year.

Mr. GARY. What was the cost? Can you give us the cost in 1962 for supporting those people?

Mr. NEMECEK. The same people?

Mr. GARY. Yes.

Mr. NEMECEK. No; I would not be able to.

Mr. COFFIN. You are talking about additive costs, travel, telephone. You are not dividing preexisting overhead to arrive at that figure?

Mr. NEMECEK. This is a different cost for fiscal year 1963.

METHOD OF PROJECTING SALARY AND SUPPORTING COST ESTIMATES

Mr. GARY. How can you get the additional cost if you do not know what the original cost was?

Mr. NEMECEK. We did this by the use of factors. It is arrived at statistically. We do not have actual accounting records to provide this information, and it was arrived at statistically.

Mr. GARY. You say that is not entirely salaries.

What other costs go into it?

Mr. NEMECEK. It would be the entire range of expenses to support an individual. It would include salaries, rents, supplies, equipment, and perhaps some travel; a whole range of expenses.

Mr. CONTE. Mr. Chairman?

Mr. GARY. Yes, sir.

Mr. CONTE. You must have the cost for salaries alone in the previous year for those nationals.

Mr. NEMECEK. We do not identify these as individuals. This is a total increase in average employment within our overall Washington organization. It is attributable to the increased period of employment in fiscal year 1963 over fiscal year 1962.

Mr. CONTE. I understand that, but you must have the number of employees and the amount you paid them in salaries in 1962; the number of employees and salaries you are paying them in 1963?

Mr. NEMECEK. I think we could develop this on a factor basis. We could develop those costs.

Mr. COFFIN. What they do is to take the employees on board in 1962 and they have salaries for all our employees on board. They also have all their expenses so they are able to figure out for 1962 the total cost allocable to each employee because it divides the total administrative cost into the number of employees.

Mr. CONTE. I fully understand that but you must have payroll sheets for the number of employees you had and what you paid them.

Mr. TENNANT. I think it is a question of breaks here.

As you can see, on page 26 for domestic operations, the personal service cost, personal compensation, is the answer to your question, Mr. Conte.

Our estimate for 1962 domestic operations, personnel compensation, was $16,053,000 and the comparable figure for 1963 is $15,789,000.

In this break that the chairman is reading from, we have compartmentalized a lot of differences I laid out.

EXPLANATION OF INCREASES AND DECREASES IN FISCAL YEAR 1963 ESTIMATES

Mr. GARY. That is a decrease. How could you get an increase out of a decrease?

Mr. NEMECEK. It might be well to compare the table on page 26 with the table you were just referring to on page 14.

Mr. GARY. That is what we are trying to do. One shows a decrease and the other shows an increase. We are trying to get you to do that and put it in the record. Give us an explanation for it.

Mr. NEMECEK. The table on page 14 is based on the differences in the total figure from 1962 to 1963. It is not limited to the salary line. On page 26 we show $21,232,000 for fiscal year 1962.

Mr. TENNANT. That is the total of the 1962 column on page 26.

Mr. NEMECEK. This is the total for Washington, all types of expenditures. The comparable figure for fiscal year 1963 is $21,389,000.

The table on page 14 attempts to give, just by major categories, the items of decrease and the items of increase which make up the difference between the $21,232,000 for 1962 and the $21,389,000 for fiscal year 1963.

The first item shown there is a reduction of the 258 positions for 214 man-years and $2,735,000 involved in the shift to program funding.

The next item is a reduction of 22 positions, 18 man-years, with a reduction of $176,000.

The last reduction item is 3 man-years of consultant employment for $54,000.

The reduction totals 280 positions, 235 man-years, and $2,965,000.

Then we come to the increases. The first item of increase is the increase in average employment due to positions authorized in fiscal year 1962 being filled for a longer period of time in fiscal year 1963. There is no increase in positions, but the net increase in average employment is 153 man-years for $2,310,000.

EXPLANATION OF INCREASED COST FOR AVERAGE EMPLOYMENT

Mr. GARY. Can you give us a breakdown of that $2,310,000?

Mr. NEMECEK. I cannot here.

Mr. GARY. That is what I mean. Can you give us that in the record?

Mr. NEMECEK. I think we can.

Mr. GARY. I wish you would. Show what is salary and what other items make up that $2,310,000. That is what we are inquiring about. It certainly could not be the additional salary cost alone, because it works out more than $15,000. If the additional for salary costs alone would be $15,000, then you are paying out of proportion to other salaries.

Mr. COFFIN. The rough average salary per man is about $10,000 with the additive amount being other items of expense. We will supply that.

Mr. GARY. We would like to have that information in the record.

(The information requested follows:)

Breakdown of cost for additional man-years of nationals for fiscal year 1963

	Thousands
Personnel compensation	$1,841
Personnel benefits	133
Travel	100
Printing	80
Equipment	77
Miscellaneous	79
Total	2,310

COMPARISON OF TOTAL PERSONNEL OVER 3-YEAR PERIOD

Mr. GARY. You gave us a comparison of your total personnel for 1962 and 1963. Could you add 1961 to that to give us the comparison for 1961, 1962, and 1963, and also break the figures down between the domestic and foreign employees?

Mr. TENNANT. Yes, sir.

Mr. GARY. Please put a table of that kind in the record.

(The information requested follows:)

Administrative expenses—Comparison of U.S. national and foreign national permanent positions, fiscal years 1961, 1962, 1963 (on comparable basis)

	Fiscal year 1961		Fiscal year 1962		Fiscal year 1963	
	U.S. nationals	Foreign nationals	U.S. nationals	Foreign nationals	U.S. nationals	Foreign nationals
Oversea operations	1,085	1,930	1,084	1,940	1,114	2,151
Domestic operations	1,867	----------	2,150	----------	1,870	----------
Less positions transferred in the estimate	−258	----------	−258	----------	----------	----------
Net domestic operations (adjusted for comparability)	1,609	----------	1,892	----------	1,870	----------
Supporting activities and services	50	----------	50	----------	55	----------
Total (adjusted for comparability)	2,744	1,930	3,026	1,940	3,039	2,151

UNOBLIGATED BALANCE AS OF JUNE 30, 1962

Mr. GARY. What was the unobligated balance in the administrative expenses appropriation on June 30, 1962?

Mr. COFFIN. This was $465,000, which was unobligated from fiscal 1962. It is slightly smaller than a year ago. We add to that a

figure of $635,000 from years prior to 1962 that is unobligated. The total is about the same as those two items which were carried forward from fiscal 1961, slightly smaller than the carryover from 1961.

Mr. GARY. What is the total?

Mr. COFFIN. It is $1.1 million.

Mr. GARY. Section 301(b) of the Foreign Assistance Act of 1963—how much was appropriated for this purpose for fiscal year 1962?

Mr. TENNANT. Section 301 is the international organizations and programs. The appropriation for 1962 was $153,500,000. That is the program that Mr. Cleveland is defending.

Mr. GARY. What was the administrative expense connected with the administration of those funds?

Mr. TENNANT. This program is administered by the Department of State, and there is no money in this budget for that program.

TOTAL ANNUALIZATION COSTS IN FISCAL YEAR 1963

Mr. GARY. What amounts of funds do you have in the 1963 estimates for the cost of annualizing positions created in 1962? I imagine the domestic part of it was the $2,310,000 figure that we had a few minutes ago.

Mr. TENNANT. That is correct.

Mr. GARY. I want the total now. The overseas was how much?

Mr. COFFIN. $1,252,000, or a total of $3,562,000.

CHANGES IN POSITIONS AND REPLACEMENT OF PERSONNEL UNDER SECTION 621(d)

Mr. GARY. In the reorganization of the AID Agency, I believe Mr. Hamilton stated that 287 positions had been abolished. What was the cost of these positions?

Mr. CRAWLEY. Mr. Chairman, he probably was speaking of the exercise we call 621(d), a section in our authorization legislation which said the Administrator should have the authority to decide which employees should not be transferred to the Agency for International Development. As a result of that, initially 345 employees were not to have been transferred. In the review—there was a very thorough review of this situation—it finally evolved that 274 individuals were finally separated. This is the figure to which you referred.

Mr. GARY. What was the cost of these 274 positions?

Mr. CRAWLEY. We would estimate roughly $10,000 a position, and this would be roughly $2.75 million.

The point is that these positions, not the same positions but the same in type, were later on filled during the year. This is one of the problems. As a result of the 274 not being transferred, there were no actual dollars saved. The positions still were there and were filled later on as we obtained staff.

Mr. COFFIN. The intent of Congress was to get the best quality of personnel, and an attempt was made to single out those who, either because of their own competence or, even more, because of the new type of work required by the Agency, were not so valuable. The net result of this should be an increase in quality, not an increase in funding availability.

ACTUAL VERSUS ESTIMATED FISCAL YEAR 1962 PERSONNEL REQUIREMENTS

Mr. GARY. Last year the 1962 justifications indicated a requirement for the following number of permanent U.S. positions and man-years of employment: Oversea operations, 1,087 or 1,002 man-years. What did you actually realize on that?

Mr. COFFIN. We came very close to that, I believe. My recollection is that the figure is about 1,006 man-years.

Mr. GARY. How many positions?

Mr. NEMECEK. 1,084.

Mr. GARY. 1,084 positions or 1,006 man-years, as compared with your estimates of 1,087 and 1,002.

Mr. TENNANT. That is correct, sir.

Mr. GARY. That was for your oversea operation. How about your domestic operation? Your estimate was 1,875 positions, or 1,771 man-years.

Mr. TENNANT. That is correct. We realized 2,150 positions and 1,853 man-years.

AGENCY REORGANIZATION INCREASED DOMESTIC PROGRAM

Mr. GARY. Then practically all of your increase was in Washington in your domestic program.

Mr. TENNANT. That is correct, sir. That is due to the reorganization and the establishment of the Agency and conversion of the predecessor agencies into one organization.

Mr. GARY. What is your estimate for these two organizations in 1963?

Mr. COFFIN. In 1963, we estimate overseas, 1,114 positions.

Mr. GARY. How many man-years?

Mr. TENNANT. 1,085.

Mr. COFFIN. And in Washington, 1,870 positions.

Mr. TENNANT. And 1,771 man-years.

Mr. GARY. The same as you estimated last year.

Mr. TENANT. Yes, sir.

Mr. COFFIN. The reason is that we are in this process of needing some new capabilities and are not yet able to phase out some of the people whom we will not need. We expect next year we will be able to arrive more closely at this estimate.

FISCAL YEAR 1962 PROGRAM FOR SUPPORTING COSTS AND SERVICES

Mr. GARY. Last year, the 1962 justifications indicated a program of $2,493,000 for supporting activities and services. What did you obligate for this purpose?

Mr. TENNANT. $3,806,000.

COMPARABILITY OF FISCAL YEARS 1962 AND 1963 SUPPORT COST ESTIMATES

Mr. NEMECEK. I might say these figures are not directly comparable, in that in the present budget which you have, we have revised some of the categories. There is not direct comparability between the figures.

Mr. GARY. Can you give us the comparable figures for your supporting activities and services for 1962 and 1963?

Mr. COFFIN. May we supply that for the record?

Mr. GARY. Yes, please do. The obligations in your justifications were $2,493,000. We want to know what you actually obligated in 1962 for supporting activities and services.

Mr. NEMECEK. On a comparable basis.

Mr. GARY. On a comparable basis.

(The information requested follows:)

Administrative expenses—Comparison of estimates for supporting activities and services

[In thousands of Dollars]

	1962		1963 congressional presentation
	In 1962 congressional presentation	In 1963 congressional presentation	
Staff training and development	311	731	800
Add applicable personnel compensation and benefits, for comparability [1]	+274		
Subtotal, staff training and development (adjusted)	585	731	800
Foreign Service staff complements	464	169	277
Deduct personnel compensation and benefits relating to staff training, for comparability	−274		
Subtotal, Foreign Service staff complements (adjusted)	190	169	277
Administrative support by—			
Participating agencies	584	550	610
Department of State, centralized costs	1,134	[2]	[2]
Subtotal (1962 only, for comparability)	2,493		
Add administrative support by Department of State, oversea costs at posts, for comparability [3]	1,422	[3]	[3]
Total Department of State administrative support (adjusted)	([4] 2,556)	2,356	2,561
Total	3,915	3,806	4,248

[1] In 1962 congressional presentation this item was included under "Foreign Service staff complements."
[2] Not separately computed, included in total Department of State administrative support.
[3] In 1962 congressional presentation this item was included under "Oversea operations."
[4] Nonadd, shown for comparability.

Mr. GARY. What amounts are requested for the three subheads under this item under the nonregional program?

Mr. NEMECEK. Which subheads?

Mr. GARY. Supporting activities and services. Can you put that in the record?

Mr. TENNANT. We shall be glad to furnish that, sir.

(The information requested follows:)

Interregional expenses—Fiscal year 1963 estimate supporting activities and services (covering same categories as under "Administrative expenses")

	Thousands
Staff training and development	$2,200
Foreign Service staffing complements	590
Administrative support services by—	
Department of State	5,700
Participating agencies	5,460
Total	13,950

STAFFING ESTIMATES FOR NEW MISSIONS IN FISCAL YEAR 1963

Mr. GARY. What new missions do you propose to establish in fiscal 1963?

Mr. COFFIN. We propose for the forthcoming year to establish missions in the Central African Republic, Chad, Gabon, Mauritania, the newly independent countries of Rwanda and Burundi, Zanzibar, and Syria.

Mr. GARY. What staff and cost do you estimate for each country?

Mr. COFFIN. In the Central African Republic, two positions for U.S. nationals. Two in Chad. Two in Gabon. Two in Mauritania. Two in Ruanda-Urundi. Two in Zanzibar.

Each of these will require only one man-year. Even though each of these has two positions, we estimate one man-year in each mission.

We estimate two local positions in each mission, except Zanzibar, where we estimate one. The man-years for the local would be 0.3 man-years in all of them except Mauritania, where we estimate one man-year, and Zanzibar, where we estimate half a man-year.

COST OF NEW AID MISSIONS

Mr. GARY. What is the cost of each mission?

Mr. COFFIN. The cost of each of those missions is $55,000, except for Mauritania, which would be $69,000, and Zanzibar, which would be $65,000. These are all very small missions.

Mr. TENNANT. Mr. Chairman, at the time we went to press with this, Ruanda-Urundi still had not been broken up into two countries, and I imagine we will have to reappraise our request on that.

Mr. COFFIN. These will be two countries. The question would be whether we would have a regional mission for the two, or whether we would divide personnel among those two. These have been the administrative figures for that.

I did not give you the figures for Syria. In Syria there would be eight U.S. positions.

Mr. GARY. That is a new mission in Syria?

Mr. COFFIN. Yes. With its independence from the United Arab Republic, we have felt this was a useful place to have a mission.

Mr. GARY. What is your estimated cost on that?

Mr. COFFIN. The Syrian mission total administrative cost would be $227,000.

Mr. GARY. Have you a 1963 program proposed for each of these countries at the present time?

Mr. COFFIN. I believe we have.

Mr. MILLER. In the situation of Burundi and Rwanda, I believe we have indicated to the committee that we will consider a program in 1963 fiscal year, although at this time it is not fully defined.

ESTIMATED ADDITIONAL COSTS FOR MISSION EXPANSION

Mr. GARY. What is the cost of the additional staff for expansion of existing missions?

Mr. COFFIN. In my statement, Mr. Chairman, I said that we estimated roughly $1.9 million of increases over fiscal 1962 which is accounted for by either starting or expanding oversea missions or paying increased costs for oversea missions.

Mr. GARY. I want to know the additional staff for the expansion of these oversea missions.

Mr. NEMECEK. We do not have the expansion part of it broken out.

We have a combined figure. We do not have separate figures on that. We could supply that to you.

Mr. GARY. Supply that for the record, please.

Mr. NEMECEK. Yes, sir.

(The information requested follows:)

Administrative expenses—Additional staff required in fiscal year 1963 for expansion of oversea missions

Existing missions increased in size	Additional positions	
	U.S. nationals	Foreign nationals
Latin America:		
Argentina (Buenos Aires)		2
Bolivia (La Paz)		8
Brazil (Rio de Janeiro)	5	15
Chile (Santiago)		5
Columbia (Bogotá)		5
Ecuador (Quito)		5
El Salvador (San Salvador)		4
Guatemala (Guatemala City)		5
Honduras (Tegucigalpa)		5
Nicaragua (Managua)		5
Panama (Panama City)		5
Paraguay (Ascunción)		4
Peru (Lima)		4
Trinidad (Port-of-Spain)	1	12
Uruguay (Montevideo)	1	
Venezuela (Caracas)		1
British Honduras (Belize)	2	2
Subtotal	9	87
Near East and South Asia:		
India (New Delhi)		26
Nepal (Katmandu)	3	17
Yemen (Taiz)	5	
Cyprus (Nicosia)	1	5
Subtotal	9	48
Africa:		
Ethiopia (Addis Ababa)	2	4
Federation of Rhodesia and Nyasaland (Salisbury)		3
Ghana (Accra)		7
Kenya (Nairobi)	2	2
Liberia (Monrovia)	1	5
Morocco (Rabat)		2
Somali (Mogadiscio)	2	2
Sudan (Khartoum)	1	2
Cameroon (Yaounde)		9
Guinea (Conakry)	3	8
Ivory Coast (Abidjan)	3	6
Malagasy (Tananarive)		5
Mali (Bamako)	2	4
Republic of the Congo (Leopoldville)	2	
Senegal (Dakar)	2	3
Sierra Leone (Freetown)		3
Tanganyika (Dar es Salaam)		4
Togo (Lome)	2	2
Uganda (Kampala)	3	3
Upper Volta (Ouagadougou)		2
Congo Republic (Brazzaville)	3	5
Niger (Niamey)		3
Subtotal	28	84
Far East:		
Burma (Rangoon)		3
Cambodia (Phnom Penh)		4
Indonesia (Djakarta)	2	1
Laos (Vientiane)	1	
Philippines (Manila)		2
Thailand (Bangkok)	1	4
Vietnam (Saigon)		6
Subtotal	4	20
Total additional positions	50	239

Mr. GARY. Why are you maintaining missions in Spain and Yugoslavia at a cost of $203,000 and $198,000, respectively?

PHASEOUT OF MISSION IN SPAIN

Mr. COFFIN. In Spain we are planning to phase that mission down. We have no program planned for Spain for the forthcoming year, but as has been the case in Europe, we have the need for people to look after the accounting of funds as they are paid in or reports as they are filed. I do not know whether we plan to close down the entire mission in Spain this year.

Mr. TENNANT. There are some liquidating activities going on in Spain which it will take a little time to close out. I do not know whether we can say at this time whether it will be liquidated by June 30, 1963.

POSSIBILITY OF CONTINUING ACTIVITY IN YUGOSLAVIA

Mr. COFFIN. In Yugoslavia, the same situation holds as far as administering loans which have been made or projects which have been launched. There may well be some activity continuing there with regard to transfer of food and possibly other activities. This, of course, will be done only if the requirements of the legislation are met.

Mr. GARY. You still have some liquidating expenses there?

Mr. COFFIN. Yes.

Mr. GARY. And you need a liquidating staff there?

Mr. COFFIN. Yes.

In Bonn, Germany, we have some people who are chiefly accountants who have tried to supervise the payments of old loans that have been made a long time ago.

STAFF OF AID PUBLIC AFFAIRS OFFICE

Mr. GARY. What is the size of the public affairs staff?

Mr. COFFIN. That consists, counting clerical people and professionals, of just about 40 people. A number of these were taken over from the State Department. Up until this year, we would pay for a number of positions in the State Public Affairs Section. Now we have them in AID as a result of the reorganization. I would say perhaps half of those or slightly less are professionals.

Mr. GARY. What is the total cost of that staff?

Mr. COFFIN. We could supply that.

Mr. GARY. Please do.

(The information requested follows:)

Estimated fiscal year 1963 total cost of AID Information Staff: $744,200.

The above amount covers all of the costs of the public affairs staff. This includes all costs of preparation and dissemination of information, relating to the activities of the Agency, for release externally to the public, through the various media of news communications (press, radio, TV, etc.), as well as internally to AID employees through in-house publications and similar releases.

CONGRESSIONAL LIAISON STAFF

Mr. GARY. What is the size of the Congressional Liaison Staff?

Mr. COFFIN. The Congressional Liaison Staff consists of about 12

people, again counting both professionals and clerical people.

Mr. GARY. What is the cost of that?

Mr. COFFIN. We could supply that.

(The information requested follows:)

Estimated fiscal year 1963 total cost of AID Congressional Liaison Staff: $177,700.

OFFICE OF DEVELOPMENT FINANCE AND PRIVATE ENTERPRISE

Mr. GARY. You have a new division established this year, which we just heard from a little while ago.

Mr. COFFIN. The Office of Development Finance and Private Enterprise.

Mr. GARY. What is the size of the staff in that division?

Mr. COFFIN. It is not new in the sense that the Development Loan Fund was the predecessor of this Office, although many of the officials have moved into our regional bureaus. Both DLF and ICA and Offices of Private Enterprise. We have merged these two in this new unit. The total size of the Office of Development Finance and Private Enterprise is about 50 people, professionals and clerical. This administers the investment guarantee program which you heard about, and also is our unit to supervise loan standards for the entire Agency.

Mr. GARY. What is the total administrative cost of that division?

Mr. COFFIN. I will supply that.

Mr. GARY. We would appreciate it.

(The information requested follows:)

Estimated fiscal year 1963 total cost of Office of Development Finance and Private Enterprise: $647,200.

REPRESENTATION ALLOWANCES

Mr. GARY. What are you asking for your representation allowance for this year?

Mr. COFFIN. Just about $228,000.

Mr. GARY. How does that compare with 1962?

Mr. COFFIN. That is about $33,000 more than 1962, chiefly because of the new missions that we have established or new activities we are undertaking.

Mr. GARY. You say new missions or new activities. The new missions ought not to justify that amount.

Mr. COFFIN. I am thinking particularly of Latin America, where we might have an old mission, but the mission might have consisted of some technical assistance people doing agricultural extension work, and now we find we have a mission that must work with that country on coming up with a plan and trying to meet the requirements of the Charter of Punta del Este. This is a much more demanding role for the mission director and his deputy, and representation therefore makes far more sense for those people than it used to.

Mr. GARY. Mr. Conte.

UTILIZATION OF REPRESENTATION FUNDS

Mr. CONTE. What is this representation account? How is that used?

Mr. COFFIN. This is used for entertainment by the mission director or his deputy as he entertains officials and citizens of the country in which he serves. I think it is a valuable, even though small, item. Our mission director in these countries is looked up to as the economic spokesman of this country and, where aid is increasingly important as a tool of foreign policy, this man can well use some funds for entertainment.

Mr. CONTE. I thought this was a function of the Embassy.

Mr. COFFIN. The work of the AID mission carries the mission director into many different lines of activity that the Ambassador himself would not be in or would not be involved in as much. The AID mission director is constantly associating with the Economics Minister, the Finance Minister, and other top officials of the government, on aid matters and projects, discussing economic development plans. There is a need for both. In both instances the total representation allowance is less than that which a small- or medium-sized corporation would have in this country.

PRINTING AND REPRODUCTION COSTS

Mr. CONTE. On page 26, you have an increase in printing and reproduction from $628,000 estimated in 1962 to $759,000 in 1963. Why the sudden jump there?

Mr. CRAWLEY. Let me take just one example, Mr. Congressman, in my own area—personnel administration. I am in the process of having to revise and update all of our manual orders, which are numerable, as you would guess, in the personnel area, to bring them into line with the new organization and its objectives and purposes. This is just one segment of the organization. Throughout, new policies are being developed which must be printed. This is part of the reason for the large increase. The volume of the work has really caught up with us.

Mr. CONTE. I imagine now that you have made all these changes, next year you will not need any money at all.

Mr. CRAWLEY. I would not make that promise.

Mr. CONTE. You will have a reduction, though?

Mr. CRAWLEY. Yes, but there will be printing costs.

Mr. CONTE. I understand that, but now that you have gotten over the hump on this big change——

Mr. COFFIN. You are quite right that some items of our administrative budget ought to go down after we complete this turnaround. On the other hand, bear in mind, too, as each year's appropriation is obligated in the form of loan agreements and project agreements, a great deal of the work in a sense really begins, to work out and solve roadblocks that develop as a country tries to implement a loan, to construe provisions, even getting into litigation as provisions of the contract agreements become the subject of controversy. This work of implementation began for our Government probably a couple of years ago. The first 2 or 3 years of the Development Loan Fund, we were obligating, writing loan agreements. Then when the money is disbursed and reports come in or do not come in, and when officials misconstrue or misunderstand the purport of the agreement, all of this takes man-hours to work on.

Getting back to your original point, I would say there are some expenses here which are unusual because we are in the period of rewriting the rules and regulations and trying to reorient this organization to carry out what we told Congress it was going to do.

NECESSITY FOR LEGAL STAFF IN AID

Mr. CONTE. I notice you have 58 lawyers in the administration. Is this a new high?

Mr. COFFIN. Yes, I think it is. This is primarily for the reason that I just spoke about. As we get into the implementation phase, we find the need for lawyers. A lawyer can write a loan agreement in perhaps a few weeks, but when that loan runs into difficulty and he has to negotiate, either eliminating objections or trying to get an amendment if that seems sensible, or getting into litigation, then this takes lawyers' time.

I would say, too, after all, this is a $3 billion a year corporation with responsibility for prior-year money. This would take a fairly large house counsel shop in any private business.

Mr. CONTE. I would like to see more in the management inspection staff and clear out some of the deadwood in the Agency.

Mr. COFFIN. This is a new function that we did not have before. It illustrates why some of our administrative expenses go up. We think this unit is extremely important in preventing inefficiency or even fraud or uncovering it when it does occur.

ACTIVITIES OF THE PUBLIC AFFAIRS STAFF

Mr. CONTE. I notice you have 44 on your public affairs staff, which represents 4 percent of your Washington staff. This is extremely high. Why do you need 44 men in public affairs?

Mr. COFFIN. Actually, I think the number is closer to 40.

Mr. CONTE. In the justifications you have 44.

Mr. COFFIN. If we are to do what we are supposed to do, not propagandize but issue factual information for the understanding of the people, this means responding to requests of Congress; it means communicating when contract awards are made to say just exactly what the materials and equipment are to be used for and who is to supply it; it means not only responding to the press on inquiries made by the press, but also seeing that information on activities that we engage in, whether it be a loan in India or a loan in Colombia is made available to the press. It also means there should be reasonable effort to make available materials for radio and television, not of a propaganda line, but of a news and background line. Many clubs and organizations throughout the country are writing to us constantly, as well as schools, universities, business groups, and farm groups, for material about our programs. These are the people who must get the facts and write them up and service the requests.

When you think that half or more of these people are clerical and that only the rest are professional, this does not seem to be undue, particularly when you compare it with other agencies of Government. It is a rather small staff.

OFFICE OF PROGRAM SUPPORT

Mr. CONTE. There is an extremely high figure in the Office of Program Support, 530, approximately 25 percent of your Washington staff.

RESPONSIBILITY FOR PARTICIPANT TRAINING PROGRAM

Mr. COFFIN. Most of these people are engaged in our participant training program. These are foreign people from underdeveloped countries whom we bring here either for a course of instruction or to serve an apprenticeship in some industry. I do not need to tell you that this cannot be done on a mass production basis. If three young people from Nigeria are coming over, we must make sure that their experience here will be a good one and that they will not go away sour because they ran out of funds, or went to a certain town and nobody was there to meet them, or that their course of instruction was taught in a language which they did not understand. Otherwise, the results are negtative. We invest a lot of money in each participant. We invest $4,000 to $5,000 in each participant. This is well invested if we choose the people right and if we handle them with care while they are over here. That explains why, I would say, three-fourths of those people are on the payroll.

Mr. CONTE. Are they educated or knowledgeable in the language of these foreign students that you mentioned?

Mr. COFFIN. Yes, I would think not all but a number of these have language competence in the areas from which these people come.

OFFICE OF PERSONNEL ADMINISTRATION

Mr. CONTE. Another one which seemed terribly high was the Office of Personnel Administration, 206, which represents 10 percent of your Washington budget.

Mr. CRAWLEY. I would like to talk a little bit to that, Congressman. This is my responsibility.

Our turnover rate last year in the Agency for U.S. nationals was in excess of 25 percent. The problem of finding the very best people that we can to put into these major responsbilities is a big problem in itself which takes a lot of man-hours and a lot of work.

Mr. CONTE. You say 25 percent turnover. That amounts to how many?

Mr. CRAWLEY. Twenty-five percent of about 6,800 people. Last year was an unusually high rate.

Mr. CONTE. Why do you have such a large turnover?

Mr. CRAWLEY. For a multitude of reasons. One of the reasons last year was the section 621 screening, for example, as a result of which we did not transfer 271 people, and that group is included in this figure. Among secretaries, messengers, clerks, and typists, the turnover is always high. These are the major categories that make up the unusually high turnover rate.

We carry on a multitude of responsibilities in moving people around the world in some 80 different countries, and handling the various arrangements for the employees and their families. It is a very sizable responsibility in the huge program which we have, and I do not think we have too many people.

Mr. COFFIN. We have training obligations, too.

Mr. CRAWLEY. Yes. We are organized in the Office of Personnel into a training operation with 24 people——

Mr. CONTE. In what do you train them, and where?

Mr. CRAWLEY. We train them at the Foregin Service Institute. We send them there for language training.

Mr. CONTE. Is this in Virginia?

Mr. CRAWLEY. Yes. We have a 6 weeks' orientation program of our own for all new employees in the Agency. We feel this is important and extremely valuable. We use the Industrial College of the Armed Forces. We use the War College. We send people to the senior officers training program in the State Department. We send people outside to universities, to research groups from time to time. We use the resources of the Brookings Institution. We send them to a myriad of places.

Mr. CONTE. This 25 percent turnover you had last year——

Mr. CRAWLEY. Compares with a governmentwide average of 22 percent.

Mr. CONTE. It is extremely high. Of that percentage, how many were fired?

Mr. CRAWLEY. Sixteen people is the figure. Let me check this for the record but the figure that stays in my mind is 16. There are deaths, resignations, transfers, retirements, etc.

Mr. CONTE. Of that 16 how many were discharged for moral purposes?

(The information follows:)

AID SEPARATION DATA

The following information on separation of AID personnel has been obtained from data utilized in preparing the regular "Monthly Report of Federal Civilian Employment," standard from 113, furnished the U.S. Civil Service Commission:

Reason	Fiscal year 1960	Fiscal year 1961	Fiscal year 1962
Quit	395	411	476
Transfer	153	107	214
Discharge	3	2	1
Reduction in force	34	36	38
Termination	238	353	544
Extended leave without pay	62	60	58
Death, retirement, disability, etc	66	113	93
Total	951	1,082	1,424

It should be noted that these data are maintained and reported in accordance with standardized Federal instructions on the basis of categories specified for use in preparation of standard form 50, "Notification of Personnel Action." Pursuant to these instructions, it occasionally occurs that separation actions, initiated but not processed beyond certain procedural points, must be recorded as other than discharges or terminations. In rare instances, the best interests of the U.S. Government are served by permitting resignations or retirement in lieu of discharge or termination.

Accordingly, it is not possible to isolate from the figures cited above the number of separation actions which resulted directly or indirectly from security or suitability considerations (including questions of morals). From data

maintained separately by the AID Personnel Security Division, the following information is provided reflecting the number of separation actions, included in the totals reported above, which occurred after inquiry by that office.

Fiscal year 1960	8
Fiscal year 1961	16
Fiscal year 1962	25

Mr. CRAWLEY. This I would like to check for the record.

SECURITY INVESTIGATIONS OF ALL CANDIDATES

Mr. CONTE. Do you give them a very thorough screening in regard to their morals?

Mr. CRAWLEY. All of our positions in the Agency are so-called sensitive positions and every candidate is subject to a full field investigation by the FBI or the Civil Service.

Mr. CONTE. They were also in that security agency, were they not?

Mr. CRAWLEY. Yes, sir. That is what I am driving at. We have a Security Division in the Office of Personnel that has 26 people in it that is continually involved with this sort of problem.

Mr. CONTE. Your Agency would not hire a person if he had some background of being a pervert?

Mr. CRAWLEY. No.

Mr. CONTE. This would prohibit the man from being employed by the AID?

Mr. CRAWLEY. Yes.

CONSULTANT SERVICES

Mr. CONTE. How about consultants; how many consultants do you hire?

Mr. CRAWLEY. As of June 30, 1962, we had a total of 289 consultants and experts on our rolls. Of that number we had 183 in Washington and 106 overseas. The total figure as of June 30 was 289.

Mr. CONTE. Primarily what services did they perform?

Mr. CRAWLEY. They performed a variety of services crossing a number of disciplines, a number of specialties: economists, engineers, public administrators, these kinds of people. They provide us with skills and knowledges in general which we could not obtain under our normal employment practices. Dean Mason from Harvard, for example, has been serving as a consultant to the Agency.

Mr. CONTE. These are not to be confused with consultants that you hire to go out in the field?

Mr. CRAWLEY. Some of these consultants do go abroad on projects overseas.

Mr. CONTE. Take the Volta project in Ghana, would these consultants go over and look at these projects?

Mr. CRAWLEY. Yes, sir.

Mr. CONTE. They would advise the AID whether this was a feasible project or not?

Mr. CRAWLEY. Yes, sir.

Mr. CONTE. What did those 289 consultants cost us?

COST OF CONSULTANTS OVER 3-YEAR PERIOD

Mr. CRAWLEY. I don't have the precise figure on this, Congressman. I have an estimate and I will develop the figure for you if you like.

I have an estimate on calendar year 1961 that the cost of consultants and experts ran about $1.5 million during that year. If you would like, I can provide for the record the cost of these 289.

Mr. CONTE. If the chairman has no objection?

Mr. GARY. I have no objection, and can you give us the costs for 1962?

Mr. CRAWLEY. We will develop that figure, Mr. Chairman.

Mr. GARY. Give us the number and cost for 1961, 1962, and your estimate for 1963.

(The information follows:)

Use of consultants in AID

	Fiscal year 1961	Fiscal year 1962	Fiscal year 1963
Number of Public Law 600 consultants and experts on Agency rolls as of June 30	203	289	280
Total direct costs of administrative- and program-financed consultant services	$731,000	$1,225,000	$1,220,000

PAYMENTS TO CONSULTANTS

Mr. GARY. How do you pay these consultants?

Mr. CRAWLEY. Some of them are under a full-time arrangement not to exceed 12 months. Others are paid when actually employed and work a day, a month, or a day a week, and are paid at varying rates depending upon their background, their private income in private life, and so forth.

Mr. GARY. What is your maximum?

Mr. CRAWLEY. The normal maximum is 12 months. We do have authority——

Mr. GARY. I mean what is your maximum per diem.

Mr. CRAWLEY. $75 a day.

Mr. GARY. You don't pay $400 a day like the Post Office Department did during the last administration?

Mr. CRAWLEY. No, sir.

Mr. GARY. We found one case where they paid $400 a day for consultants on the job.

Mr. CONTE. Would you give us for the record the names of these consultants?

Mr. CRAWLEY. Yes.

(The information follows:)

AID CONSULTANTS AND EXPERTS (AS OF JUNE 30, 1962)

There are listed hereafter the names and office or country of assignment of the 289 Public Law 600 consultants and experts employed on AID rolls as of June 30, 1962.

On the Washington headquarters staff rolls are 183, of whom 108 are on intermittent (when actually employed) status. Of the 106 oversea appointees, 96 are on full-time status during their period of employment.

CONSULTANTS AND EXPERTS EMPLOYED BY THE AGENCY FOR INTERNATIONAL DEVELOPMENT AS OF JUNE 30, 1962

Washington headquarters staff:

Ahern, Alvin W., Office of Education.
Arnold, Richard C., research evaluation staff.
Badillo, Samuel E., Bureau of Latin America.
Baldwin, Laverne, personnel administration.
Barnett, Vincent M., program review and coordination staff.
Belovsky, Sidney A., personnel administration.
Berg, Sherwood O., personnel administration.
Black, Nancee W., research evaluation staff.
Blandford, John B., Office of Education.
Blumberg, Morrie K., Office of Industry.
Bosch, Herbert M., Office of Public Health.
Bradford, Leland, research evaluation staff.
Brannon, Luther H., personnel administration.
Bregman, Stanley I., International Development Organization staff.
Brohm, John F., Bureau of Far East.
Bronk, Detlev, program and planning.
Brown, Gilbert T., Bureau of Far East.
Brown, Harrison, program and planning.
Bumgardner, H. E., Office of Industry.
Calderon, Cesar A., Bureau of Latin America.
Campos Del Toro, E., Bureau of Latin America.
Carrion, Rafael, Bureau of Latin America.
Charpie, Robert A., program and planning.
Cisler, Walker Lee, Office of Industry.
Clark, Paul G., program review and coordination staff.
Coffman, Beverly A., personnel administration.
Connelly, Michael, public affairs staff.
Coop, F. Robert, personnel administration.
Copley, John G., Office of Public Health.
Creel, Cecil W., personnel administration.
Croas, Paul R., controller.
Culberton, Paul T., personnel administration.
Cunningham, George, Office of Material Resources.
Darley, Ward, Office of Public Health.
Davies, Burton T., controller.
Davies, Peter J., development financing.
Davis, James McCoy, participant training.
Davis, Joseph D., Bureau of Far East.
Davis, Nathaniel P., personnel administration.
Davis, Raymond H., Office of Education.
DeJesus, Roberto, Bureau of Latin America.
Decourcy, William, personnel administration.
DeGrazia, Edward, development financing.
Descartes, Sol L., Bureau of Latin America.
Despres, Emile, program review and coordination staff.
Dickson, William F., personnel administration.
Donnelley, Lucia, Bureau of Latin America.
Dyer, Henry S., research evaluation staff.
Edwards, James M., personnel administration.
Ehrgott, Herbert W., Office of Engineering.
Elac, John C., Bureau of Latin America.
Ellsworth, Margaret, Office of Public Health.
Espy, James, Bureau of Latin America.
Ewerz, Robert R., personnel administration.
Faler, Carleton H., Communications Resources Division.
Fitzgerald, D. A., Office of Administrator.
Ford, James J., controller.
Fox, Gay Currie, personnel administration.
Fox, Homer S., personnel administration.
Fruit, Melville M., personnel administration.
Gannon, Francis X., Bureau of Latin America.
Graeser, Henry J., Office of Public Health.

Grand, Stanley, development financing.
Grant, Ethel, personnel administration.
Greenwalt, George, personnel administration.
Hagen, Everett, program review and coordination staff.
Hales, Dawson, personnel administration.
Harbison, F. H., program and planning.
Harrar, J. George, program and planning.
Heckman, John H., Office of Materiel Resources.
Heginbotham, Lois, personnel administration.
Henderson, John M., Office of Public Health.
Heyman I. Austin, Bureau of Latin America.
Hinman, E. Harold, Office of Education.
Hoffman, Michael, Office of Administrator.
Holmberg, Allan R., program and planning.
Hummel, Don, Bureau of Latin America.
Hummon, Guy A., personnel administration.
Ihrie, Robert, Office of Material Resources.
Illich, Michael, Bureau of Latin America.
Jacobson, George W., Office of Material Resources.
Jeffrey, Newman, Bureau of Africa and Europe.
Johnson, Byron L., International Development Organization staff.
Jones, Donovan W., Office of Public Health.
Jones, Peter S., personnel administration.
Keating, Robert B., research evaluation staff.
Kelley, Kenneth J., Office of Education.
Kesler, Vera C., International Training Division.
Kilcoin, William L., personnel administration.
Kimberling, Arthur, personnel administration.
Krebs, William A. W., program and planning.
Lambertsen, Eleanor, Office of Education.
Larson, Lloyd K., personnel administration.
Laughlin, Henry P., development financing.
Leavitt, Howard B., research evaluation staff.
Lee, Russel V., Office of Administrator.
Leiserson, Mark W., program review and coordination staff.
Lewis, Robert B., participant training.
Logan, John A., Office of Education.
Lubin, Isador, program and planning.
Lyon, Frederick B., personnel administration.
Lyon, Melvin J., Bureau of Latin America.
Mallon, Richard D., research evaluation staff.
Maney, Edward S., personnel administration.
Mansfield, Anne F., Bureau of Latin America.
Marsh, Harry W., personnel administration.
Mason, Edward S., Office of Administrator.
McDermott, Walsh, program and planning.
McMenamin, E. B., personnel administration.
McNayr, Irving G., personnel administration.
Meyer, Albert J., Bureau of Near East and South Asia.
Miller, Arthur P., Office of Public Health.
Millikan, Max F., program review and coordination staff.
Mitchell, James M., personnel administration.
Molohon, Albin D., personnel administration.
Montgomery, Edison, Office of Assistant Administrator for Administration.
Montgomery, John W., Bureau of Latin America.
Mooney, Thomas W., Bureau of Latin America.
Morison, Robert S., program and planning.
Morrell, Robert E., Office of Material Resources.
Morris, Fred B., personnel administration.
Morrissey, George, Office of Contract Relations.
Morton, Frederick, personnel administration.
Mosher, Arthur T., program and planning.
Myer, Dillon S., personnel administration.
Myers, Will M., Bureau of Latin America.
Newquist, O. A., Office of Public Health.
Nicholson, Rex Lee, Office of Administrator.

Noel, Francis W., program and planning.
Papanek, Gustav F., program review and coordination staff.
Peyser, Seymour, Office of Administrator.
Pletsch, Donald J., Office of Public Health.
Polich, Frank J., program and planning.
Press, Frank, program and planning.
Pryor, Millard H., Bureau of Far East.
Pye, Lucian W., program review and coordination staff.
Ranis, Gustav, program review and coordination staff.
Reed, Frank H., Bureau of Africa and Europe.
Reeves, Edgar A., personnel administration.
Reid, T. Roy, personnel administration.
Reynolds, Lloyd G., program review and coordination staff.
Rigney, Jackson A., research evaluation staff.
Robbins, Margaret, personnel administration.
Rodgers, Douglas F., program and planning.
Rodriguez, G., Bureau of Latin America.
Rubinstein, Miriam, personnel administration.
Russell, Paul F., Office of Public Health.
Sargent, Cyril, Bureau of Latin America.
Scatena, J. Sandy, personnel administration.
Schultz, George J., public affairs staff.
Shallow, Jeanne D., personnel administration.
Shorter, Hazel K., management planning.
Sirkin, Gerald, program review and coordination staff.
Slayman, Eleanor, personnel administration.
Smith, Henry E. J., research evaluation staff.
Smith, Joseph A., personnel administration.
Smithies, John T., Bureau of Latin America.
Sontheimer, Morton, Bureau of Latin America.
Spalding, Allan, public affairs staff.
Spector, Paul, research evaluation staff.
Spero, Robert H., public affairs staff.
Spryer, F. C., Office of Material Resources.
Stapleton, D. V., personnel administration.
Stehman, Winona P., Office of Material Resources.
Steiner, Henry J., General Counsel.
Sterns, Joel T., Bureau of Latin America.
Stutzman, Homer R., Office of Material Resources.
Sviridoff, M., Bureau of Latin America.
Torre, Mottramp, personnel administration.
Townsend, Richard, public affairs staff.
Treasure, Edna, Bureau of Far East.
Warner, Howry H., personnel administration.
Weidner, Edward W., management planning.
Whitlock, Charles, personnel administration.
Wieters, Alfred H., Office of Education.
Williams, Edwin M., public affairs staff.
Williams, Louis L., Office of Public Health.
Winfield, Louise P., personnel administration.
Witte, Ernst F., Office of Education.
Wright, Donald L., Bureau of Latin America.
Young, Edwin, program review and coordination staff.
Young, Howard W., public affairs staff.
Zacharias, J. R., program and planning.

Overseas:

Near East-South Asia:

Bailey, Raymond A., NESA regional.
Blankford, John B., Pakistan.
Bonnalie, Allan F., Afghanistan.
Brombacher, W. G., Turkey.
Creamer, Daniel, Turkey.
Dougherty, Edward, Jordon.
Dunbar, John O., CENTO staff.
Fireman, Milton, Pakistan.
Fisher, John F., Turkey.

Lehker, Glen E., CENTO staff.
Lieberman, Morton, Iran.
Livingston, K. E., Iran.
Louis, Nicholas B., Turkey.
Lynch, Michael R., Israel.
Peterson, Dean F., NESA regional.
Richardson, D. G., Afghanistan.
Shoffner, Robert W., NESA regional.

Far East:
Kepner, Paul V., Korea.
Lowery, Bernard F., Laos.
Luchek, Anthony, Philippines.
Phillips, Rufus C., Vietnam.
Putschar, Walter G., Thailand.
Ramstad, Egil, China.
Robinson, Howard T., Philippines.
Shu, Shien Siu, China.
Sondern, Clarence, China.
Sternberg, David T., Philippines.
Thompson, Milton S., China.
Wolfe, Ranald M., China.

Africa-Europe:
Ball, Daniel, Sudan.
Beck, Glenn H., Nigeria.
Bliss, Don C., Liberia.
Boodin, Joseph, Senegal.
Brown, Glenn A., Somalia.
Colm, Gerhard, Liberia.
Cummins, Robert D., Malagasy.
Dagen, Verne C., Liberia.
Davis, Loren L., Nigeria.
Doucette, Valmore, Mali.
Foster, George M., Federation Of Rhodesia and Nyasaland.
Hartman, Herbert W., AFE regional.
Hoge, Vane M., Morocco.
Holmgreen, Elmer N., Morocco.
Leasure, Elden E., Nigeria.
Loosli, John K., Nigeria.
Loveland, Frank., Liberia.
Mar, Gilbert B., Spain.
Mattingly, Aubrey, Liberia.
Maxwell, Thomas A., Nigeria.
Parsons, Kermit, Nigeria.
Patterson, Gardner, Tunisia.
Rivkin, Arnold, Nigeria.
Schmidt, Wilson E., Nigeria.
Van Poppelen F. J., Morocco.
Williams, David W., Morocco.
Yager, J. Allen, Congo (Brazzaville).
Young, Clarence, Morocco.
Zanetti, Enrique, Upper Volta.

Latin America:
Bell, John C., Paraguay.
Bohan, Merwin L., Brazil.
Borst, Lyle B., Colombia.
Bostick, Maurice H., Brazil.
Brewer, A. Madison, Dominican Republic.
Cleveland, Horace, Dominican Republic.
Colon, P. P., Ecuador.
Colon-Torres, R., British Guiana.
Cooley, Nancy, Ecuador.
Davila, Horace E., Ecuador.
DeLuca, Edward D., Peru.
Eaves, Robert W., Dominican Republic.
Forkner, Hamden., Dominican Republic.
Galanter, Eugene, Dominican Republic.

Garcia-Hernandez, Dominican Republic.
Gibson, John W., Brazil.
Goetz, Delia C., Venezuela.
Greep, Harry P., Venezuela.
Grillo, Antonio, Colombia.
Hackett, James E., Brazil.
Haddad, Samuel, El Salvador.
Hallawell, Kent, Argentina,
Heywood, Paul H., Peru.
Hidalgo, Jacinto, LA regional.
Hoffman, Harry G., British Guiana.
Jaro, Chester, Peru.
Johnson, Kenneth E., Colombia.
Karnes, M. Ray, West Indies and East Caribbean.
Kerr, Frederick L., Jamaica.
King, Robert L., Panama.
Marthinsen, William H., Honduras.
Moses, Morris, British Guiana.
Newberg, Richard R., LA regional.
Oldman, Oliver S., El Salvador.
Orvedahl, Walter, Argentina.
Overhouse, Charles, Venezuela.
Pico, Rafael, Dominican Republic.
Rodriguez-Bou, I., Dominican Republic.
Rogers, Dean W., Chile.
Sandin, Adolph A., Venezuela.
Slack, John B., Colombia.
Smith, Marvin, Dominican Republic.
Speetles, Robert B., Peru.
Tindale, Thomas, Ecuador.
Van Norte, Thelma, British Guiana.
Walsh, Edmund N., Peru.
Weaver, Frank L., Brazil.
Wenrich, Ralph, West Indies and East Caribbean.

Mr. CONTE. That is all, Mr. Chairman.

Mr. GARY. That is all. Thank you, gentlemen.

RATIO OF ADMINISTRATIVE COSTS TO AID PROGRAM

Mr. COFFIN. Mr. Chairman, may I just close with a comment I sincerely believe in. Our administrative cost is roughly 0.016 of the program itself. This is almost identical with the administrative cost of the military assistance program. It compares favorably with the administrative cost of the World Bank and the International Development Association and the U.N. technical assistance program. No program is comparable in the sense that there is both lending and technical assistance. We have made a calculation of the ratio of our administrative expense to the program that we administer and it compares very favorably. I cannot underscore, too much that, if we are to get us to administer this program so we are able to come up here with stories of achievements, we need people to do this. We are still in the process of getting the pattern of people and skills that we need to do this, and I therefore urge your most serious consideration of our request which has already been cut $2 million, which is very hard to absorb.

Mr. GARY. Well, I can assure you, Mr. Coffin, that so far as I am concerned I think a program of this kind ought to be adequately staffed because we need greater efficiency in the program.

I have been astonished at several things that have developed in the hearings that have been rather disturbing to me and I believe that

you should have a sufficient staff to do a good job. I realize that if you can't properly police the program inefficiency is liable to creep in. At the same time this program is getting awfully large and expenditures are increasing every year.

The committee will certainly review them very carefully and I shall recommend that they give you sufficient staff to adequately conduct the program.

Mr. COFFIN. I appreciate that and I appreciate your courtesy at this hearing.

TUESDAY, AUGUST 14, 1962.

ADMINISTRATIVE AND OTHER EXPENSES, STATE

WITNESSES

VERNE B. LEWIS, DEPUTY ASSISTANT SECRETARY OF STATE FOR BUDGET AND FINANCE
EDWARD F. TENNANT, ACTING CONTROLLER, AID
STANLEY M. CLEVELAND, DIRECTOR, OFFICE OF ATLANTIC POLITICAL-ECONOMIC AFFAIRS
IRWIN M. TOBIN, ACTING DIRECTOR, OFFICE OF ATLANTIC POLITICAL AND MILITARY AFFAIRS
ROBERT B. WRIGHT, DIRECTOR, MUTUAL DEFENSE CONTROL STAFF
WALTER W. JONES, BUDGET ANALYST
LEIGH M. MILLER, LEGISLATIVE PROGRAM COORDINATOR, AID
KENNETH M. RABIN, PRESENTATION COORDINATOR, AID

Mr. GARY. We will next consider the administrative expenses of the State Department. Mr. Lewis, I believe you are going to testify on that item. The estimate for 1963 is $3.1 million. The appropriation for 1962 was $3 million, which is an increase of $100,000. We shall be very glad to hear from you at the present time, Mr. Lewis.

STATEMENT OF DEPUTY ASSISTANT SECRETARY OF STATE FOR BUDGET AND FINANCE

Mr. LEWIS. Thank you, Mr. Chairman.

Mr. Chairman and members of the committee, I am grateful for the opportunity to appear before this committee to explain the Department of State's request for funds under section 637(b) of the Foreign Assistance Act of 1961.

Our request for $3,100,000 is for two major activities of the Department of State related to the foreign assistance program. These are the U.S. mission to the North Atlantic Treaty Organization and the Organization for Economic Cooperation and Development (USRO), and the Mutual Defense Assistance Control Act (MDAC). This request for $3.1 million is an increase of $100,000 over the amount appropriated in 1962.

U.S. MISSIONS TO NATO AND OECD

The U.S. mission to NATO and OECD (USRO) provides U.S. representation to the NATO Council and subsidiary committees and to the OECD Council and subsidiary committees. The U.S. attaches

great importance to NATO and OECD. By coordinating our political, military, and economic policies with our Atlantic partners in NATO and OECD we are enhancing our security and welfare.

Since its establishment in 1949 the primary objectives of NATO have been to plan and provide for the defense of the North Atlantic Treaty area. To date this objective has been accomplished by the cooperative efforts of the 15 member countries. However, constant efforts and negotiations are required to improve the systems for integrated defense, including the equitable distribution of the defense burden.

In 1962 most of the efforts of our mission to NATO had as their continuing objective the strengthening of NATO defenses, the achievement of a better balance between nuclear and conventional weapons, and the increased readiness of forces in connection with the Berlin crisis. The staff engaged in intensive consultation on political problems with our Allies in NATO and participated in the review of military programs in member countries.

The Organization for Economic Cooperation and Development (OECD) which was organized officially on September 30, 1961, grew out of U.S. initiative first made public in a communique issued at the conclusion of the Western summit meeting in December 1959. The U.S. Government had become convinced that more had to be done to develop cooperation and coordination of the industrialized nations of Western Europe in meeting the economic challenges of the postwar era and therefore took the leadership in establishing the OECD. The United States became a member of the OECD on September 30, 1961, by virtue of the advice and consent to the OECD convention by the Senate on March 16, 1961.

The United States has sought to strengthen the Atlantic partnership by vigorously using the OECD to coordinate economic policies and programs and to make progress toward the freer movement of people, goods, services, and means of payment. The most important work of the OECD pertains to economic policy, development assistance, and trade.

The staff of our USRO mission provides support to our representatives to NATO and the OECD and assists in carrying out USRO activities by interpreting and analyzing developments and exchanging information between our embassies in member countries—including passing along recommendations for U.S. action to Washington and various American embassies in connection with obtaining assistance in persuading other countries to accept a U.S. position on current NATO or OECD problems.

INCREASED NUMBER OF POSITIONS

We are asking for an increase of three positions and $72,350 in fiscal year 1963 for USRO. The three additional positions and related costs are for increased OECD activities. The remaining dollar increases requested are for within-grade promotions of USRO staff, oversea wage and price increases and the full-year costs of two positions provided in 1962. for the Development Assistance Committee.

MUTUAL DEFENSE ASSISTANCE OPERATIONS

The second activity included in our total request for $3.1 million is $955,000 for the operations of the Mutual Defense Assistance Control Act (MDAC). The Control Act program, based on Public Law 213 of the 82d Congress, is directly related to the overall defense efforts of the United States. The act makes mandatory the termination of U.S. aid to any country which knowingly ships arms, ammunition, or certain atomic energy items to the Sino-Soviet bloc and also provides for use of the President's discretion in continuing or terminating aid if a shipment involves certain listed strategic commodities. The Department plays a very important function by determining items to be included on the lists for control purposes, negotiating satisfactory controls with aid recipient countries, making reports on shipments of listed items by such countries, and making recommendations to the President concerning termination of assistance because of shipment of listed commodities. The Department coordinates all U.S. activities concerning security trade rules exercised by other countries and keeps countries receiving foreign aid informed of revisions in the lists of strategic materials which should not be shipped to the Sino-Soviet bloc.

It is planned to maintain the Control Act program at the same level in fiscal year 1963. The increase of $11,050 provides for within-grade promotions, and oversea wage and price increases.

REQUEST FOR ACTIVITIES UNDER SECTION 637(b)

In fiscal year 1962 the Department of State requested $6,001,000 for three activities under section 637(b). These three included program coordination, policy guidance and review in addition to the two included in our current request. After enactment of the Foreign Assistance Appropriation Act of 1962 on September 30, 1961, which provided $3 million instead of the $6,001,000 requested, the Department eliminated the program coordination, policy guidance and review activity, obtaining a transfer of $2 million from AID to fund 1962 termination costs. No funds are quested to reestablish it in 1963.

I and other members of the Department of State here today are prepared to explain our request in further detail and answer any questions the committee may have.

JUSTIFICATION FOR INCREASE IN FISCAL YEAR 1963 REQUEST

Mr. GARY. What items compose the requested increase of $100,000, Mr. Lewis?

Mr. LEWIS. The items are as follows:

OECD AND USRO PERSONNEL

Annualization of two positions established for the Development Assistance Committee in 1962 is $1,320. The three additional positions in the OECD staff we are requesting would be $47,300. Oversea wage and price increases, $11,730. Within-grade promotions, $4,460. Representation, $3,560. Overtime, $3,980. All of these items, Mr. Chairman, are for USRO, and these total $72,350.

In addition there is an $11,050 increase for Mutual Defense Assistance Control Act and that consists of oversea wage and price increases at $7,920 and within-grade promotions, $3,130.

ADDITIONAL POSITIONS FOR OECD

Mr. GARY. Why does the OECD need the three additional employees?

Mr. LEWIS. The increase is for two officers and one secretary. One officer is for the Trade Division which now has one senior and one junior officer and this additional officer is to work particularly on problems of trade and eliminating trade barriers. The other officer is for the Economic Division of the OECD mission. That Division now only has one officer. We would like one more to work on common economic policies and in particular policies to achieve the objective that the members have announced and have agreed to, of attempting to achieve 50-percent economic growth in the decade between 1960 and 1970. The third position is for a secretary.

Mr. GARY. What is the cost of the annualization for the two positions?

Mr. LEWIS. That is $1,320.

AUTHORITY FOR PAYMENT OF SALARIES OF U.S. REPRESENTATIVES TO OECD

Mr. GARY. What is your authority for the payment of salaries and expenses of U.S. representatives to OECD and its staff?

Mr. LEWIS. Our authority is in the U.S. ratification of the OECD convention that was consented to by the Senate.

Mr. GARY. If you had the authority why did you introduce S. 2423 in the Senate to give you this authority? The Senate report says:

> The bill also provides authorization for the cost of U.S. participation in the OECD and for salaries of the American representative and his staff.

Mr. LEWIS. Yes, Mr. Chairman. We do not think that the Participation Act is necessary to grant authority to make appropriations. However, the Participation Act provides firm legislative underpinning for the operation and provides some additional authorities. For example, to provide for naming by the President of others to represent the United States or serve in the OECD who may at the option of the President receive the pay and allowances of a Chief of Mission.

It authorizes certain administrative authorities to carry out certain OECD activities. It grants waivers of certain other regulations and numerous provisions of that sort that are important, but we don't think they go to the question of basic authorization for appropriations.

AUTHORITY UNDER OCED CONVENTION

Mr. GARY. Where is your basic authorization?

Mr. LEWIS. In the U.S. ratification of the OECD convention which has been consented to by the Senate. It was ratified March 23, 1961.

Mr. GARY. What were the provisions of that with reference to representation?

Mr. LEWIS. I am not sure that I have a copy of that convention here.

Mr. CLEVELAND. I have it here. I don't believe the convention itself has anything specific on representation but it assumes that each member country will be represented.

Mr. CONTE. It would appear, Mr. Chairman, they have been operating without authority.

Mr. GARY. That is what I wish to determine.

I wish you would cite your authority in the record. I notice in the Congressional Record Mr. Fulbright said:

> Mr. President, by request I introduce for appropriate reference a bill to provide for the appointment of a representative of the United States to the Organization for Economic Cooperation and Development and to make other provisions with respect to the participation of the United States in that Organization and for other purposes. The proposed legislation has been requested by the Secretary of State.

Now, that legislation has not passed and the Senate report on the bill says:

> The bill also provides authorization for cost of U.S. participation in the OECD and for the salaries for the American representative and his staff.

If the Secretary already had the authority I see no need for introducing a bill.

CITATION OF SPECIFIC AUTHORITY TO INCUR EXPENDITURES

I wish you would put into the record your authorization for these expenditures.

Mr. LEWIS. I will be glad to do that. I would like to add our lawyers firmly feel that the convention itself grants sufficient authority for appropriation of funds but we will be glad to supplement this.

Mr. GARY. That is what we are asking for, for the citation of authority upon which they base their opinion.

Mr. LEWIS. I will be glad to supply that.

Mr. CONTE. You have the convention here. Can you read the language?

Mr. CLEVELAND. May I speak to this?

Mr. LEWIS. Surely.

Mr. CLEVELAND. I am not a lawyer but we did consult the lawyers on this point. They told us, in effect, that the President under his constitutional authority on foreign affairs appoints U.S. representatives to all sorts of international organizations, in fact including observers to international organizations to which we are not a member. For example, the OEEC which was the predecessor Organization of this Organization. The United States was not a member of the OEEC, but we played an active role in it as an observer, and we have for many years had a U.S. representative to the OEEC under the general authority of the President to appoint representatives and delegates to international organizations.

My understanding of the view of the lawyers is that it is under this general authority and under the authority of the ratification of the convention which specifically provides for U.S. membership in the Organization for Economic Cooperation and Development—that it is based on these two authorities. However, we will ask the lawyers to prepare a specific memorandum on that point.

Mr. GARY. I wish you would because it appears they are not too certain about it when they ask for a bill to grant the specific authority

and we would like to have a statement as to the authority upon which you have relied for the payments already made.

(The information follows:)

AUTHORITY FOR PAYMENT OF U.S. PAYMENTS TO OECD

The authority for U.S. participation in the Organization for Economic Cooperation and Development rests both in the convention establishing the Organization and in the constitutional power of the President to conduct the foreign relations of the United States.

The convention establishing the OECD was signed by the United States on December 14, 1960, and ratified by and with the advice and consent of the Senate on March 16, 1961. It provides in article IV that "The Contracting Parties to this Convention shall be Members of the Organization". In this way the United States has assumed the obligations of membership and participation in the affairs of the OECD. The supplementary protocol No. 2 to the convention provides for privileges, exemptions, and immunities for the "representatives to [the Organization] of the Members", thus contemplating that representatives would be delegated by each of the member countries. The United States is, therefore, obligated by the implied terms of the convention to provide representation at meetings of the constituent bodies of the OECD.

Even without this recognition in the convention that representatives to the OECD were to be sent by each member, the constitutional power of the President to conduct the foreign relations of the United States provides the authority necessary for him to direct executive branch personnel to act as representatives to and maintain liaison with organizations of which the United States is a member. This power was also sufficient authority for the designation of representatives of the United States to take part in the negotiations leading to the creation of the OECD.

REPRESENTATION ALLOWANCE

Mr. GARY. Why do you need additional representation allowance?

Mr. LEWIS. That, Mr. Chairman, is primarily for the use of the Secretary of State and his principal assistants when they are attending ministerial meetings of NATO. Also small parts of it will be used by our representatives on the principal NATO committees. There are numerous committees and numerous meetings in the course of the year.

The $3,000 is for the NATO conference participation. $560 is wage and price increases overseas for the amounts we have in previous years for representation.

OVERTIME AND HOLIDAY PAY

Mr. GARY. Why do you need $12,500 for overtime and holiday pay?

Mr. LEWIS. The workload at USRO is heavy, requiring considerable overtime. This is the amount we feel is necessary. This is all in connection with our mission to NATO and to the OECD.

Mr. CONTE. Mr. Chairman, will you yield?

Mr. GARY. Yes, sir.

Mr. CONTE. Wouldn't it be cheaper to hire another person?

Mr. LEWIS. Well, that is always a problem—when to increase the staff, when to get extra work out of your present staff. In operations of this sort there are peak loads that just have to be met that cannot be handled by increase in staff. Our judgment was that in this situation it was better to pay overtime than to have a person on our rolls all the time for peaks and valleys both.

Mr. CONTE. It would not be a vehicle to give somebody an extra pay raise?

Mr. LEWIS. There is always that danger in overtime. We try to avoid it by sensible supervision.

EQUIPMENT REQUIREMENTS

Mr. GARY. In 1961 you spent $13,920 for equipment and on page 5 of the justifications that indicates an obligation of $29,800 for equipment in 1962.

In view of that relatively large program in 2 years for a total staff of 158 employees, why do you need $14,505 for equipment in fiscal year 1963?

Mr. LEWIS. We feel that the $14,500 requested in 1963 is approximately the amount that will be required on a continuing basis; 1962 was unusually large because of the number of cars we purchased that year but they will not have to be replaced for several years so we can drop down to a more normal level in 1963.

Mr. GARY. What equipment do you expect, or anticipate, to have to purchase?

Mr. LEWIS. This would be the normal equipment used in offices; desks, typewriters, and calculating machines.

Mr. GARY. No automobiles in that at all?

Mr. LEWIS. No, sir.

SHIPMENTS OF STRATEGIC MATERIALS

Mr. GARY. A portion of the increase of $11,050 is for activities under the Mutual Defense Assistance Control Act. Has assistance ever been terminated to any country under the provisions of this act?

Mr. LEWIS. I would like to ask Mr. Wright to answer that.

Mr. WRIGHT. No, sir; assistance has not been terminated to any country under this act. There have been some 20 Presidential determinations with respect to shipments made by aid recipient countries, all of which have been publicly reported to this Appropriations Committee, and to other committees of Congress listed in the Battle Act. There have been in addition, some 15 classified exceptions which have likewise been reported to the committees.

There have not been any shipments by any aid recipient countries of arms, ammunition, implements of war, or atomic energy materials as listed under the Battle Act.

The shipments that have taken place have all been with respect to related equipment in connection with which the President does have discretionary authority to continue aid if he feels that the termination of aid would be detrimental to the United States.

Mr. GARY. Do you think there is any possibility that any of that aid is going from other countries we furnish aid to, where they are then shipping it to any of the Russian satellites?

Mr. WRIGHT. In terms of U.S. exports to friendly countries?

Mr. GARY. Yes.

Mr. WRIGHT. That, of course, would be a matter that would be policed by the Department of Commerce primarily with our cooperation and assistance, but we are satisfied that the provisions that exist in the Export Control Act and in the arrangements entered into through the Coordinating Committee or multilateral organizations that deal with export control matters, is sufficient to guard against

the possibility of actual transshipments or diversion of U.S. origin commodities to the bloc through other countries.

There are cases of this kind and when they are found and investigated and brought to light, punitive measures are taken against the company either in the United States or abroad that engaged in such diversions.

Mr. CONTE. Mr. Chairman?

Mr. GARY. Yes.

Mr. CONTE. How about some of these countries who are recipients of foreign aid shipping copper, tin, cobalt, and oil to the Soviets?

Mr. WRIGHT. The chances are the shipments of that kind do not fall in the Battle Act list. The Battle Act list is composed of arms and atomic energy materials and closely related items that are useful in the production of arms. So, it is a fairly selective list of strategic materials. It is heavier in terms of electronics equipment and fairly sophisticated machinery and equipment of that kind, although it does include some of what might be called bulk materials.

Mr. CONTE. They could ship raw material to the Communist bloc from which they could produce arms and ammunition?

Mr. WRIGHT. The Battle Act does not proscribe trade in generally what you would call raw materials. It is confined to the strategic area in terms of what is regarded as strategic to the bloc.

REPORTS ON SHIPMENTS TO COMMUNIST COUNTRIES

Mr. CONTE. Does your Agency keep a record of shipments of iron ore, copper, and any material to the Communist bloc countries who are recipients of our foreign aid?

Mr. WRIGHT. Yes we do keep close track of the trade which takes place with the Soviet bloc by aid recipient countries. We report on that to the Congress at 6-month intervals. They are the Battle Act reports. This reporting does include nonstrategic, as well as strategic, trade.

COSTS OF SHIPMENTS OF BATTLE ACT COMMODITIES

Mr. GARY. What is the total dollar value of the strategic materials exported to, or imported from, the Sino-Soviet bloc by our allies in the past year or two?

Do you have any figures on that?

Mr. WRIGHT. I can give you the figures on the shipments by those countries of Battle Act commodities which have been covered by Presidential determinations in the last 2 years.

Mr. GARY. I wish you would.

Mr. WRIGHT. In 1961 there were $333,000 worth of shipments under the Battle Act (B) list category of commodities with respect to which the President determined the continuation of aid would be in the national interest.

In 1962 there have been determinations for $520,000 worth of Battle Act commodities.

In the year 1960, $2,687,000 worth.

I might say that the——

Mr. CONTE. Before you go on, would it be too difficult to supply that for the record giving us the countries and items?

Mr. WRIGHT. Perfectly possible to do it; yes, sir.

I will be glad to do it.

It is supplied under the Battle Act in 6-month reports, at 6-month intervals.

Mr. CONTE. I think that dovetails into this hearing, Mr. Chairman.

Mr. GARY. I think so, too.

Would you insert that at this point in the record?

Mr. WRIGHT. Yes, sir.

(The requested information follows:)

SHIPMENTS OF BATTLE ACT COMMODITIES COVERED BY PRESIDENTIAL DETERMINATIONS TO CONTINUE ASSISTANCE UNDER THE MUTUAL DEFENSE ASSISTANCE CONTROL ACT (BATTLE ACT) OF 1951

From 1951 to August of 1962 there have been 20 Presidential determinations under section 103(b) of the Battle Act to continue U.S. assistance to aid recipient countries, the full particulars of which have been made public. There have also been 15 classified determinations which have been reported in full detail to the six interested congressional committees as the law requires (Appropriations and Armed Services Committees of the Senate and of the House of Representatives, the Committee on Foreign Relations of the Senate, and the Committee on Foreign Affairs of the House of Representatives) together with the reason for classification in each case.

None of the goods shipped were military items or atomic energy items on the category A Battle Act list but rather were goods which were, at the time of shipment, on the category B list. Over half the shipments represented commitments for delivery by the Government involved made before the Battle Act came into effect, before the particular item was added to the embargo list or before the country became a recipient of U.S. assistance.

The dates of the unclassified Presidential determinations, the countries involved, and the value of the category B Battle Act shipments covered by the determinations are as follows:

Countries involved	Date of determination	Shipments covered
Netherlands	Apr. 23, 1952	$322,313
Italy	June 24, 1952	11,000
Denmark	July 25, 1952	2,167,630
United Kingdom, France, Italy	Dec. 30, 1952	2,483,063
France, West Germany, Norway, United Kingdom	Aug. 1, 1953	3,390,465
France, Italy, Norway, United Kingdom, Denmark	Mar. 5, 1954	6,090,447
France, Italy, Netherlands, United Kingdom	Mar. 31, 1955	2,398,565
France, Italy, West Germany, United Kingdom	June 28, 1955	603,255
Denmark, United Kingdom, Italy	Jan. 16, 1956	282,977
Italy, France, United Kingdom	Dec. 10, 1956	1,601,752
Do	Aug. 23, 1957	636,552
France	Jan. 3, 1958	3,714
Belgium, France, West Germany, Italy, Netherlands, United Kingdom	Aug. 1, 1958	2,461,334
Italy, France, Belgium, West Germany, Netherlands, United Kingdom	Jan. 9, 1959	1,150,253
Italy, Netherlands, United Kingdom, Turkey, France, West Germany	Aug. 25, 1959	274,770
Denmark, West Germany, France, Italy, Japan	Jan. 7, 1960	904,614
United Kingdom, West Germany, Turkey, France	July 14, 1960	593,513
West Germany, Italy, Netherlands, France, Morocco	Dec. 28, 1960	1,188,997
West Germany, United Kingdom, Netherlands, France	Oct. 27, 1961	332,940
United Kingdom, West Germany, Turkey, France, Italy, Netherlands, Japan	Apr. 18, 1962	520,365
Total		27,418,519

Total exports to the Sino-Soviet bloc by the countries listed above plus the other of the 15 participating countries in COCOM for the period 1952 through 1961 amounted to approximately $14,350 million. Thus the Battle Act shipments listed above represent less than two-tenths of 1 percent (0.19 percent) of the total exports to the Sino-Soviet bloc by COCOM countries during approximately the same period.

Mr. GARY. How many individuals qualify for the hardship post differential?

Mr. WRIGHT. I believe it is one individual.
Do you want to speak to that?
In Belgrade.
Is that correct?
Mr. LEWIS. His answer is right, one individual in Belgrade.

REIMBURSEMENT TO OTHER AGENCIES

Mr. GARY. What agencies render services to this activity for which $185,945 is requested?
Mr. LEWIS. The principal ones are Commerce and AID carrying out their part of the MDAC functions.
Mr. GARY. Will you list them for the record with the amounts?
Mr. LEWIS. I can give you the amounts right now.
In 1963, for Commerce it is $166,395 and for AID it is $19,550.
Mr. GARY. How does that compare with 1962?
Mr. LEWIS. The same amounts for 1962, sir.
Mr. GARY. Mr. Conte?
Mr. CONTE. No questions.
I think you have covered it all, Mr. Chairman.
Mr. GARY. Thank you, gentlemen.
Mr. LEWIS. Thank you, Mr. Chairman.

THURSDAY, AUGUST 16, 1962.

MIGRATION AND REFUGEE ASSISTANCE

WITNESSES

DEPARTMENT OF STATE

RICHARD R. BROWN, DIRECTOR, OFFICE FOR REFUGEE AND MIGRATION AFFAIRS
CLEMENT J. SOBOTKA, DEPUTY DIRECTOR, OFFICE FOR REFUGEE AND MIGRATION AFFAIRS
VERNE B. LEWIS, DEPUTY ASSISTANT SECRETARY FOR BUDGET AND FINANCE
CHARLES E. VASALY, CHIEF OF OPERATIONS, OFFICE FOR REFUGEE AND MIGRATION AFFAIRS

Mr. PASSMAN. The committee will come to order.
We have before the committee this afternoon Mr. Richard Brown, Director, Office for Refugee and Migration Affairs; Clement J. Sobotka, Deputy Director, Office for Refugee and Migration Affairs; Verne B. Lewis, Deputy Assistant Secretary for Budget and Finance; and Charles E. Vasaly, Chief of Operations, Office for Refugee and Migration Affairs.
Mr. Vasaly will be here later?
Mr. BROWN. Yes, sir.
Mr. PASSMAN. Gentlemen, is this a request for funds to operate the migration and refugee program for fiscal 1963?
Mr. BROWN. Yes, sir; it is.
Mr. PASSMAN. We shall insert into the record at this point the appropriate pages from the justifications.

(The information follows:)

DEPARTMENT OF STATE

Migration and refugee assistance

Request $21,977,000
Employment: Number involved this estimate 62

PURPOSE AND NEED FOR SUPPLEMENTAL FUNDS

This is a new fiscal year 1963 appropriation proposed for the Department of State to provide for the migration and refugee program which was previously funded in part through mutual security appropriations under the Mutual Security Act of 1954, as amended, and through foreign assistance appropriations under the Act for International Development of 1961.

The authorization for this new appropriation is contained in Public Law 87-510 (H.R. 8291) which was enacted June 28, 1962.

DEPARTMENT OF STATE

MIGRATION AND REFUGEE ASSISTANCE

"For expenses, not otherwise provided for, necessary to enable the Secretary of State to provide assistance to refugees, as authorized by law, including contributions to the Intergovernmental Committee for European Migration and the United Nations High Commissioner for Refugees; salaries, expenses, and allowances of personnel and dependents as authorized by the Foreign Service Act of 1946, as amended (22 U.S.C. 801-1158); hire of passenger motor vehicles; and services as authorized by section 15 of the Act of August 2, 1946 (5 U.S.C. 55a); $21,977,000 to remain available until expended: *Provided*, That this appropriation shall reimburse other applicable appropriations for activities conducted after June 30, 1962, pursuant to Section 7 of the Migration and Refugee Assistance Act of 1962: *Provided further*, That no funds herein appropriated shall be used to assist directly in the migration to any nation in the Western Hemisphere of any person not having a security clearance based on reasonable standards to insure against Communist infiltration in the Western Hemisphere."

EXPLANATION OF LANGUAGE

This is all new appropriation language for a new appropriation to the Department of State to provide for the migration and refugee programs which were previously funded through mutual security and AID appropriations.

The authorization for this new appropriation is contained in Public Law 87-510 (H.R. 8291), which was enacted on June 28, 1962.

Program and financing

[In thousands of dollars]

	1961 actual	1962 estimate	1963 estimate
Program by activities:			
1. Contributions to Intergovernmental Committee for European Migration			9,275
2. Contributions to program of United Nations High Commissioner for Refugees			900
3. Refugees from European Communist countries			1,500
4. Refugees from Communist China			2,500
5. Tibetan refugees			400
6. Cuban refugees in foreign countries			350
7. Algerians			5,300
8. Central Africa			400
9. Refugees from North African countries			200
10. Special persons or groups			275
11. Administration			877
Total obligations			21,977
Financing: New obligational authority (appropriation)			21,977

Object classification

[In thousands of dollars]

		1961 actual	1962 estimate	1963 estimate
11	Personnel compensation:			
	Permanent positions			412
	Other personnel compensation			17
	Total personnel compensation			429
12	Personnel benefits			74
21	Travel and transportation of persons			30
22	Transportation of things			2
23	Rent, communications, and utilities			24
25	Other services			10,932
	Services of other State accounts			304
26	Supplies and materials			4
31	Equipment			3
41	Grants, subsidies, and contributions			10,175
	Total obligations			21,977

Personnel summary

	1961 actual	1962 estimate	1963 estimate
Total number of permanent positions			62
Average number of all employees			59
Number of employees at end of year			61
Average GS grade			7.4
Average GS salary			$6,878
Average grade and salary grades established by the Foreign Service Act of 1946 (22 U.S.C. 861-1158):			
Average grade:			
Foreign Service officers			4.8
Foreign Service Reserve officers			1.0
Foreign Service staff			8.8
Average salary:			
Foreign Service officers			$10,228
Foreign Service Reserve officers			$19,261
Foreign Service Staff			$7,066
Average salary in foreign countries (local rates)			$2,710

PROGRAM AND PERFORMANCE STATEMENT, FISCAL YEAR 1963

The request of $21,977,000 for fiscal year 1963 is to provide for migration and refugee programs authorized under Public Law 87-510 (H.R. 8291), the Migration and Refugee Assistance Act of 1962, which was enacted on June 28, 1962.

Legislative background

On July 21, 1961, the President sent to the Speaker of the House of Representatives and the President of the Senate proposed legislation "designed to centralize the authority to conduct and to appropriate funds to support U.S. programs of assistance to refugees, escapees, migrants, and selected persons." The President also stated that he wished to consolidate into one law the several current programs now in operation and such emergency programs as may be required in the future. Although the continuing migration and refugee programs had for a number of years been authorized and funded by the Congress through the mutual security program, they were not included in the Foreign Assistance Act of 1961 because they were not considered consonant with the economic development purposes and philosophy of the AID program.

When in June 1962 the Congress passed Public Law 87-510 in response to the President's request, authority was provided to continue contributions to the Intergovernmental Committee for European Migration and to the activities of the United Nations High Commissioner for Refugees. The act includes specific authorization for assisting Cuban refugees within the United States and similar programs for other refugees whom the President may determine from time to time should be helped in the interest of the United States. This latter authority permits continuation of the U.S. escapee program. The law does not provide for assistance to Palestine Arab refugees, a program closely tied to problems of economic development in the Middle East, and for that reason included in the foreign aid legislation.

Basic U.S. policy considerations concerning refugees

U.S. assistance toward the solution of refugee problems is consistent with the basic U.S. political objective of securing the extension of institutional freedom, and personal liberty and well-being throughout the world. The United States promotes and assists in the solution of refugee problems as an integral part of its policy of promoting peace, recognizing that refugee problems—arising from political antagonism, arbitrary action, or disregard of human rights—are a locus of controversy and bitterness potentially prejudicial to the maintenance of peace. U.S. assistance to refugees serves the political objective of exemplifying before world opinion the humanitarianism which is a fundamental difference between free and captive societies. U.S. assistance to refugees help to promote the political stability of asylum countries; and it helps enhance U.S. prestige within these countries, as well as to cement friendly relations between the governments of these countries and our own. By assisting refugees from communism, the United States helps to extend the benefits of freedom to those who have rejected communism and to promote faith among captive populations in the purpose and processes of freedom and democracy. Lastly, by aiding asylum countries in reducing their refugee burdens, the United States help to insure the future maintenance of generous asylum policies: a tradition deeply rooted in our heritage, and fundamentally related to our overall foreign policy objectives.

Methods of resolving refugee problems

Most refugee problems, like natural disasters, cannot be foreseen. Each developing refugee situation requires analysis to determine whether U.S. interests are involved and what kind of U.S. action is required. Some of these problems may be resolved by diplomatic negotiations while others will require only the assistance which can be provided by the local people or government of the country of asylum. In most instances, however, outside aid from private voluntary agencies, from other governments, and from international organizations is required. When direct U.S. Government assistance is needed, the provision of Public Law 480 surplus commodities or the development projects conducted by AID are often helpful. There will always remain, however, some problems which require direct U.S. Government aid. The present appropriation request takes full account of the possibilities of other sources and methods of aid in the several refugee situations and assumes that there will be a minimum drawdown on U.S. dollars and the maximum use of U.S.-owned local currencies.

Purposes and objectives of migration and refugee programs

The free world is reminded almost daily through the press and other media of refugees and escapees fleeing from or displaced by Communist oppression, political disorders, or military action. As long as present conditions exist throughout the world, this flow of refugees will continue with the ever-present possibility of its increasing to flood proportions as it has this year in Hong Kong, as it did last year in Berlin and the Congo, again in 1959 when to Tibetans fled to India and Nepal, and most dramatically in 1956 during the Hungarian revolt. The United States has had its most immediate and firsthand contact with the world refugee problem with the more than 150,000 Cuban refugees who began fleeing into the United States in 1960.

The purpose of the new law is to enable the United States to deal effectively with continuing, new and emergency refugee situations, to show U.S. concern for the oppressed and homeless, and to advance U.S. interests by easing tensions in areas of critical importance to the attainment and preservation of world peace. To accomplish these objectives the bill provides for appropriations for contributions to international organizations (ICEM and UNHCR) and also for assistance to refugees designated by the President when the President determines that such assistance will contribute to the defense or to the security or to the foreign policy interests of the United States. The law also provides that funds not to exceed $10 million in any fiscal year, to be made available under the Foreign Assistance Act of 1961, as amended, may be used to meet unexpected urgent refugee and migration needs whenever the President determines it to be important in the national interest.

Under Public Law 87–510, it is proposed to utilize the following programs to further U.S. interests by assisting migrants and refugees:

A. Intergovernmental Committee for European Migration, $9,275,000.—The Intergovernmental Committee for European Migration (ICEM) was organized on U.S. initiative in Brussels in 1951. The membership has grown from the 15

original governments to 29, including 10 Latin American governments. ICEM was originally established to facilitate the movement of indigenous migrants and refugees from certain countries in Europe facing pressures of population and the movement of refugees to oversea countries.

The economies of the emigration countries in Europe have improved while the economic situation in the Latin American countries has worsened. These countries need assistance in securing skilled and semiskilled industrial and agricultural workers to assist in their economic development. Greece, Italy, Spain, and the Netherlands still have larger populations than their economies can absorb and can supply the immigrants which the Latin American countries require. Simultaneously, Belgium, Greece, Italy, the Netherlands, and Spain are faced with the necessity of relocating and reestablishing their nationals returning from Africa and southeast Asia who are especially adapted to working and living in the conditions prevailing in the Latin American countries.

B. United Nations High Commissioner for Refugees, $900,000.—The Office of the United Nations High Commissioner for Refugees (UNHCR) was established by the United Nations General Assembly in 1951 to provide for the legal and political portection of refugees. This mandate was developed with the problem of European refugees primarily in mind, and has been administered on that basis. The United States took leadership in the establishment of the UNHCR, consistent with its strong political and humanitarian interest in improving the status of refugees from communism and other forms of persecution. Most of the free countries of Europe and many other countries have ratified the 1951 convention relating to the status of refugees, which is the effective instrument for realizing the objectives of the UNHCR Office.

The present UNHCR material assistance program provides reestablishment assistance, including rehabilitation of a large percentage of handicapped cases, to European refugees in Europe and the Near East, to Jewish refugees in Europe from the United Arab Republic, and to European refugees from Communist China exiting through Hong Kong. In addition, the UNHCR, in conjunction with the League of Red Cross Societies, has been providing relief to Algerian refugees in Morocco and Tunisia and more recently in Algeria as these refugees are being repatriated. U.S. appropriations of $1.1 million in 1960 and $1.3 million in 1961 for contribution to this program were matched by contributions from other governments of $2.249 and $2.641 million, respectively.

C. *Refugee assistance for groups determined by the President.*—In August 1962, under the authority of section 2(b)(2), the President signed a determination order that it is in the interest of the United States to provide U.S. assistance to the categories of refugees described below. Assistance to some of these categories of refugees has been carried on since 1952 under the U.S. escapee program (USEP) which was established to provide reception, supplementary care and maintenance, resettlement support and local integration to recent escapees from Communist countries in Europe and the Near East and to selected escapee groups and individuals in other areas of the world including the Far East. This unilateral effort carried out primarily in conjunction with American voluntary agencies serves U.S. interests by demonstrating the concern of the U.S. Government and the American people for those who escape Communist oppression and seek asylum in the free countries of the world. Since its inception USEP has helped over 721,000 persons, resettling over 161,000 overseas and helping 355,000 integrate in a country of first asylum.

1. Refugees from European Communist countries, $1,500,000: There are an estimated 60,000 refugees from Soviet bloc countries and Yugoslavia in asylum countries (chiefly in Europe), and a continuing influx of over 11,000 per year escaping from the bloc countries who form a conspicuous symbol of anticommunism. The continued provision of U.S. assistance through the U.S. escapee program to this group, especially to new escapees, serves U.S. objectives in free and captive countries alike, and helps enable asylum countries to maintain generous asylum for future arrivals. There are also substantial numbers of Yugoslav refugees currently arriving in European asylum countries. It is in the political interest of the United States to continue to assist Yugoslav refugees through the U.S. escapee program as a means of helping friendly asylum countries to cope with a burdensome political problem, as an expression of our sympathy for those who have fled from oppressive conditions under Communist regimes, and as a concrete facet of our opposition to totalitarianism in any form.

2. Refugees from Communist China, $2,500,000: Since the Communist takeover of China in 1949 more than a million Chinese refugees have fled to Hong Kong

and lesser numbers to Macau and other southeast Asian areas. The Chinese refugee problem in Hong Kong and Macau is being augmented by a markedly increased number of new arrivals accentuated by the mass influx in May and expected to reach 125,000 for the year 1962. The United States provides continued selective but substantial assistance for Chinese refugees from Communist China, particularly those in Hong Kong and Macau, through the Far East refugee program in order to associate the United States in political and humanitarian terms with the massive refugee relief and rehabilitation efforts of the responsible asylum governments in behalf of the largest single group of anti-Communist refugees in the world. The United States also assists the small numbers of European refugees escaping from Communist China who are not assisted under international programs.

3. Tibetan refugees, $400,000: Since the suppression of the Tibetan revolt by the Chinese Communists in 1959, 35,000 Tibetan refugees have fled to India, 25,000 to Nepal, and lesser numbers elsewhere.

The Governments of India and Nepal, having courageously granted asylum to the refugees despite contrary Communist Chinese pressures, face substantial problems in reestablishing the refugees. Continued U.S. assistance serves politically to support these governments in the granting of asylum, and economically to help them resolve the problem.

4. Cuban refugees outside the United States, $350,000: An estimated 25,000 to 30,000 refugees from Cuba are residing in Spain, Latin American countries, and elsewhere. Some of them present acute needs for relief and resettlement assistance, but until the passage of Public Law 87–510, there has been no legal means by which the United States could participate in helping this group. The provision of U.S. assistance to these refugees, to enable them to become self-dependent in the free world, will demonstrate U.S. concern for refugees fleeing from the Communist regime in Cuba, will be consistent with U.S. concern over the threat which the Cuban regime poses to the peace and security of the hemisphere and will encourage countries other than the United States to provide asylum to Cuban refugees.

5. Algerian refugees and Algerians displaced within Algeria, $5,300,000: The 7 years' struggle for Algerian independence resulted in some 250,000 Algerian refugees being located in Morocco and Tunisia, from which countries 200,000 are now being repatriated to Algeria; 2 million additional Algerians were displaced from their native villages, and were relocated in regroupment centers by French authorities. For both of these groups, their reestablishment within Algeria will require substantial interim emergency relief and rehabilitation programs until Algerian and international developmental programs are underway. It is proposed that the United States should provide substantial assistance in the carrying out of such programs, as a necessary measure toward insuring political and social stability within Algeria. Such assistance would also enhance U.S. prestige in Algeria, and help cement good relations with the new Algerian Government.

6. Refugee problems in central Africa, $400,000: There are 150,000 refugees from Angola in the Congo who are presently in the process of being resettled within the Congo. There are also 150,000 Batutsi refugees who have fled from the dominant Hutu majority in Ruanda; 40,000 to Uganda, 10,000 to Tanganyika, 40,000 to Burundi, 60,000 to the Kivu Province of the Congo. Most of these refugees present urgent relief needs in their present situations. Efforts are being made to reestablish them locally within their countries of present residence or in some instances through voluntary repatriation. U.S. objectives with respect to central Africa are to support peace, tranquility and stability within that area. The United States should assist in resolving the refugee problem within the framework of that policy, in a manner to help remove the conditions of want, chaos, and disorder which offer opportunities for the enlargement of Communist influence. U.S. policy also calls for primary use of international organizations as the instruments for refugee relief, but some direct U.S. assistance is required by the varied, volatile, and potentially dangerous situation in the area and in the interest of promoting U.S. prestige.

7. Refugees from north African countries, $200,000: Certain European and other minorities resident in north African countries, many of whom are or were citizens of such countries are feeling the severe effects of repressive economic measures against them. Some of these people have sought asylum or resettlement in other countries and others are still trying to do so, although opportunities are limited. It is proposed that the United States should assist in the re-

establishment in other countries of such refugees, in order to reduce local frictions and to maintain our tradition of extending help to victims of political or racial discrimination.

8. Selected persons or groups, $275,000: There are a number of refugees, former refugees, students, and similar selected persons who are now in need and for whom U.S. assistance is to the political advantage of the United States. Specialized U.S. assistance should therefore be extended to such persons wherever necessary according to their individual needs, and on an unpublicized basis.

D. Administrative expenses, $877,000.—This item provides for all of the expenses necessary to carry out the program objectives, including the program personnel expenses and reimbursement to "Salaries and expenses, State," for the cost of administrative support provided to the program.

An appropriation is hereby requested for the categories of refugees designated by the President, for contributions to the Intergovernmental Committee for European Migration, to the United Nations High Commissioner for Refugees, and for administrative expenses necessary to carry out the above programs. The justification for the appropriation to assist Cuban refugees in the United States is being presented separately by the Department of Health, Education, and Welfare.

DETERMINATION OF PROGRAM NEED

Mr. PASSMAN. When was it determined you would need money for this program for fiscal year 1963?

Mr. BROWN. Mr. Chairman, the need has been evident all along. As you know, in the President's message that went to the Congress a year ago a request was made to establish new authorization for all the refugee programs. There was a long delay on that basis and as a consequence, as the chairman well knows, this past year we have been funded out of the contingency fund of the AID appropriation.

We have before the Bureau of the Budget a request now in the amount of $21.9 million that has been approved by the Secretary of State. It has not had the approval of the Bureau of the Budget as yet. Unfortunately, Mr. Chairman, we were under the assumption we were to be heard by a different committee.

Therefore, the material we have handed to you is a preliminary draft in which we would like permission to make certain corrections.

(NOTE.—The Department's request was subsequently submitted to the Congress in H. Doc. 524, pertinent portions of which are quoted below:)

[H. Doc. 524, Aug. 20, 1962]

* * * * * * *

DEPARTMENT OF STATE

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"OTHER

"MIGRATION AND REFUGEE ASSISTANCE

"For expenses, not otherwise provided for, necessary to enable the Secretary of State to provide assistance to refugees, as authorized by law, including contributions to the Intergovernmental Committee for European Migration and the United Nations High Commissioner for Refugees; salaries, expenses, and allowances of personnel and dependents as authorized by the Foreign Service Act of 1946, as amended (22 U.S.C. 801–1158); hire of passenger motor vehicles; and services as authorized by section 15 of the Act of August 2, 1946 (5 U.S.C. 55a); $21,977,000 to remain available until expended: *Provided*, That this appropria-

tion shall reimburse other applicable appropriations for activities conducted after June 30, 1962, pursuant to section 7 of the Migration and Refugee Assistance Act of 1962: *Provided, further,* That no funds herein appropriated shall be used to assist directly in the migration to any nation in the Western Hemisphere of any person not having a security clearance based on reasonable standards to insure against Communist infiltration in the Western Hemisphere."

This proposed supplemental is necessary to finance contributions to international and voluntary refugee relief organizations and the administrative costs associated with the refugee activities of the Department of State as authorized by Public Law 87-510, approved June 28, 1962.

Pending the enactment of this proposed appropriation, funds advanced under the Foreign Assistance Act of 1961, as amended, are being used to finance costs of these operations in the fiscal year 1963. Accordingly, this proposed appropriation includes funds to reimburse applicable appropriations.

I recommend that the foregoing proposed supplemental appropriations be transmitted to the Congress.

Respectfully yours,

ELMER B. STAATS,
Acting Director of the Bureau of the Budget.

Mr. PASSMAN. Is there any doubt whether you need money for fiscal year 1963? Or is it fairly certain that you will need money?

Mr. BROWN. There is no question about our needing it, Mr. Chairman.

Mr. PASSMAN. One month and a half of the fiscal year is past and here we are just now holding an examination on this. We want the record to be abundantly clear it is not the fault of the committee.

We will now hear your case.

TOTAL REQUEST FOR REFUGEE PROGRAM

Your request for fiscal 1963 for your part of the refugee program is $21,977,000?

Mr. BROWN. That is right.

Mr. PASSMAN. I believe the record should show that the committee heard the request from another agency yesterday for a refugee program, Cuban refugees, for $70,110,000.

The two, together, dealing with refugees and migration would be $92,087,000.

FUNDING OF 1962 PROGRAM

We believe you were funded out of the President's contingency fund in fiscal 1962?

Mr. BROWN. Yes, sir.

Mr. PASSMAN. Correct me if this is wrong: In the escapee program you had $1,256,000; ICEM, $1,110,000; United Nations High Commissioner for Refugees, $1,310,000; administrative expenses, $872,000, or a total of $4,538,000. Is that correct?

Mr. BROWN. As far as money received out of the 1962 contingency fund——

Mr. PASSMAN. Where did you get any other money for the program for 1963?

Mr. BROWN. We received what we would call the ICEM third-quarter payment out of the 1963 contingency fund, AID contingency fund.

Mr. PASSMAN. AID? What is the AID contingency fund?

Mr. BROWN. I assume it is a part of the continuing resolution. I am not sure.

Mr. PASSMAN. We are talking about fiscal year 1962. Is this figure $4,538,000?

Mr. BROWN. I am not certain, without checking against my own figures.

Mr. PASSMAN. I wish you would check because this looks like you have got about 500-percent increase.

Mr. BROWN. I am not sure that that is the figure because in the first half year of ICEM a total of $3.2 million was given to them on a pledge and I think it was $1.1 million from the fiscal year 1962 contingency fund.

Mr. SOBOTKA. $1.1 million.

Mr. BROWN. Plus another $1.2 million that came to the High Commissioner.

Mr. PASSMAN. You had $4,538,000 in 1962 for the same program. In 1963 you have $21,977,000.

JUSTIFICATION OF INCREASE REQUESTED FOR 1963

Could you, in some way, justify why your 1963 request is about 500 percent above the expenditures in 1962? Could you give us some information on that? Please insert in the record at this point a tabulation which compares your 1962 and 1963 programs.

(The information requested is as follows:)

DEPARTMENT OF STATE

Migration and refugee assistance—Comparison of fiscal year and calendar year costs by program and source of funding, fiscal years 1961, 1962, and 1963

Program and source of funding	Fiscal year in which funds were obligated			Calendar year applicability		
	1961 actual	1962 estimate	1963 estimate	1961 actual	1962 estimate	1963 estimate
Intergovernmental Committee for European Migration:						
1961 ICEM appropriation: [1]						
For calendar year 1961 contribution to ICEM	[2] $6,951,532			$6,951,532		
For calendar year 1962 contribution to ICEM		[2] $2,100,000			$2,100,000	
1962 President's contingency fund: For calendar year 1962 contribution to ICEM		1,100,000			1,100,000	
1963 refugee appropriation:						
To repay 1963 President's contingency fund for funds advanced for calendar year 1962 (July–Sept.) contribution to ICEM			$1,387,630		1,387,630	
For payment calendar year for Oct.–Dec. contribution to ICEM			1,387,630		1,387,630	
For calendar year 1963 contribution to ICEM			6,500,000			$6,500,000
Subtotal	6,951,532	3,200,000	9,275,260	6,951,532	5,975,260	6,500,000
Round off			−260		−260	
Total ICEM program	6,951,532	3,200,000	9,275,000	6,951,532	5,975,000	6,500,000
United Nations High Commissioner for Refugees:						
1961 UNHCR appropriation	1,300,000			1,300,000		
1962 President's contingency fund		1,200,000			1,200,000	
1963 refugee appropriation			900,000			900,000
Total UNHCR program	1,300,000	1,200,000	900,000	1,300,000	1,200,000	900,000
Refugee assistance for groups determined by the President:						
Refugees from European Communist countries:						
1961 USP appropriation	2,415,997			[3] 1,530,646	[3] 885,351	
1962 President's contingency fund		850,043			850,043	
1963 refugee appropriation			1,500,000			1,500,000
Total USEP—European program	2,415,997	850,043	1,500,000	1,530,646	1,735,394	1,500,000
Refugees from Communist China:						
1961 USEP appropriation	1,000,000			[4] 935,970	[4] 64,030	
1962 President's contingency fund		1,107,957			1,107,957	
1963 refugee appropriation			2,500,000			2,500,000
Total USEP—Far East program	1,000,000	1,107,957	2,500,000	935,970	1,171,987	2,500,000
Tibetan refugees:						
1961 USEP appropriation	100,000			100,000		
1962 President's contingency fund		50,000			50,000	
1963 refugee appropriation			400,000			400,000
Total Tibetan refugee program	100,000	50,000	400,000	100,000	50,000	400,000
Cuban refugees outside the United States: 1963 refugee appropriation			350,000			350,000

See footnotes at end of table.

DEPARTMENT OF STATE—Continued

Migration and refugee assistance—Comparison of fiscal year and calendar year costs by program and source of funding, fiscal years 1961, 1962, and 1963—Con.

Program and source of funding	Fiscal year in which funds were obligated			Calendar year applicability		
	1961 actual	1962 estimate	1963 estimate	1961 actual	1962 estimate	1963 estimate
Algerian refugees and Algerians displaced within Algeria:						
1962 President's contingency fund	----------	$100,000	----------	----------	$100,000	----------
1963 refugee appropriation	----------	----------	$5,300,000	----------	----------	[5]$5,300,000
Total Algerian program	----------	100,000	5,300,000	----------	100,000	5,300,000
Refugee problem in central Africa: 1963 refugee appropriation	----------	----------	400,000	----------	----------	400,000
Refugees from North African countries: 1963 refugee appropriation	----------	----------	200,000	----------	----------	200,000
Selected persons or groups: 1963 refugee appropriation	----------	----------	275,000	----------	----------	275,000
Total, refugee assistance for groups determined by the President	$3,515,997	2,108,000	10,925,000	$2,566,616	3,057,381	10,925,000
Administrative expenses:						
1961 section 411(c) funds	1,119,127	----------	----------	[6]1,119,127	----------	----------
1962 President's contingency fund	----------	980,000	----------	----------	[6]980,000	----------
1963 refugee appropriation	----------	----------	877,000	----------	----------	[6]877,000
Total administrative expenses	1,119,127	980,000	877,000	1,119,127	980,000	877,000
Grand total, migration and refugee assistance programs	12,886,656	7,488,000	21,977,000	11,937,275	11,212,381	19,202,000
Recapitulation of source of funding:						
1961 ICEM appropriation [7]	6,951,532	2,100,000	----------	6,951,532	2,100,000	----------
1961 UNHCR appropriation	1,300,000	----------	----------	1,300,000	----------	----------
1961 USEP appropriation	3,515,997	----------	----------	2,566,616	949,381	----------
1961 section 411(c) funds	1,119,127	----------	----------	1,119,127	----------	----------
1962 President's contingency fund	----------	5,388,000	----------	----------	5,388,000	----------
1963 refugee appropriation	----------	----------	21,977,000	----------	2,775,000	19,202,000
Total	12,886,656	7,488,000	21,977,000	11,937,275	11,212,381	19,202,000

[1] Including prior year unobligated balances brought forward.
[2] In fiscal year 1961, $9,051,532 was obligated. Of this amount, $2,100,000 was deobligated in fiscal year 1962 and reobligated the same year for the calendar year 1962 ICEM program.
[3] Of the $2,415,997 obligated under contracts in fiscal year 1961, $885,351 was utilized for the benefit of the 1962 program.
[4] Of the $1,000,000 obligated under contracts in fiscal year 1961, $64,030 was utilized for the benefit of the 1962 program.
[5] Fiscal year basis.
[6] Fiscal year basis.
[7] Including prior year unobligated balances brought forward.

Mr. BROWN. First of all, with regard to the Intergovernmental Committee for European Migration, we are actually asking for an 18-month program. As you know, the refugee programs operate on a calendar-year basis.

Mr. PASSMAN. Do you have a statement?

Mr. BROWN. I do not have. I have only some typed notes.

Mr. PASSMAN. Do you have a copy for the chairman? May we have a copy of what you are talking about?

Mr. BROWN. I am not talking from the notes now, but I will be glad to give you a copy of them.

Mr. PASSMAN. This procedure is unusual, but we shall try to work it out.

Mr. BROWN. The general statement, Mr. Chairman, is that we are asking for $21.9 million and that is included in the appropriation request under consideration for continuing several migration and refugee programs and initiate certain new programs in which the United States has vital interest. Although this item—and this is the part we would have to change since we were preparing this as a State Department item, as you can see——

Mr. PASSMAN. The State Department bill passed several weeks ago. You are just about a month and a half late to catch that one, but go ahead.

PROGRAM AUTHORIZATION

Mr. BROWN. Public Law 87–510 enacted on June 28, 1962, authorizes the activities for which funds are now sought. These activities include continued contributions to the Intergovernmental Committee for European Migration, known as ICEM, and the Office of the United Nations High Commissioner for Refugees, known as UNHCR.

Other activities include the continuation of U.S. escapee program, assistance to Cuban refugees in the United States——

Mr. PASSMAN. Let me say we had another team from downtown yesterday attempt to justify $70,110,000 for the Cuban refugees.

Mr. BROWN. The authorization for that committee comes under this same bill.

Mr. PASSMAN. I see.

Mr. BROWN. We are not asking for funds for Cuban refugees in the United States.

Other activities include the continuation of the U.S. escape program, assistance to Cuban refugees in the United States, and assistance to such other groups of refugees as the President may determine from time to time should be helped in the interest of the United States. Public Law 87–510 does not provide for assistance to Palestine Arab refugees since that program is closely tied to problems of economic development in the Middle East and for that reason has been included in the foreign aid legislation.

PALESTINE ARAB REFUGEE PROGRAM

Mr. PASSMAN. Who said that the Palestine refugee program was tied closely to the problem of economic development in the Middle East? Does that mean actually the programs are under AID or does it have to do with the economies of the country?

Mr. BROWN. It is a combination of both. This was a policy determination made within the Department of State and concurred in by the Bureau of the Budget that we would not include in our estimates the requirements for Palestine Arab refugees.

Mr. PASSMAN. We thought this was entirely a welfare program, the Middle East part of it.

How are we going to unscramble this? The people who are going to read these hearings will say another agency testified for the Palestinian refugees and the Cuban refugees and yet you have this in your statement. Do you have some way to clear it up? What would you suggest?

Mr. BROWN. I suggest we eliminate that statement there for both items, although both are true. As I have said, Public Law 87–510 authorizes the activities for which the funds were sought for Cuban refugees in the United States.

Mr. PASSMAN. Let the record show there are about three branches of AID testifying for different segments of the refugee program.

Would that clear it up?

You are familiar with the hearings we had yesterday I am sure.

Mr. BROWN. Only vaguely.

Mr. PASSMAN. We did have an entire group testifying for the Cuban refugees. I do not know but maybe I can reconcile it before it is all over. Why have three different groups been testifying for three different segments of refugee aid? It is now under one law, is it not?

Mr. BROWN. With the exception of Palestine refugees. They were not included in this law.

Mr. PASSMAN. Yours is?

Mr. BROWN. Yes, sir.

CONSOLIDATION OF REFUGEE ASSISTANCE

Mr. BROWN. The Congress in enacting Public Law 87–510 responded to the request of the President contained in his message to the Speaker of the House of Representatives and the President of the Senate to provide legislation—

designed to centralize the authority to conduct and appropriate funds to support U.S. programs of assistance to refugees, escapees, migrants, and selected persons.

This request was predicated on recognition and acceptance of the fact that refugee problems are a concrete aspect of the political disorders which confront the world today; that the solution of these problems is vitally related to the attainment of U.S. objectives in relation to the broader problems which cause them; and that U.S. initiative toward bringing about the successful resolution of refugee problems plays an important role, both in general and specific terms, in advancing U.S. foreign policy interests.

PURPOSE OF REFUGEE ASSISTANCE

In relation to fundamental foreign policy objectives, U.S. assistance in aiding in the solution of refugee problems is consistent with the basic U.S. political effort to secure the extension of institutional freedom and personal liberty and well-being throughout the world. It is also an integral part of U.S. policy toward promoting peace. Refugee problems, whether arising from political antagonism, denial or disregard of human rights, or for any similar cause, are potentially and often actually prejudicial to the maintenance of peace. U.S. assistance to refugees also serves the broad political objective of exemplifying before world opinion the humanitarianism which is a fundamental difference between free societies and captive regimes.

In a more specific sense, U.S. assistance to refugees helps to promote the political stability of the countries offering asylum, and helps enhance U.S. prestige within these countries as well as to cement friendly relations between the governments of these countries and our

own. Also, by aiding asylum countries in reducing their refugee burdens the United States helps to assure the future maintenance of generous asylum policies, a factor fundamentally related to our overall foreign policy objectives.

Our assistance to refugees from communism serves additional U.S. interests. Such assistance helps to extend the benefits of freedom to those who have rejected communism, and thus conspicuously demonstrates the sincerity of our effort to advance the cause of freedom. It thus promotes renewed faith among captive populations in the motivations of the United States and in the processes of democracy.

CONSIDERATION OF REFUGEE PROBLEMS

The United States, in cooperation with the governments and people of the free West, has maintained a role of leadership in seeking solutions to the problems of the world's stateless and homeless people. The results of these efforts have been most gratifying. The problems of refugees in Europe have been greatly reduced in scope and are rapidly on the way to final solution. Elsewhere in the world both old and newly developed problems require international consideration and material assistance. This is particularly true with respect to Hong Kong where this year a significant increase in refugees fleeing from Red China sought asylum in the Crown Colony. It is also true in Africa where the wake of newly obtained or emerging independence for a number of states has produced many new groups of refugees.

ICEM ACTIVITIES

The requests for funds for these activities permit the continued support to ICEM, an organization of 29 member governments created in 1952 largely upon U.S. initiative to assist in the movement of national migrants in overpopulated countries and refugees to countries in need of additional manpower. It is significant to note that between 1952 and December 31, 1961, ICEM has moved 1,105,700 persons overseas of whom 461,387 were refugees. ICEM was also responsible for organizing the embarkation of 50,000 Hungarian refugees from Austria and Yugoslavia whose transport was provided by receiving countries. The U.S. contribution has been reduced continuously and the uses to which its contribution is to be made have undergone significant changes to reflect U.S. interest in securing maximum contributions from economically stable countries of both immigration and emigration. The United States has cooperated with ICEM to put a high priority on the development of services and special projects which will improve and enhance the rapid integration of skilled and semiskilled migrants into the economies of the lesser developed countries, particularly in Latin America.

CALENDAR YEAR 1962 CONTRIBUTION TO ICEM

For the calendar year 1962 the contribution to ICEM calls for $5,975,260. Of that amount $3.2 million consisting of fiscal year 1962 AID contingency and prior year funds have been paid. An additional payment of $1,387,630 has been made from fiscal year 1963 AID funds

under the continuing resolution. A fourth and final payment in like amount is due in September; $6,500,000 represents the estimated contribution to ICEM for fiscal year 1963 to meet the Committee's requirements for the 1963 calendar year. Request is also made for $2,262,000 for reimbursing AID for funds advanced under continuing resolution to cover the last half of the calendar year 1962 contribution. Together these amounts bring the ICEM request up to $9,051,532 to cover the 18-month period involved.

U.S. CONTRIBUTION TO UNHCR

Funds requested for meeting a U.S. contribution to the UNHCR have been reduced in proportion to the lessened program requirements of the UNHCR. There is need for the United States to continue its support of the UNHCR's regular program of assuring legal protection and permanent solutions for the refugees under his mandate as well as to support the efforts made in behalf of other refugees under the "good offices" provisions of General Assembly resolutions. The UNHCR has furnished assistance to over 100,000 refugees under his mandate of which numbers more than half were finally reestablished directly by his program. The request for fiscal year 1963 is for fiscal year 1963 is for $900,000 which represents a reduction of $300,000 from the fiscal year 1962 contribution of $1.2 million.

TYPES OF ASSISTANCE BY U.S. ESCAPEE PROGRAM

The types of assistance carried on by the U.S. escapee program in Europe in behalf of recent escapees from Soviet bloc countries and its activities in Hong Kong and Macao carried on under the Far East refugee program require continuation if the political interests of the United States which I have cited are to be maintained. The amounts sought for such activities in Europe have been reduced in comparison to amounts appropriate in prior years and are consonant with the reduced caseload of escapees in need of U.S. assistance. Because of the greatly increased influx of Chinese refugees into Hong Kong and Macao which began this past May an increase of funds for that area is requested. Most of these funds will be spent through American voluntary agencies by means of contracts negotiated with such groups. This system has proved to be highly satisfactory over the past ten years.

USEP has available $1,735,000 from fiscal year 1962 AID and prior year funds for aiding escapees in Europe and the Middle East; $1,500,000 is requested for fiscal year 1963; and $1.1 million was available for the Far East refugee program in fiscal year 1962 in contrast to the increased request to $2.5 million for fiscal year 1963.

ASSISTANCE TO OTHER REFUGEES

Funds for other important and critical groups include assistance to Tibetan refugees in India and Nepal; Cuban refugees outside the United States; Algerian refugees repatriating to or displaced within Algeria; African refugees in central Africa; selected refugees from North Africa; and selected groups of refugees in which the United States has a high political interest. The proposed type of and need

for assistance to each of these groups is outlined in the explanation and justification before you. In certain instances a fuller explanation will require an off-the-record presentation in view of the nature of the problem.

In the case of each of these groups, U.S. assistance will either promote our basic objectives in dealing with refugees from communism, or serve to help preclude the spread of communism itself (particularly in Africa). In this connection I should like to refer briefly to the programs for assistance to Algerian refugees, and to Tibetan refugees in India and Nepal.

The proposed program for Algerian refugees repatriating to or displaced within Algeria, for which $5.3 million is requested, relates directly to U.S. efforts to keep Algeria from falling under Communist influence—2,300,000 of these refugees are now in dire want in Algeria, and unable to return to their ruined villages and farmlands without broader relief and elementary rehabilitation assistance. Such assistance must be forthcoming as a necessary prelude to subsequent country-wide reconstruction measures which in turn cannot be launched until a measure of political and economic stability has been brought about within Algeria. In this vicious circle the failure of the West to move effectively to meet the desperate interim needs of these people could easily lead to widespread discontent conducive to the establishment of a totalitarian regime. Communist countries are already using the cover of relief shipments to enlarge their influence in Algeria, and would be quick to exploit the general deterioration and chaos if the present situation of extreme want continues. The proposed U.S. funds would be used to meet one-third of the estimated cash costs of an effective relief and initial rehabilitation program for these refugees, to be carried out by experienced American and international voluntary agencies which are already in Algeria and which have the confidence of the interim Algerian Government.

The $400,000 requested for Tibetan refugees in India and Nepal would be expended through contracts with American and international voluntary agencies, to meet urgent relief needs and to effect the prompt rehabilitation of the refugees. The Tibetans, like the Hungarian refugees of 1956, are victims of particularly brutal Communist oppression. Our sympathy for them and for their countrymen in Tibet is symbolized and communicated through the provision of U.S. assistance. The Governments of Nepal and India, having courageously granted asylum to the refugees despite contrary Chinese pressures, face substantial problems in reestablishing the refugees. It is important that the United States assist the refugees in order to support these Governments politically in the granting of asylum, and in resolving the problem. Such assistance thus maintains the U.S. posture versus communism, and forges bonds of good will between these asylum governments and the United States.

In summary, Mr. Chairman, I wish to call the committee's attention again to the political significance which is attached to all these programs. The American people traditionally have supported generously refugee programs through their own voluntary agencies and they have favored U.S. support to refugee programs. Their interest in and support of refugee assistance has been primarily humanitarian in character. From the standpoint of governmental assistance to

these programs, our foreign relations and the U.S. posture among nations require the support of such activities as being of major political interest to the United States.

Mr. PASSMAN. Thank you very much for your statement, Mr. Brown.

FUNDS AVAILABLE IN 1962

Now, if we may get into some of the actual request items.

I would like to state again for the same program last year you had a total of $4,538,000?

Mr. BROWN. Mr. Chairman, Mr. Sobotka calls my attention to the fact that for fiscal year 1962 the Migration Committee got $3.2 million; the High Commissioner, $1.2 million, and the total for USEP is $2 million. That makes a total of $6.4 million.

Mr. PASSMAN. What we are using are definite allocations from the contingency fund as given to us by Mr. Coffin as of June 30, 1962?

Mr. SOBOTKA. There was apparently $2 million of carryover in this $3.2 million that did not come out of the fund.

Mr. PASSMAN. From what Fund?

Mr. SOBOTKA. From the previous year ICEM allotment.

Mr. PASSMAN. Tell us how you applied that to the four items above.

Mr. SOBOTKA. The $2 million was applied exclusively to the Intergovernmental Committee for European Migration, thereby reducing the requirements for contingency funds.

Mr. PASSMAN. The contingency fund is not necessarily for just this. How would we divide the $2 million into the four items? Could you divide that for the record?

Mr. SOBOTKA. Yes, sir, we can provide it.

(The information appears on p. 960.)

Mr. PASSMAN. That would bring it up to $6,538,000.

Mr. SOBOTKA. The figure we have is $6,418,000.

Mr. PASSMAN. We will take your figure. Your figure for fiscal year 1962 for the four items under "Migration refugee assistance programs" total was $6,538,000?

Mr. SOBOTKA. $6,418,000 for refugee programs, but not including $980,000 for administrative expenses.

Mr. PASSMAN. $6,418,000?

Mr. SOBOTKA. Yes.

BASIS OF 1963 REQUEST

Mr. PASSMAN. For the same purpose for fiscal year 1963 you are requesting $21,977,000; is that correct?

Mr. SOBOTKA. No; it is not for the same purpose, Mr. Chairman. There are some additional refugee problems which have occurred in the last few months.

Mr. PASSMAN. There may be additional problems but the figure you just gave us $6,418,000, financed the same programs you are justifying funds for this year as far as the headings here are concerned?

Mr. BROWN. No; the general refugee and migration program——

Mr. SOBOTKA. There have been a number of new refugee situations around the world.

INTERGOVERNMENTAL COMMITTEE FOR EUROPEAN MIGRATION

Mr. PASSMAN. Let us go to the Intergovernmental Committee for European Migration, $9,275,000.

What did you have for this item last year?

Mr. BROWN. This past year?

Mr. PASSMAN. Fiscal year 1962.

Mr. BROWN. We pledged to the Intergovernmental Committee last December an amount of $7 million which was approved last year.

Mr. PASSMAN. How much did they obligate of that fund?

Mr. BROWN. We were able to give ICEM $3.2 million for the first half of our 1962 pledge.

Mr. PASSMAN. As it appears on this particular item?

Mr. BROWN. Yes, sir.

Mr. PASSMAN. How much?

Mr. BROWN. $3.2 million of which $1.1 million came out of the 1962 contingency fund.

Mr. PASSMAN. For the time being, forget where it came from. Your expenditures were $3.2 million?

Mr. BROWN. Then because these programs all operate on a calendar year we obtained a third-quarter payment of $1,387,630 from continuing resolution AID funds.

Mr. PASSMAN. This was last year?

Mr. BROWN. During July this year.

Mr. PASSMAN. Let us stay in 1962, gentlemen.

Mr. SOBOTKA. These programs operate on a calendar-year basis.

Mr. PASSMAN. What did you have in this program ICEM for fiscal 1962?

Mr. BROWN. $7 million.

Mr. SOBOTKA. $7 million was our pledge for calendar year 1962.

Mr. BROWN. We pledged $7 million for calendar year 1962. It is hard to differentiate between 1962 and 1963 because we are——

Mr. SOBOTKA. Mr. Chairman, the request we are making for fiscal 1962 will apply to services for calendar 1963, not for fiscal 1963.

Mr. PASSMAN. We are still going to talk about the amount of money you had for the same period you are asking money for for the future period. You are bound to have a starting place and a cutting off place in each fiscal year, whether it operates on a calendar-year basis or a fiscal-year basis.

ICEM OBLIGATIONS AND EXPENDITURES IN 1962

How much did you obligate to ICEM in fiscal 1962?

Maybe that will help us out.

Mr. BROWN. For the last two quarters of 1962 I believe the amount was $3.2 million.

Mr. SOBOTKA. All of the money for the third quarter of fiscal year 1962 is from 1961 money, amounting to $2.1 million. The $1.1 million for the fourth quarter came from AID 1962 contingency funds. The first two quarters of fiscal year 1962 were funded from 1961 appropriations.

Mr. PASSMAN. Give us the expenditures for this one item for fiscal 1962.

Mr. BROWN. $3.2 million of which $1.1 million is from 1962 funds and $2.1 million from 1961 funds.

Mr. PASSMAN. Now we are getting somewhere, $1.1 million?

Mr. BROWN. $1.1 million, with the carryover of $2.1 million 1961 funds.

COST FOR MOVEMENT OF REFUGEES

Mr. PASSMAN. Let us get your expenditures. You cannot tell us your obligations but let us go back, if we may, to the United Nations High Commissioner for Refugees.

What did you have there?

Mr. BROWN. $1.1 million.

Mr. PASSMAN. Of this $1.1 million, how much for the movement of migrants? Do you have that figure?

Mr. SOBOTKA. The $1.1 million for ICEM was all for movement of migrants.

Mr. PASSMAN. $1.1 million was the expenditure for fiscal year 1962?

Mr. SOBOTKA. That was fiscal 1962 money.

Mr. PASSMAN. Gentlemen, I want to know the total expenditures. What did it cost to operate it for 1962 fiscal year?

Mr. SOBOTKA. If you want to do it on that basis——

Mr. PASSMAN. We cannot do it on any other basis. How you fund is one thing but how we appropriate is something else.

Mr. BROWN. $7.7 million spent in 1962.

Mr. PASSMAN. How could you spend $7.7 million out of a total of $6,418,000?

Mr. SOBOTKA. Your committee approved a figure of approximately $10 million for fiscal year 1961 of which approximately half or $4.5 million was utilized for the first half of fiscal 1962. This amount added to the $3.2 million totals $7.7 million.

The confusion arises because we operate on a calendar-year basis.

Mr. PASSMAN. Gentlemen, you get money for a 12-month period. You make your adjustments after you get the money but you come in and say, "We want money for fiscal year 1963."

We consider it on the basis of giving you money for 12 months, whether you operate on a calendar- or fiscal-year basis, and you made your adjustment in prior year appropriations.

If we are going to know how to move on this, we are going to have to know (1) how much money the Congress appropriated for this item in fiscal year 1962; (2) how much you obligated; (3) the amount of expenditures.

We cannot reconcile it any other way.

Mr. SOBOTKA. Our problem is that we had no exact appropriation last year for this.

COST FOR U.N. HIGH COMMISSIONER FOR REFUGEES ACTIVITIES

Mr. PASSMAN. Let us go along to another item: The U.N. High Commissioner for Refugees.

How much money did you request for fiscal year 1962 for this item?

Mr. BROWN. $1.2 million.

Mr. PASSMAN. How much money did you obligate for this item?

Mr. BROWN. $1.2 million.

Mr. PASSMAN. Do you have any other funds other than just the $1.2 million?

Mr. BROWN. No, sir.

Mr. PASSMAN. How could you give the obligation for that item and not for the other which is directly related?

PROBLEMS OF FINANCING FROM CONTINGENCY FUND

Mr. BROWN. Our problem with the ICEM program is that in attempting to finance and fulfiill the obligation pledge to ICEM, we were using AID contingency funds.

First of all, we attempted to utilize the carryover funds amounting to $2.1 million. We received from AID $1.1 million to see us through the first half of this year.

Mr. PASSMAN. 1962?

Mr. BROWN. 1962. We went to AID then to get the money to fund the third quarter of our calendar year pledge to ICEM and were informed the contingency fund was exhausted. Therefore, we got a third——

Mr. PASSMAN. When did you go to them?

Mr. BROWN. Sometime in May.

Mr. PASSMAN. They had a total of 40 percent of the year's appropriation on hand in May. They had to obligate $87 million of it in June.

Then they had to obligate $27 million of it on June 30 or lose it.

ICEM REQUEST FOR 18-MONTH PROGRAM

Mr. BROWN. Still continuing with the ICEM item, the requests we are making for ICEM here are really for an 18-month program, Mr. Chairman, not a 12-month program.

Mr. PASSMAN. All right. Can you keep in on a 12-month basis?

Mr. BROWN. Normally, we could do that, but the understanding was, when we had the advance made from AID for the third quarter, and if we are to get a fourth quarter to meet the obligations, we were to come to the Congress and seek funds to repay the expenditures made under the continuing resolution to AID.

FUNDS TO REIMBURSE AID

Mr. PASSMAN. Wait a minute. You mean you are going to get money out of this to reimburse AID.

Mr. BROWN. For 6 months' operations.

Mr. PASSMAN. In 1962 or 1963?

Mr. BROWN. In 1963 funds.

Otherwise, the budget we would present, Mr. Chairman, would be $6.5 million for 12 months.

HISTORY OF PROGRAM

Mr. PASSMAN. This program has been going for many years; is that right?

Mr. BROWN. Since 1952, sir.

Mr. PASSMAN. How long have you been in charge of it?

Mr. BROWN. I have been back in Washington for 4 years.

Mr. PASSMAN. As head of it?

Mr. BROWN. Yes; I have been closely associated with it from its beginning.

REFUGEES FROM EUROPEAN COMMUNIST COUNTRIES

Mr. PASSMAN. Refugees from European Communist countries. Is that a new one?

Mr. BROWN. No; that is a program we have been carrying on since 1952.

ICEM AND EUROPEAN COMMUNIST COUNTRY REFUGEE COMPARISON

Mr. PASSMAN. How much did you have last year for that program?

Mr. BROWN. $2 million in new money for the entire USEP program, Mr. Chairman.

Mr. PASSMAN. How does this differ from ICEM?

Mr. BROWN. The escapee program is a completely unilateral U.S. program which was inaugurated to extend a priority type of care and maintenance and consideration coming under the Kirsten amendment to meet the newly arrived refugees and escapees from Communist-bloc countries.

Mr. PASSMAN. You only had $6,458,000 for the program for fiscal year 1962, all segments, and you have already listed here where you obligated twice that much.

REFUGEES FROM COMMUNIST CHINA

Refugees from Communist China, $2.5 million. How much did you have for that?

Mr. BROWN. We spent $1.2 million, or will spend in 1962 for that item, Mr. Chairman. We are asking for the increase because of the increased number of refugees who will be coming into Hong Kong. The appeal which has been made for international assistance——

Mr. PASSMAN. There will always be appeals of this type and they will be coming in larger batches in the future, the way this thing is running now.

1962 PROGRAM FUNDED FROM CONTINGENCY FUND

Where did you get the money to finance this item in 1962?

Mr. BROWN. That came out of the contingency fund.

Mr. PASSMAN. Here is a contingency fund allocation list as of June 30 and your total escapee contingency shows they only gave you $1,256,000.

Mr. SOBOTKA. I find it difficult to figure out these tables not having seen them before.

Mr. PASSMAN. It is too late to try to figure them out now. But you had $1.2 million?

Mr. BROWN. Yes, sir.

Mr. PASSMAN. How much did you spend for Chinese refugees in 1961?

Mr. BROWN. $1 million.

Mr. PASSMAN. The AID people told us $50,000 and $18,000 for cholera vaccine. Both were in Hong Kong.

Mr. SOBOTKA. The cholera item was not included in our figure.

Mr. PASSMAN. They told us $50,000 and you say $1.2 million.

Mr. BROWN. $50,000 is for the Tibetan refugees.

Mr. SOBOTKA. It is possible some of the money we received was transferred from sections of the act other than the contingency fund without our knowledge.

TIBETAN REFUGEES

Mr. PASSMAN. What did you have for Tibetan refugees for last year?

Mr. BROWN. $50,000.

Mr. PASSMAN. And you are asking for $400,000 this year?

Mr. BROWN. Yes. We have just worked out an agreement with the Nepalese Government to initiate a surplus food program for Tibetan refugees.

Mr. PASSMAN. At what cost?

Mr. BROWN. $300,000 for the year exclusive of the Public Law 480 food costs. All of that amount will go into transportation because the food has to be transported or air-dropped; $100,00 of the $400,000 we are requesting would be spent to supplement what is given the refugees in India over and above what the Indian Government is providing in the way of care and maintenance, medicines, and the like.

Mr. PASSMAN. Indian refugees?

Mr. BROWN. No, sir; Tibetan refugees in India.

TIBETAN REFUGEES IN NEPAL

Mr. PASSMAN. And you also have a program for the Tibetan refugees in Nepal?

Mr. BROWN. Yes. We are getting the agreement with the Nepalese Government worked out.

Mr. PASSMAN. We have been pouring a lot of money into Nepal for many, many years and have a large unliquidated balance to their credit. Why could we not work out an agreement prior to this year?

Mr. BROWN. Mainly because of the political situation. I think we would have to go off the record on this if we went into the details.

Mr. PASSMAN. This is to give money to Nepal?

Mr. BROWN. No, this is to give assistance to the Tibetan refugees who are in Nepal.

Mr. PASSMAN. But you are relieving the Government of Nepal from that responsibility?

Mr. BROWN. No. They are not doing anything.

Mr. PASSMAN. What are the refugees living on?

Mr. BROWN. They came in with their personal belongings and herds and now they have slaughtered their herds and eaten them and the Nepalese are reluctant to do anything for them in view of the delicate political situation there.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

CUBAN REFUGEES OUTSIDE THE UNITED STATES

Mr. PASSMAN. Yesterday we considered a request of $70,110,000 for Cuban refugees and I am sympathetic to this type of problem, but you have an item of $350,000 for Cuban refugees outside the United States.

Mr. BROWN. Yes, sir.

Mr. PASSMAN. Why do we have to have the fund for Cuban refugees divided into two slices?

Mr. BROWN. One is handled by the Department of Health, Education, and Welfare because it is primarily a domestic problem. Our program is to give assistance to an estimated 25,000 to 30,000 Cuban refugees now in Spain and in Latin American countries.

Mr. PASSMAN. I have great respect for Spain. Spain bought $167 million of our gold last year and I think they have a $1 billion favorable balance of trade. Why do we not let Spain show some generosity to these refugees?

Mr. BROWN. Some assistance is being given by Spain, but we hope we can persuade as many of these people as possible to remain where they are rather than coming to the United States and swelling our Cuban refugee group. Many of these people are very desirous of coming to the United States.

Mr. PASSMAN. No doubt.

Mr. BROWN. And we think it is very advantageous to have some strong anti-Castro groups in Latin America and in Spain.

Mr. PASSMAN. At any rate, you have a domestic Cuban refugee program and a program for Cuban refugees outside the United States, is that correct?

Mr. BROWN. Yes, sir.

Mr. GARY. Mr. Chairman.

Mr. PASSMAN. Mr. Gary.

Mr. GARY. Is all of that $350,000 to be spent in Spain?

Mr. BROWN. No; in Spain and Latin American countries.

Mr. SOBOTKA. That is $100 a head per year.

LAO REFUGEES IN LAOS

Mr. PASSMAN. Originally you had in your sheets $5 million for Lao refugees in Laos. Why did you take that out?

Mr. BROWN. We understand $4.5 million has been included for Laos in the general AID program.

Mr. PASSMAN. They did not tell us that. We had no such testimony. This thing really is messed up. Anyway, this $5 million for the Lao refugees in Laos is out?

Mr. BROWN. Yes, sir.

Mr. PASSMAN. With the understanding it will be in another bill?

Mr. BROWN. That is right.

Mr. PASSMAN. How will you take care of Lao refugees in Laos? How can they be refugees if they are in Laos?

Mr. BROWN. These represent tribesmen that are not entirely compatible with the present regime in Laos. A good bit of aid has been going to them from AID funds under the regular program in Loas.

ASSISTANCE TO REFUGEES FROM COUNTRIES RECEIVING AID

Mr. RHODES. Mr. Chairman, we are giving foreign aid to Yugoslavia and are also aiding refugees from Yugoslavia.

Mr. PASSMAN. Are we not finding ourselves supporting all factions?

Mr. ANDREWS. May I ask a question?

Mr. PASSMAN. Yes. I yield to Judge Andrews.

Mr. ANDREWS. In line with what Mr. Rhodes said, we are giving certain types of aid under the overall program to Yugoslavia and then I understand you have a program that takes care of people who flee from Yugoslavia?

Mr. BROWN. Yes, those who have come out and who have been given political asylum in countries such as Austria, Italy, and Germany.

Mr. ANDREWS. On what basis do you justify aiding refugees from a country that we are aiding financially?

Mr. BROWN. I am afraid I cannot answer that on the record, Mr. Chairman.

Mr. ANDREWS. That is a fact, is it not? You have a program to aid people who flee from Yugoslavia?

Mr. BROWN. Yes, that is a fact, we assist those who have been granted political asylum.

Mr. ANDREWS. There must be some reason for it.

Mr. BROWN. The basic reason is that those people who have fled from Yugoslavia and are granted political asylum in Austria, Italy, and Germany, have all been determined by Austria, Italy, and Germany to have fled for political reasons or from actual oppression.

Mr. PASSMAN. We are supporting both governments, are we not, the government of the country they came from and the government of the country they go to?

Mr. CONTE. Then we do admit there is oppression in Yugoslavia?

Mr. BROWN. There is no question about that.

Mr. CONTE. Then we should be upset by the picture of Chief Justice Warren riding in a scooter with Tito.

LAO REFUGEES IN LAOS

Mr. PASSMAN. Under the item of Lao refugees in Laos you say:

> Communist guerrilla fomented warfare in Laos brought about the displacement from their homes within Laos of 180,000 persons. These refugees face acute relief needs, and must be rehabilitated within Laos. Most of them are anti-Communists who were displaced because of their sympathy with the free world.

So we are actually aiding all factions, are we not? I cannot understand that. If you can clarify that I wish you would.

Mr. SOBOTKA. In general it has been the policy of the U.S. Government, which the Congress has supported for many years, for us to assist refugees from Communist countries, and Yugoslavia is a Communist country.

Mr. PASSMAN. We are talking about Laos now. You want $5 million to take care of the Lao who disagree with the present regime. I thought you had a combination of all factions, you picked one from each faction and have a coalition government, so if these people disagree with the present regime they disagree with all the factions in Laos.

I think in the past they have said Yugloslavia was not Communist. Of course, that does not alter the fact that it is Communist.

Mr. RHODES. Off the record.

(Discussion off the record.)

AID FOR YUGOSLAVIAN REFUGEES

Mr. ANDREWS. Yugoslavia is a Communist country and these are oppressed people because we have recognized the need and have adopted a program to take care of refugees from that country. Is that right, Mr. Brown?

Mr. BROWN. That is right.

Mr. PASSMAN. I believe they are having an annual worldwide refugee conference, are they not? I believe in 1960 they had the World Refugee Year?

Mr. BROWN. The World Refugee Year, yes.

Mr. PASSMAN. Is this not expanding on the philosophy discussed at that time?

Mr. BROWN. No, sir. I think a tremendous achievement was made by the World Refugee Year. It focused attention on the worldwide plight of the refugees. However, the bulk of the assistance given in the World Refugee Year was to liquidate the European refugee problem, which is coming close to solution.

Mr. PASSMAN. I hope it is.

ALGERIAN REFUGEES AND ALGERIANS DISPLACED WITHIN ALGERIA

Algeria was a French possession and it gained its independence on July 1, is that right?

Mr. BROWN. Yes; I believe so.

Mr. PASSMAN. And you have two strong political factions there at this time, each trying to control the Government?

Mr. BROWN. Yes, sir. For several years we have had a program through the United Nations High Commissioner for Refugees, in which we have been taking care of upward of 300,000 Algerian refugees in Morocco and Tunisia. As a result of the Evian conferences, these people began to be repatriated and as they returned they mingled with over 2 million Algerians who had been taken by the French and put in a small village and around which barbed wire was placed, and all the surrounding countryside razed. There are better than 2 million people desperately in need of assistance now. Voluntary organizations in Algeria are assisting and we have a fairly large food program there.

FOOD FOR ALGERIAN REFUGEE RELIEF

Mr. PASSMAN. Is that a part of this?

Mr. BROWN. No; the food program is in addition.

Mr. PASSMAN. Tell us about the food program since you mentioned it. How much?

Mr. SOBOTKA. A 54,000-ton program is being approved.

Mr. PASSMAN. How much in dollars?

Mr. SOBOTKA. I have no idea.

Mr. PASSMAN. We cannot appropriate by tons.

Mr. BROWN. There is no food appropriation request made here.

1962 ALGERIAN REFUGEE PROGRAM

Mr. PASSMAN. But we have to know how much is in each spigot. You are asking for cash here for Algeria of $5.3 million.

Mr. BROWN. Yes,sir.

Mr. PASSMAN. How much cash did you have last year for Algeria?

Mr. BROWN. Nothing for Algeria itself but we spent $600,000 through the United Nations High Commissioner for Refugees.

Mr. PASSMAN. What did he do with that?

Mr. BROWN. He assisted in feeding the Algerian refugees in Morocco and Tunisia but not in Algeria.

Mr. PASSMAN. These people are returning to Algeria?

Mr. BROWN. Most of them have returned.

Mr. PASSMAN. So for all practical purposes you had $600,000 for Algerian refugees last year?

Mr. BROWN. Yes.

1963 PROGRAM FOR ALGERIAN REFUGEES

Mr. PASSMAN. And you are requesting $5.3 million for fiscal 1963?

Mr. BROWN. Yes.

Mr. CONTE. What is the $5.3 million for?

Mr. BROWN. We have an agreement with the League of Red Cross Societies to share most of the responsibilities for the actual distribution of the foodstuffs to meet the emergency needs of these refugees. It is estimated that under the emergency program the cost for urgently needed items except for foodstuffs contributed in kind would be $16 million over the period of a year.

Mr. CONTE. Why could we not put up our share in kind?

Mr. SOBOTKA. $16 million in cash is in excess of the requirement for food.

Mr. PASSMAN. We thought this request was for $5.3 million.

Mr. BROWN. Yes, sir.

Mr. PASSMAN. Now you say the total is $16 million?

Mr. SOBOTKA. Our share of the total is $5.3 million.

Mr. PASSMAN.. Who is putting up the rest?

Mr. SOBOTKA. It is expected that the international community will participate on the usual basis of putting up two-thirds.

Mr. PASSMAN. But you do not know that? That is to be decided later?

Mr. SOBOTKA. Yes.

Mr. PASSMAN. But you want us to put up cash. Last year they had so much money left in the contingency fund they transferred $5 million to the U.N. expanded technical aid program, using as an excuse that we have received pledges that would justify $45 million rather than $40 million if the pledges are paid, and they have 2 years to pay the pledges and Uncle Sam has to put up his in cash.

In this case you do not know if the other nations will come up with their share or not. What will happen to our $5.3 million if they do not?

Mr. BROWN. It will be on a one-third matching basis.

Mr. PASSMAN. You are asking for $5.3 million for a program yet to be planned: is that correct?

Mr. BROWN. No: it is planned.

Mr. PASSMAN. What nations have pledge money?

Mr. SOBOTKA. We do not have the information on that as yet.

Mr. PASSMAN. What nations have put up any money?

Mr. BROWN. The Russians have made a significant contribution in kind.

Mr. PASSMAN. How much?

Mr. BROWN. 6,500 tons of food had been pledged at the time of our last report.

Mr. PASSMAN. We are putting up 54,000 tons, so that is about one-ninth of what we are putting up. We will put on top of that $5.3 million.

CENTRAL AFRICAN PROGRAM

For central Africa you are asking $400,000.

Mr. BROWN. Yes, sir.

Mr. PASSMAN. How much did you have last year?

Mr. BROWN. Nothing last year.

Mr. PASSMAN. And we are pouring money into central Africa by the millions of dollars. There is hardly an African country, new or old, we do not have a program in.

Where will these people be located?

Mr. BROWN. We are asking for $200,000 of the $400,000 to be used in the Congo for Angolan refugees so that we can have an expression of the interest of the American people in the Angolan people.

We want to use $200,000 for the problems that are arising with regard to the people who have just received their independence, the Batutsi refugees and the refugees out of Burundi. That money may be given through an international organization. The number of refugees has increased and we feel it is in the U.S. interests to meet some of these costs, and $400,000 seems to us to be very little to assist these large groups of refugees.

Mr. PASSMAN. You say that:

> Of the 150,000 Batutsi refugees, 40,000 are in Uganda, 10,000 in Tanganyika, 40,000 in Burundi, and 60,000 in the Kivu Province of the Congo.

You do know, do you not, that we are aiding every one of these countries. We are aiding the country they leave and the country they are going to, are we not?

Mr. BROWN. Yes, sir; I believe we are.

Mr. PASSMAN. This is a kettle of fish if I ever saw one. I yield to Mr. Andrews.

REFUGEES IN CENTRAL AFRICA

Mr. ANDREWS. Mr. Brown, you seem to have quite a problem of refugees fleeing these newly born countries in Africa. You have a program for central Africa and one for the north African countries. Did they have a refugee or escapee program before these nations were born?

Mr. BROWN. No; there was no program but there were refugees.

Mr. ANDREWS. They have been wandering over those hills through the centuries, have they not?

Mr. BROWN. Because of the longtime tribal rivalry and even hatred that exists between the Batutsis and the Hutu majority, as they approached independence a great deal of persecution of the Batutsis took place and there was considerable plunder and stealing of the herds, and so on, and they did flee, even in advance of independence.

Mr. PASSMAN. If I may, even in the United States we have refugees, that make the circuit from one State to another. Sometimes there may be hundreds of them followed by another group in a few weeks. You could just about justify a refugee program for Louisiana because Texas emigrants had gone into Louisiana. Would it not work that way?

Mr. BROWN. I do not think so.

Mr. RHODES. Mr. Chairman, if you will yield, to qualify, these people would have to be political refugees, so they would have to go from Texas to Kansas, where there are Republicans. There would be no political difference between Texas and Louisiana, and therefore they couldn't qualify as political refugees.

Mr. PASSMAN. These new nations, Burundi and Rwanda, are just a month old.

Mr. ANDREWS. May I ask one more question?

Mr. PASSMAN. Yes.

NUMBER OF REFUGEES RECEIVING ASSISTANCE

Mr. ANDREWS. How many refugees are we assisting financially, roughly?

Mr. SOBOTKA. I would say at the present time we are aiding in some form about 2 million.

Mr. ANDREWS. Off the record.

(Discussion off the record.)

Mr. ANDREWS. You are assisting about 2 million?

Mr. SOBOTKA. We are thinking of those helped through programs from our office. That does not cover the Palestine refugee program.

Mr. PASSMAN. Which is under another bill.

Mr. ANDREWS. But through your organization you are helping 2 million all over the world. What percentage of the total cost of helping these 2 million refugees does your office pick up?

Mr. SOBOTKA. The Hong Kong government, for the 1.5 million refugees there, pays $55 million a year and we are paying $1 million.

Mr. PASSMAN. The Hong Kong government is a British Crown Colony and I guess one of the richest places on the face of the earth for those people with property. So when you speak of the govern-

ment of Hong Kong, in reality you are speaking of the government of a very valuable possession of Great Britain, are you not?

Mr. SOBOTKA. Yes, sir.

ITEMS INCLUDED FOR REFUGEE PROBLEMS

Mr. PASSMAN. When you say "refugee problems" that covers something else than providing food and shelter and medical aid?

Mr. BROWN. It includes that as well as problems arising because of the political situations.

Mr. PASSMAN. $100,000 is for medical aid. What about the other $300,000?

Mr. BROWN. That is for food, clothing, shelter, or whatever is needed.

Mr. PASSMAN. Who went out to these new countries? Is that just an estimate?

Mr. SOBOTKA. There have been representatives of the United Nations High Commissioner for Refugees who went to these countries.

Mr. NATCHER. Mr. Chairman, will you yield?

Mr. PASSMAN. Yes.

Mr. NATCHER. Is it generally known that the refugees from these African countries will be received and taken care of? Is that generally known in that part of the world?

Mr. BROWN. That they will be received by another country?

Mr. NATCHER. That they will be taken care of under this program.

Mr. BROWN. They do not know of any program, they simply leave when they have to but they have no knowledge there is a program being planned for them, sir.

Mr. NATCHER. And you have no system of check in operation at this time?

Mr. BROWN. No.

REFUGEES FROM NORTH AFRICAN COUNTRIES

Mr. PASSMAN. You are requesting $200,000 for refugees from north African countries. What countries are you referring to?

Mr. BROWN. Mainly Egypt, the United Arab Republic.

Mr. PASSMAN. You know we have a tremendous program in Egypt, about $41 million, and we finally prevailed upon Syria to accept our aid program.

Mr. BROWN. These are mainly Armenians and Greeks, some of whom have become citizens.

Mr. PASSMAN. Citizens of Egypt?

Mr. BROWN. Yes. Many of them are ethnic Europeans and in the light of Egyptian nationalism some of their businesses are nationalized and many are moving back to Greece and elsewhere.

Mr. PASSMAN. Some of those you call Egyptian refugees are actually citizens of Egypt?

Mr. BROWN. Yes; some have acquired citizenship in Egypt.

Mr. PASSMAN. Is it not going to get us in an embarrassing situation to go in a country we are aiding and take care of citizens of that country?

Mr. BROWN. We are not going into Egypt to take care of them. We are taking care of those that have to get out of Egypt.

Mr. PASSMAN. You said some were citizens of Egypt. Where are they domiciled?

Mr. BROWN. Most of them were in Egypt.

Mr. PASSMAN. And some are citizens of Egypt?

Mr. BROWN. Yes.

Mr. PASSMAN. And they might leave?

Mr. SOBOTKA. Many have already left. There has been a program of this kind for Jews, Greeks, and Italians who had to leave Egypt. Armenians in Egypt are now being approached to return to Soviet Armenia.

Mr. PASSMAN. Are the Egyptians pushing them out?

Mr. BROWN. I would not say they are pushing them out.

COST ESTIMATE FOR NORTH AFRICA PROGRAM

Mr. PASSMAN. How much do you have for refugees from north African countries?

Mr. BROWN. We have nothing, sir.

Mr. PASSMAN. Our books do not show that. We find under "Migration and refugee assistance, refugees from north African countries, fiscal year 1963" a request for $200,000.

Mr. SOBOTKA. That is what we are requesting.

Mr. PASSMAN. I asked how much you are requesting.

Mr. BROWN. I am sorry, sir; I thought you asked how much we had.

Mr. PASSMAN. Well, that is a good question. How much did you have in fiscal 1962?

Mr. BROWN. Nothing.

Mr. ANDREWS. We have some people in this country that flee from one area to another. Is there any chance of getting them under this program?

Mr. BROWN. I would doubt it.

Mr. RHODES. Are you thinking about Hyannis Port?

Mr. ANDREWS. I am not giving any names, but some people have left some sections of the country and gone to other sections of the country.

Mr. ROONEY. Will the gentleman yield? There is just one slight difference. These people the gentleman refers to are American citizens. The others are not.

Mr. ANDREWS. This is a humanitarian program, I understand. Is a man penalized for being an American?

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. RHODES. What difference is there between this and the situation where you help people to go from one part of Laos to another?

(Discussion off the record.)

ASSISTANCE TO SELECTED PERSONS OR GROUPS

Mr. PASSMAN. Reading from your voluminous presentation here, you say:

> There are a number of refugees, former refugees, students and similar selected persons who are now in need and for whom U.S. assistance is to the political advantage of the United States. Specialized U.S. assistance should, therefore, be extended to such persons wherever necessary according to their individual needs, and on an unpublicized basis.

How much are you asking for that?

Mr. BROWN. $275,000.

Mr. PASSMAN. Who are these people?

Mr. BROWN. May we go off the record on this?

(Discussion off the record.)

ADMINISTRATIVE EXPENSES

Mr. PASSMAN. I will ask this final question, and then I shall yield to Judge Natcher.

How about the administrative expense? That is an important item. How much did you have for administrative expense for fiscal 1962?

Mr. BROWN. $980,000.

Mr. PASSMAN. What are you asking for for fiscal 1963?

Mr. BROWN. $877,000.

Mr. PASSMAN. You know, I do not quite understand that, either. You have a program three times the size, but you are asking for a reduction in administrative expense. Would you give us a little explanation on that?

Mr. BROWN. Yes. Mr. Chairman, the bulk of the administrative expense that we have had up to this point has been to cover the operations of our activities in Europe, which, as we have indicated, show a very definite slowing up. We have been able to move a great many people and resettle a lot more.

Mr. PASSMAN. But you are asking for more money, Mr. Brown.

Mr. BROWN. For new groups. But most of that will be handled by the same staff that we already have. We have consolidated a headquarters arrangement in Geneva, Mr. Chairman, which has cut out a number of the other offices which we have had heretofore. We are actually reducing the total number of staff from 87 during 1962 to 62. Yet, at the same time we are able, I think, by consolidating the efforts in Geneva and in my own office in Washington here, to achieve the administration of a larger program.

Mr. PASSMAN. You are going to have about three times the amount of money but less administrative expense.

Mr. BROWN. Yes, sir.

Mr. SOBOTKA. The new programs are of a different nature than the old one which cost the larger administrative expense.

ICEM FISCAL YEAR 1962 ESTIMATE

Mr. PASSMAN. If we may deal with the immigration and refugee assistance, ICEM, you had a 1962 estimate of $3,200,000. Is that correct?

Mr. SOBOTKA. The estimate was for $5,975,260 for the full year; $3.2 million was the amount of the new obligations for 6 months, sir.

Mr. PASSMAN. I am only going by what you say in your own justifications. You have here—if I am right, confirm it——

Mr. BROWN. That is only for 1962, though.

Mr. PASSMAN. I am talking about that. Your 1962 estimate was $3,200,000. Is that correct?

Mr. SOBOTKA. That is our obligations. Our estimate, as you call it, of the total program was $5,975,260, almost $6 million.

FISCAL YEAR 1963 ICEM REQUEST

Mr. PASSMAN. In fiscal 1963, you are requesting $9,275,000. Is that correct?

Mr. SOBOTKA. Yes.

Mr. BROWN. Half of that belongs in 1962, though.

In other words, $3.2 million represents the 6-month budget, and the $9,275,000 represents an 18-month budget; $6,500,000 represents the actual fiscal year 1963 estimate.

Mr. PASSMAN. I have to consider it on the basis of what you have in the book.

Do you think the Bureau of the Budget will ever approve this thing?

Mr. BROWN. The Secretary of State has approved it and sent it to the Bureau of the Budget. The final determination will be made right away.

(Off the record.)

OPERATION OF REFUGEE PROGRAM

Mr. PASSMAN. Judge Natcher.

Mr. NATCHER. Mr. Brown, as I understand this request, if the committee granted the amount proposed, this refugee program would be operated in its entirety by your section.

Mr. BROWN. That is right, sir, for these items.

Mr. NATCHER. It would not be operated as the refugee program is now in operation, in which we participate through the United Nations and other organizations.

Mr. BROWN. No, sir; this calls for continued contribution to the U.N. High Commissioner for Refugees of $900,000 and to the Intergovernmental Committee——

Mr. NATCHER. That will be a direct contribution.

Mr. BROWN. Those will be direct contributions.

Mr. SOBOTKA. Those programs are administered through our office now, sir.

Mr. NATCHER. That is all I have, Mr. Chairman.

FUNDS PROGRAMED FOR U.N. REFUGEE AID

Mr. PASSMAN. Before I yield to Mr. Rhodes, I would like to ask this question. Of the $21,977,000, what amount of dollars of that total would go to the U.N. to be administered through some branch of the United Nations?

Mr. BROWN. The $900,000 for the United Nations High Commissioner for Refugees would be included, and possibly $200,000 or $300,000 out of what we have asked for for the Far East in a program in which he would be assisting the Portuguese Government in trying to develop some refugee assistance activities in the Colony of Macao.

Mr. PASSMAN. That is near Hong Kong?

Mr. BROWN. That is right.

Mr. SOBOTKA. It is a Portuguese colony.

Mr. BROWN. The entire amount to be contributed to the UNHCR is difficult to ascertain. We have asked for the $400,000 for central African refugees which, together with a portion of what we have asked for the Algerian refugees, might likewise be made available to the U.N. High Commissioner for Refugees. Some of it would be——

Mr. PASSMAN. Why would that not have been presented to us when the international organizations request came down, I wonder. Would that not normally be in their request?

Mr. BROWN. No, sir. The High Commissioner's request has always been made through this office and as part of our appropriation.

Mr. PASSMAN. But we get it so intermingled, it is rather difficult to separate it.

Mr. SOBOTKA. Sir; when the President requested new legislation last year, which the Congress passed on June 28 of this year, he wanted a separate refugee bill that took these programs out of the AID program and centralized them in one place so it would be easier for the Congress to understand the refugee program. The only refugee program left directly in the AID bill was the Palestine refugee bill.

CONTRIBUTIONS FROM PRIVATE SOURCES FOR REFUGEE ASSISTANCE

Mr. PASSMAN. I shall yield now to Mr. Rhodes for any questions he may wish to ask.

Mr. RHODES. Mr. Brown, have you any idea how much is being given from private sources to the refugees who are encompassed in your program?

Mr. BROWN. Not offhand, but I could get a summary and put it in the record, Mr. Rhodes.

(The information supplied follows:)

CONTRIBUTIONS FOR REFUGEES FROM AMERICAN PRIVATE SOURCES

From 1946 to 1953 American voluntary agencies have contributed from their own resources $1,119 million for oversea relief. Of this $745 million was in cash and $374 million in goods. It is estimated that during this period 90 percent of voluntary agency expenditure or $1,007 million were for refugees. From 1954 through 1961 reports indicate expenditures from American voluntary agencies of $400 million for relief activities of which only 30 percent or $120 million is estimated to be for refugees. Thus a total of $1,127 million is estimated to be the contribution of American voluntary agencies to post-World War II refugee problems.

AID GIVEN BY ASYLUM NATIONS

Mr. RHODES. Have you any idea how much is being given in toto by the asylum nations, to refugees who also benefit from programs which are represented by your budget request?

Mr. BROWN. That would be extremely difficult to get, because many of the nations, such as West Germany and Austria, are making available housing facilities welfare, social security benefits, and other things that would be difficult to compute, but they are a part of the host government's contribution. In essence, our whole program has always been considered a supplementary program, a supplement to what the government of asylum was given and a supplement with respect to what our voluntary agencies are giving. It would be very difficult to obtain such figures. I do not think a meaningful figure on the host government contributions is available.

GOVERNMENT AND OTHER CONTRIBUTIONS FOR REFUGEE ASSISTANCE

Mr. RHODES. Have you any figures for the amount spent by the U.N. High Commissioner for Refugees?

Mr. BROWN. Yes; we can put in the record a report on the amount that the High Commissioner has spent.

Mr. RHODES. Would it be possible to prepare a table to set forth whatever figures you have, by host country, representing the amount of money being spent in that host country on these refugee programs, by year, or whatever time that you have available, so we can get a fairly accurate picture of the proportion of the burden that the American taxpayer is being called upon to carry?

Mr. BROWN. Yes; we can do that on a geographical basis. We will give you a table on the refugee populations in the various categories.

Mr. RHODES. Would you add to that, also, a projection for aid to any refugees which will come into the program that you now know about?

Mr. BROWN. Yes, sir.

Mr. RHODES. I do not want you to look into a crystal ball, but any that you now know about would be helpful to have.

Mr. PASSMAN. Would the gentleman permit a supplement to that?

Please include the number of nations where we have a refugee program or where citizens are being helped from nations where we are giving aid.

Mr. BROWN. You want the country of origin of the refugees——

Mr. RHODES. Yes.

(The information supplied follows:)

Principal contributions from Government and other sources for refugee assistance

Activity	Calendar year 1962 contributions estimates				Calendar year 1963 contributions estimates			
	U.S. cash	U.S. Public Law 480	U.N. and other international	Other sources	U.S. cash	U.S. Public Law 480	U.N. and other international	Other sources
ICEM	$5,975,000			$10,687,226	$6,500,000			$13,252,970
UNHCR	[1] 1,200,000			3,400,000	900,000			3,000,000
Refugees from European Communist countries	1,780,000	$587,000	$1,600,000	15,100,000	1,500,000	$1,392,000	$1,600,000	15,000,000
Refugees from Communist China	1,107,957	5,000,000	500,000	55,000,000	2,500,000	5,000,000	750,000	75,000,000
Tibetan refugees	50,000	100,000	100,000	112,000	400,000	500,000	150,000	150,000
Algerian refugees	[1] 210,000	5,595,000	1,536,500	[2]	5,300,000	22,500,000	10,700,000	22,500,000
Central Africa [3]		764,000	386,000	301,000	400,000	940,000	500,000	400,000
North Africa					200,000		400,000	
Selected persons or groups					275,000			150,000
Total	10,322,957	12,046,000	4,122,500	84,600,226	17,975,000	30,332,000	14,100,000	129,452,970

[1] $600,000 of the U.S. contribution to UNHCR was for Algerian refugees.

[2] Several voluntary agencies have played significant roles in this program in Morocco and Tunisia, but figures on the extent of their participation are not available.

[3] An undetermined percentage of U.S. contributions to UNOC have been expended on refugee problems in the Congo.

Potential New Refugees

The appropriation request includes estimates of the probable number of new escapees from Communist countries in Europe and the continued influx of Chinese fleeing from Red China to Hong Kong and Macao. In addition to these groups, there may be an upsurge of Angolans into the Congo and a greatly increased number of refugees which might result from potential political developments arising in the newly emerging independent countries in central Africa.

Location and numbers of refugees for whom U.S. assistance is being given and/or for whom funds are being requested

Refugees from European Communist countries	60,000
Refugees from Communist China:	
Hong Kong	1,200,000
Macao	80,000
Tibetans: India and Nepal	60,000
Cubans outside the United States	30,000
Algerians:	
Algerians from Tunisia and Morocco	200,000
Algerians displaced within Algeria	2,100,000
Central Africa:	
Congo	210,000
Burundi	40,000
Tanganyika	10,000
Uganda	40,000
North Africa: United Arab Republic	100,000
Total	4,130,000

Countries from which refugees who are covered by this appropriation request have fled

Albania
Angola
Algeria
Bulgaria
Chinese Communist Republic
Cuba
Czechoslovakia
Egypt
Estonia
East Germany
Hungary
Latvia
Lithuania
Poland
Rumania
Ruanda
Tibet
U.S.S.R.
Yugoslavia

Countries of asylum for refugees covered by this appropriation request

Argentina
Australia
Austria
Belgium
Bolivia
Brazil
Burundi
Canada
Chile
China (Taiwan)
Congo (French)
Congo (Belgian)
Costa Rica
Cyprus
Denmark
Ecuador
Ethiopia
Federation of Rhodesia and Nyasaland
Finland
France
Germany
Great Britain
Greece
Honduras
Hong Kong
India
Iran
Ireland
Israel
Italy
Luxembourg
Macao
Morocco
Nepal
Netherlands
New Zealand
Norway
Panama
Paraguay
Peru
Republic of South Africa
Spain
Sweden
Switzerland
Tanganyika
Thailand
Tunisia
Turkey
Uganda
Uruguay
United States of America
Venezuela
Yugoslavia

SCREENING OF REFUGEES

Mr. RHODES. Have you any means of screening refugees to make sure they are not in fact Communist agents, either for espionage purposes or for propaganda purposes sent into the area in which there are refugees, so that they may scatter the seeds of communism?

Mr. BROWN. The refugees that we term "escapees"—they are primarily in Europe—before they are eligible for any USEP benefits, all have to go through a very thorough screening. The initial screening is done by the government of asylum, and then we carry on a comprehensive screening with all known sources of contact. I would interpose, other refugees from the same country are usually the best screeners you can find anywhere, because they can spot an agent quicker than anybody. In the history of the program since 1952, we have had less than one-fourth of 1 percent who were determined to be even suspect.

Now with respect to the broad groups of refugees, such as the 1.5 million Chinese in Hong Kong, we have no way of checking on them, but they are checked very thoroughly to the extent possible by the Hong Kong authorities. The same would be true of refugees to whom aid might be given through the U.N. High Commissioner in Algeria and elsewhere.

One other point ought to be made. For every individual who is moved to the United States or the Western Hemisphere, under the law, the provisions for which we have requested be added to this appropriation, there is a requirement that a security check must be made by the Migration Committee, to assure the bona fides of such refugees.

AID IN KIND TO REFUGEES

Mr. RHODES. Have you any figures to indicate the amount of aid we give, in kind, under Public Law 480 or any other similar law?

Mr. BROWN. We can furnish that.

Mr. RHODES. That would be in addition to the amount that we are requested to appropriate?

Mr. BROWN. Yes, sir.

(The information requested may be found on p. 985.)

MANNER OF MAKING EXPENDITURES

Mr. RHODES. How is this money spent—the money you spend in the program now and the money which we are requested to appropriate? Is it spent in conjunction with the asylum country or with any international body, or do we have our own people operating our own program and spending our own funds?

Mr. BROWN. With respect to the Intergovernmental Committee for European Migration, the U.S. contribution is made in the form of a pledge to the Committee. We are members of the Executive Committee of ICEM. We make also a direct contribution to the U.N. High Commissioner for Refugees.

Mr. RHODES. Have you set forth the amount of those contributions?

Mr. BROWN. Yes, sir.

Mr. RHODES. How much are they?

Mr. BROWN. $900,000 for the High Commissioner for fiscal year 1963. The figure is $9 million for ICEM.

TOTAL FUNDS AVAILABLE TO ICEM

Mr. RHODES. How much does ICEM have available to spend from all sources, including the United States?

Mr. BROWN. I think it is approximately $20 million.

Mr. RHODES. We furnish, roughly, 25 percent of it?

Mr. BROWN. It runs around 33 percent.

Mr. SOBOTKA. We supply 29-percent-plus of the administrative expenses and 33⅓ percent of the program expenses.

ORGANIZATIONS EXTENDING REFUGEE ASSISTANCE

Mr. BROWN. With respect to the direct programs, such as we operate with USEP, those are handled under contracts with American and international voluntary agencies which have been accredited for operation overseas.

Mr. RHODES. What are some of those agencies?

Mr. BROWN. National Catholic Welfare Conference, Church World Service, World Council of Churches, HIAS, American Joint Distribution Committee, Tolstoy Foundation, Polish-American Immigration and Relief Committee, American Fund for Czechoslovak Refugees and others.

We will be glad to furnish a list of them.

Mr. RHODES. Furnish a complete list at this point.

Mr. BROWN. Yes, sir.

(The information requested follows:)

OFFICE OF REFUGEE AND MIGRATION AFFAIRS

VOLUNTARY AGENCIES CURRENTLY UNDER CONTRACT

Administration for International Aid—Italy (AAI).
American Emergency Committee for Tibetan Refugee, Inc. (AECTR).
American Fund for Czechoslovak Refugees (AFCR).
American Foundation for Overseas Blind, Inc. (AFOB).
American Friends of Russian Freedom (AFRF).
American Joint Distribution Committee (AJDC).
American National Red Cross (ARC).
Cooperative for American Relief Everywhere, Inc. (CARE).
Catholic Foreign Mission Society of America, Inc. (CFMS).
Church World Service (CWS).
Evangelical Free Church of America (EVCA).
Institute of International Education (IIE).
International Rescue Committee (IRC).
International Social Service (ISS).
Jamiat Al Islam (JAI).
Lutheran World Federation (LWF).
National Academy of Sciences (NAS).
National Catholic Welfare Conference (NCWC).
World ORT Union—Austria (ORT).
Polish-American Immigration and Relief Committee (PAIRC).
Seventh-Day Adventist Welfare Service (SAWS).
Tolstoy Foundation (TF).
United HIAS Services (UHS).
United Ukrainian American Relief Committee (UUARC).
World Council of Churches (WCC).
World University Services (WUS).
Young Men's Christian Association (YMCA).

IDENTIFICATION OF SOURCE OF ASSISTANCE

Mr. RHODES. When our aid is given through an agency such as this, is there any way that the recipient knows this aid comes from the Government of the United States or does he think it comes from the agency from which he derives the benefit?

Mr. BROWN. For the most part, in the end use audits made of our contracts, we find most of the refugees are well aware of the USEP program and that they are getting benefits under it.

Mr. RHODES. Does any agency put its own name on the products which are distributed?

Mr. BROWN. No name goes on the product as far as we know. The agencies assist the individual at a local store or somewhere else to provide for his needs. The agencies are given money to provide counseling for the individuals and the staff work that goes into it.

When the individual is transported at U.S. expense, he gets a letter that tells him he is being aided by the people of the United States and asks him to reply when he gets to his new land of settlement.

Then we have for the new arrivals a welcome kit that is like a flight bag that says "The U.S. escapee program" on it. It contains such items as comb, brush, handkerchief, socks, et cetera.

Mr. PASSMAN. Will the gentleman yield?

Mr. RHODES. Yes.

Mr. PASSMAN. Mr. Brown, I think we are all interested in helping these unfortunate people. It is true that in many instances even shiploads of commodities intended for the unfortunates were channeled

through organizations where the name identifying the group has been very plainly printed on the package. We have photostatic copies of letters on this and we have been told by the State Department that this would not be true in the future.

Could it not be made a universal policy that you have printed on the bag "Donated by the United States of America"?

If it arrives there, it makes very little difference who does the distributing as long as you have a name on the bag or the box. Can you comment on that?

Mr. BROWN. I have not seen any of that in the visits I have made.

Mr. PASSMAN. If you are not familiar with it, I am surprised because Secretary of State Rusk made an investigation and said it was true but it would be straightened out in the future.

I wish you would check into it.

Mr. BROWN. I shall be very glad to.

Mr. RHODES. I have no further questions.

RECONCILIATION OF REQUEST

Mr. PASSMAN. Now, for this final request. Unless it is going to be tucked in this contingency fund there is no request for any $4.5 million for the refugees in Laos. I want the record to show that. I wish you would try to reconcile that with your counterpart down there.

We are trying to find out the amount of money you had in fiscal 1962 that corresponded with the amount of money you are requesting for fiscal 1963 without involving any partial fiscal or calendar years. I say again even though you are in a calendar-year basis, and maybe the United Nations or other international organizations are, but you still asked for it on an annual basis. You still asked for a 12-month slice and the exception would always be when you ask for an extra 6 months; that happened in the United Nations Children's Fund one time.

Could you tell us the corresponding figure to this for fiscal 1962? That might be the best way to put it?

Mr. BROWN. Yes; we will get that.

Mr. PASSMAN. Do you want to do a little research now? That is very important.

You told us earlier $6,418,000 and if that is the figure we accept that as being the correct figure. If not, we want to see if there is anything else we must take into account.

You gave to the committee that figure as a correct figure and I wanted to be sure about it before we recess the committee, that that is the correct figure.

Mr. SOBOTKA. Could I ask a question?

Mr. PASSMAN. Yes.

Mr. SOBOTKA. Part of our problem has been that we have been unable to present clearly the level of our 1962 program. In other words, the 1962 program costs as compared to 1963 program request and what we expect it to cost, partly because in 1962 we were not in the appropriation picture.

In 1961, your committee made us a specific appropriation.

Mr. PASSMAN. That is right.

Mr. SOBOTKA. Due to the fact we were taken out of the AID bill as such last year, while there was pending new legislation, we operated on a sort of a, you might say, catch-as-catch-can basis to get money from the contingency fund which has made it rather awkward for us to provide clean-cut figures, such as we would normally provide.

Mr. PASSMAN. Would that make any difference, where you got it from? Would you people not have accurate figures as to how much money your Agency received?

What difference would it make what fund you got it out of?

Mr. SOBOTKA. I am trying to reconcile the figures you have with ours.

Mr. PASSMAN. I want to say for the record, covering the same field of endeavor you are going to cover this year other than that it is expanded, you received $4,538,000 out of the contingency fund last year according to the information they gave to us. Now you add another $2 million that came in from the previous year and if you add that to this, you should get $6,538,000, but then you said the program was $6,418,000.

We will say that the program for fiscal 1962 costs $6,418,000 with a request of $21,977,000 for fiscal 1963 with a footnote that this is an expanded program.

Would it be fair to state that for the record?

Mr. BROWN. I feel that such a figure by itself would be confusing, Mr. Chairman, since it does not reflect an accurate presentation of the problem which we face in funding ICEM for the period July 1 to December 31, 1962.

I have to go back to this point because I think it is only reasonably fair.

Mr. PASSMAN. Mr. Brown, I think you would make a very fine witness.

We will accept $6,418,000 as a guideline on which we might mark this bill for fiscal 1963.

Would it be fair to exclude any transfers out of the contingency fund if you got a reasonable amount of money?

Mr. BROWN. We do not anticipate getting anything from the contingency fund when this appropriation comes through as——

Mr. PASSSMAN. That is good.

Mr. BROWN. Thank you, sir.

TUESDAY, AUGUST 14, 1962.

INTERNATIONAL ORGANIZATIONS AND PROGRAMS

WITNESSES

HON. HARLAN CLEVELAND, ASSISTANT SECRETARY OF STATE FOR INTERNATIONAL ORGANIZATION AFFAIRS
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W. H. ZIEHL, ACTING DIRECTOR, OIA, DEPARTMENT OF STATE
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TALCOTT SEELYE, OFFICER IN CHARGE, ARABIAN PENINSULAR AFFAIRS, DEPARTMENT OF STATE
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EDWARD F. TENNANT, ACTING CONTROLLER, AID

Mr. PASSMAN. The subcommittee will come to order.

The next request for consideration will be that of "Contributions to international organizations."

At this time, we shall hear from Assistant Secretary of State Harlan Cleveland. Have you been before the committee previously, Mr. Cleveland, in your official capacity?

Mr. CLEVELAND. Yes, sir; 10 years ago and also last year, but at that time the committee was divided into two parts, to expedite the hearings, and Judge Gary was the chairman of our section for that day.

Mr. PASSMAN. I do recall now, Mr. Secretary, that you came before the committee last year.

Mr. CLEVELAND. Occasionally I used to turn up before this committee 10 years ago during the Marshall plan, but that is so long ago that some of us do not remember it.

Mr. PASSMAN. Do you have a statement to make?

Mr. CLEVELAND. Yes. I have a statement that covers these programs.

Mr. PASSMAN. We shall be pleased to hear from you. You may proceed.

STATEMENT OF ASSISTANT SECRETARY OF STATE FOR INTERNATIONAL ORGANIZATION AFFAIRS

Mr. CLEVELAND. Mr. Chairman and members of the committee, I appear before you in support of the request of $148.9 million for U.S. voluntary contributions to a number of multilateral organizations. The breakdown of this item is shown on page 25 of the green volume entitled "Agency for International Development—Worldwide Summary" and detailed justifications follow.

This item amounts to about 3 percent of the total appropriation requested.

As can be seen from page 25, this appropriation request is to cover U.S. contributions to 11 international programs. Most of them are carried out within the framework of the United Nations; three are for regional organizations; and one is for an ad hoc international consortium. They cover activities ranging from medical research to military forces—from resources surveys to the care and feeding of refugees. Their scope, of course, reflects the range of pressing international problems.

As we said last year, each program supports one or both of two basic aims of U.S. foreign policy: First, the promotion of peace and security; second, the promotion of economic and social growth—which is one of the best ways to get peace and security. Each program listed has, in our view, a high priority in support of these foreign policy objectives.

Some of the international programs to which the United States contributes are analogous in character to activities which we also help finance bilaterally. I therefore should explain briefly why the programs represented in this part of the presentation are carried out through multilateral agencies and how they complement the rest of the aid program before you. But first I should like to say that we do not see bilateral and multilateral assistance as an either-or proposition. Both types are needed—and probably will be needed for the indefinite future—for solid, practical reasons. The choice between national and international institutions for maintaining peace and security or for channeling economic and technical assistance is not a theoretical but a pragmatic one. In any given case, one route may be more feasible or desirable than the other—or a combination of both may offer the best alternative, from the point of view of the U.S. national interest.

Mr. Chairman, we have prepared background papers on each of the 11 programs for which a total of $148.9 million is being requested.

These memoranda set forth the highlights of each program, provide illustrative examples of the activities of the international agencies in question, and pay particular attention to the relationships and methods of coordination between our own bilateral program and the international agencies. They are between four and seven pages long and will be submitted for the record if you would like to have them.

If it is agreeable with the committee I shall note the functional categories of the programs covered by this appropriation request and then proceed to an item-by-item discussion.

PEACE AND SECURITY OPERATIONS

For peace and security operations we propose a U.S. contribution of $1.3 million for the U.N. Emergency Force in the Middle East to complete our part of the financing of this peace-keeping enterprise for the period already past—that is, up to June 30, 1962. Continuing provision for the U.N. peace-keeping operations in the Congo and the Middle East after July 1, 1962, is not contained in the bill before you; authorization for a U.N. loan for this purpose is about to be debated in the House of Representatives, having been passed by the Senate earlier in the session, and amended by the Foreign Affairs Committee just the other day. If the authorization is enacted, the appropriation of funds for such a loan will be requested as part of a supplemental appropriation bill during the current session of Congress.

Mr. PASSMAN. We have made substantial contributions for the same purpose for which the U.N. bonds will be utilized?

Mr. CLEVELAND. That is right, but for a different period——

EFFECT OF U.N. BOND ISSUE ON U.S. VOLUNTARY CONTRIBUTIONS

Mr. PASSMAN. I wonder if that fact will be taken into account if the Congress approves the U.N. bond purchase; that is, if they will reduce the $200 million request by the amount of the contribution we have made, for the purpose of avoiding the very situation we are trying to meet?

Mr. CLEVELAND. The voluntary contribution for the U.N. Emergency Force under this appropriation would relate to the earlier period, 6 months ending June 30, 1962.

Mr. PASSMAN. Are you paying money out to meet a deficit that exists?

Mr. CLEVELAND. The payments we are making on the appropriations that have already been approved are not to meet a deficit. They are to meet our agreed part of the cost of ongoing operations.

Mr. PASSMAN. But, it is a voluntary contribution over and above the assessed cost, is it not?

Mr. CLEVELAND. Yes.

Mr. PASSMAN. You could actually say there is a very close relationship between the $200 million and this item, over and above our voluntary contribution?

Mr. CLEVELAND. Well——

Mr. PASSMAN. If we kept making contributions over and above the voluntary contribution, the $200 million would be met without the bonds sale, would it not?

Mr. CLEVELAND. If you put up a hundred million dollars, yes.

Mr. PASSMAN. If you keep making these contributions that you referred to here?

Mr. CLEVELAND. Yes.

Mr. PASSMAN. Voluntary, over and above the assessed amount?

Mr. CLEVELAND. The arrangement arrived at in the General Assembly last fall was to get away from a method of financing through these voluntary contributions to which there have been a good many objections. The executive branch objected before and now Congress has objected.

Mr. PASSMAN. If the Congress had grabbed this thing quickly last year and given them $100 million, probably some of the expenditures we have already made would not have been necessary; is that correct?

Mr. CLEVELAND. That is true. That also would have convinced many of the countries of the world that the United States could not have been had so easily.

Mr. PASSMAN. I am glad to get your answer, that had we given it to you immediately some of the money we have spent over and above the voluntary contribution would not have been necessary. I hope that fact is taken into account when the bill reaches the floor, and that the Members will reduce the amount by the $100 million which we contributed that we would not have contributed had this been done earlier.

Mr. CLEVELAND. They are for two different periods of time. It is like saying you can substitute one year's appropriation for another year's appropriation.

U.S. VOLUNTARY CONTRIBUTIONS ABOVE REGULAR ASSESSMENTS

Mr. PASSMAN. You did make contributions over and above our voluntary commitments, did you not?

Mr. CLEVELAND. We made——

Mr. PASSMAN. I mean the assessed commitments. They are all voluntary.

Mr. CLEVELAND. Over and above the assessed commitment.

Mr. PASSMAN. Which was brought about on account of the need existing for the U.N. bond sales, if it does exist?

Mr. CLEVELAND. The U.N. bond sale is really for a different purpose. It is to cover the period from July 1 on.

Mr. FORD. July 1, 1962?

Mr. CLEVELAND. Yes.

Mr. PASSMAN. It is for the same purpose for which we have made voluntary contributions in the past?

Mr. CLEVELAND. Yes, it is for the same purpose.

Mr. PASSMAN. So, in the end, if we continue making these voluntary contributions over and above our assessment, this need would have been met gradually: would it not?

Mr. CLEVELAND. Well, it is not a good idea. It is not a good way to do it.

Mr. PASSMAN. But we are doing it. We are doing it piecemeal, rather than lump sum, are we not?

Mr. CLEVELAND. We have been doing it piecemeal for the Congo and for the U.N. Emergency Force.

Mr. RHODES. Would you yield, Mr. Chairman?

Mr. PASSMAN. Yes.

USE OF U.N. BOND ISSUE FOR FUTURE U.N. EXPENSES

Mr. RHODES. Mr. Cleveland, did you mean what you just said, that the U.N. bonds were for the expenses of the U.N. in the future?

Mr. CLEVELAND. As far as they relate to ongoing expenses, yes. Some of the money will have to be used, in all probability, by the Secretary General to cover some of the accounts payable for the time being, while the process of collecting the arrearages goes on, but as for our agreed part of the payment for the U.N. Emergency Force in the Middle East, for the period from January 1, 1962, to June 30, 1962, that payment is partly an assessment and partly it will be a voluntary contribution, which is the item presented here for $1,320,000.

Mr. RHODES. I think we are talking about horses and rabbits. Weren't you talking about the $100 million of bond purchases for the U.N.?

Mr. PASSMAN. Yes.

Mr. RHODES. My question was whether you really meant it when you said that the $100 million proceeds from our purchase of U.N. bonds was going to be used for future expenses of the U.N.

Mr. CLEVELAND. It is going to be used for the expenses of the U.N. security forces in the Congo and the Gaza Strip.

Mr. RHODES. My understanding was completely different than that.

Mr. PASSMAN. You did answer in the affirmative, did you not?

Mr. CLEVELAND. Yes.

TOTAL VOLUNTARY CONTRIBUTION ABOVE REGULAR ASSESSMENTS

Mr. PASSMAN. Could you tell us the amount of our voluntary contribution over and above the assessment for the past 2 years to the U.N.?

Mr. CLEVELAND. For all purposes?

Mr. PASSMAN. Yes.

Mr. FORD. And from all sources.

Mr. CLEVELAND. Yes.

Mr. PASSMAN. All U.S. sources. My question has to do with the U.S. voluntary contribution over and above the assessment, from all sources and the grantors.

Mr. CLEVELAND. The voluntary contributions from aid funds for all purposes last year came to $158,506,000.

Mr. PASSMAN. That amount was over and above assessments?

Mr. CLEVELAND. In many cases they were for agencies that do not have any assessments, like the Children's Fund.

INSTANCES OF UNITED STATES AS SOLE CONTRIBUTOR

Mr. PASSMAN. Let us get down to the amount that other nations did not contribute, where it was a contribution solely by the United States, with nothing being matched by other nations. Could you break it apart?

Mr. CLEVELAND. I would have to go through it program by program.

Mr. PASSMAN. I think it is important to do that, if you would not object, Mr. Cleveland. We want the data for fiscal year 1962 and also fiscal year 1961.

Mr. CLEVELAND. If you would like I can take them in order and go through them now.

Mr. PASSMAN. What year you are taking, 1962?

Mr. CLEVELAND. We are going to abandon my statement at this point, are we?

Mr. PASSMAN. This matter came up at this time only because you mentioned it in your prepared statement.

Ordinarily there would not have been any questions asked yet, but if it is to operate the U.N. in subsequent years this committee should know it; and, as we have made substantial contributions over and above our assessment, I think this would be a good time, if you do not mind, because this is the point you have reached in your statement. This is a matter with which this subcommittee may not deal directly in future, but we have an indirect interest, for out of the appropriations we handle in various accounts of the mutual security program, we are meeting the very deficit that many members thought you had used the $100 million to meet. Now we find out it is to meet future expenditures.

ITEMS TO BE FINANCED BY U.N. AND NOT INCLUDED IN APPROPRIATION REQUESTS

Mr. CLEVELAND. These are not overlapping categories. The President did not put into his 1963 budget, and we have not put into either the State Department appropriation request or the AID appropriation request any provision for the period starting July 1 this year, for either the Congo or the U.N. Emergency Fund.

Mr. FORD. Does that mean that it is the intention of the administration not to fund either of those programs out of fiscal year 1963 funds other than the regular assessment?

Mr. CLEVELAND. No. It is the intention of the administration to fund those out of the purchases of U.N. bonds under the pending legislation.

Mr. FORD. For fiscal year 1963?

Mr. CLEVELAND. For fiscal year 1963. There was nothing in the President's budget in the regular way for either the Congo or for the Emergency Force. The only problem is we have a tail end for an earlier period that turns up in the fiscal 1963 AID request.

Mr. FORD. I certainly have a misapprehension about this U.N. bond program. It was my impression that it was for the purpose of paying all the bills up to, we will say, July 1, 1962, so the slate would be clean thereafter, through regular assessments and special assessments it would be a program that would pay for itself. I apparently have a completely wrong impression.

USE OF BOND ISSUE FUNDS

Mr. CLEVELAND. It works this way: The $200 million, assuming that much is purchased by all countries, will be available to the U.N. for the double purpose of paying the most urgent accounts payable and for paying the ongoing costs of these two peace and security operations. There is no other provision in the U.N. financing or in U.S. funding for the U.N. for paying the costs of these two peace and security operations during the fiscal year 1963, and our guess is that most of the $200 million will in fact be used to pay ongoing costs from the July period on, although some of it will have to be used to pay off the most urgent accounts payable.

Mr. FORD. It is the intention, then, of the administration, through the U.N. bond program, to pay "our share," and I will put that in quotes, of the Gaza strip operation and the Congo starting July 1, 1962?

Mr. CLEVELAND. Yes.

Mr. FORD. It would not be the intention of the administration, then, during the period from July 1, 1962, on forward, to use any other funds for either of these two purposes?

Mr. CLEVELAND. That is correct.

VOLUNTARY CONTRIBUTIONS ABOVE REGULAR ASSESSMENTS

Mr. PASSMAN. Would you give us a list of all voluntary contributions over and above our regular assessments for fiscal years 1960, 1961, and 1962?

Mr. CLEVELAND. Yes, sir. I have a table.

Mr. PASSMAN. You may provide that information for the committee; then we can discuss it tomorrow.

Mr. CLEVELAND. I have such a list here, Mr. Chairman, which shows not only the voluntary contributions, but also the assessed contributions.

Mr. PASSMAN. Let us put it this way: For fiscal years 1960, 1961, and 1962, you will give us a list of the voluntary contributions made in excess of the amounts requested to be appropriated upon recommendation of this subcommittee. You had an item last year. You transferred this out of other categories. I think you understand now what we want.

Mr. CLEVELAND. Yes.

Mr. PASSMAN. You made a request for a certain amount for fiscal years 1960, 1961, and 1962?

Mr. CLEVELAND. Some funds were used out of the contingency funds.

Mr. PASSMAN. Not only out of the contingency account, but others also, even from the military category.

Give us them by amount, for fiscal years 1960, 1961, and 1962.

Mr. FORD. Off the record.

(Discussion off the record.)

Mr. PASSMAN. You do know what we need now?

Mr. CLEVELAND. Yes.

(The information follows:)

Contributions to international organizations, fiscal year 1960, by source of fundin

[In thousands of dollars]

Organization	Congressional request	Total obligations	NOA CIO funds [1]	Special assistance [1]	Atoms for peace [1]
United Nations:					
U.N. technical assistance and special fund	30,000	30,000	30,000	----------	----------
U.N. relief and works agency for Palestine refugees	----------	23,000	23,000	----------	----------
U.N. children's fund	----------	12,000	12,000	----------	----------
U.N. emergency force	3,500	3,500	----------	3,500	----------
IAEA operational program	750	500	----------	----------	750
World Health Organization:					
Community water supply	300	300	----------	300	----------
Malaria eradication	3,000	3,000	----------	3,000	----------
Medical research	1,000	500	----------	500	----------
Subtotal	38,550	72,700	65,000	7,300	750
Regional programs:					
NATO science program	1,200	1,192	1,200	----------	----------
Organization of American States—technical cooperation program	1,300	1,300	1,300	----------	----------
Subtotal	2,500	2,492	2,500	----------	----------
Grand total	41,050	75,292	67,500	7,300	750

[1] Specific appropriations for these contributions were made in fiscal year 1960.

Contributions to international organizations, fiscal year 1961, by source of funding

[In thousands of dollars]

Organization	Congressional request	Total obligations	NOA CIO funds [1]	Contingency fund	Special assistance [1]	Bilateral TC	Atoms for peace [1]
United Nations:							
U.N. technical assistance and special fund	$33,000	$36,950	$33,000	$3,950	----------	----------	----------
U.N. Fund for the Congo	----------	28,512	----------	28,512	----------	----------	----------
U.N. military operations in the Congo	----------	36,413	----------	36,413	----------	----------	----------
U.N. Relief and Works Agency for Palestine Refugees	25,000	17,000	16,500	500	----------	----------	----------
U.N. Children's Fund	12,000	12,000	12,000	----------	----------	----------	----------
U.N. Emergency Force	3,200	3,200	----------	----------	$3,200	----------	----------
U.N. Educational, Scientific, and Cultural Organization (UNESCO) African program	[2]	1,000	----------	----------	[2] 1,000	----------	----------
IAEA operational program	750	640	----------	----------	----------	----------	$640
World Health Organization:							
Community water supply	175	175	----------	----------	175	----------	----------
Malaria eradication	4,000	4,000	----------	----------	4,000	----------	----------
Medical research	500	500	----------	----------	500	----------	----------
Subtotal	78,625	140,390	61,500	69,375	8,875	----------	640
Regional programs:							
NATO science program	1,200	1,328	1,200	128	----------	----------	----------
Indus waters fund	----------	6,807	----------	6,807	----------	----------	----------
Asian Productivity Organization (APO)	165	165	----------	----------	----------	[1] $165	----------
Organization of American States—technical cooperation program	1,500	1,500	1,500	----------	----------	----------	----------
Subtotal	2,865	9,800	2,700	6,935	----------	165	----------
Grand total	81,490	150,190	64,200	76,310	8,875	165	640

[1] Specific appropriations for these contributions were made in fiscal year 1961.
[2] Funded under request for special assistance to special program for Africa in amount of $20,000.

Contributions to inter ational organizations, fiscal year 1962, by source of funding

[In thousands of dollars]

Organization	Congressional request	Total obligations	NOA CIO appropriation [1]	NOA contingency	Transfer from military assistance program	Prior year contingency deobligated or reobligated	Prior year development grant transfer
United Nations:							
U.N. Technical Assistance and Special Fund	40,000	45,000	40,000	5,000			
U.N. Fund for the Congo	35,000	43,000	33,500		9,500		
U.N. Military operations in the Congo	27,000	20,256	20,256				
U.N. Relief and Works Agency for Palestine Refugees	18,200	17,938	17,938				
U.N. Children's Fund	12,000	12,000	12,000				
U.N. Emergency Force	1,800	1,800	1,800				
IAEA operational program	750	650	650				
World Health Organization:							
Community water supply	400	400	400				
Malaria eradication	2,500	2,500	2,500				
Medical research	500	500	500				
Subtotal	138,150	144,044	129,544	5,000	9,500		
Regional programs:							
NATO science program	1,800	1,387	1,387				
Indus Waters Fund	16,900	34,500	23,572	3,382		282	7,264
African regional organizations:							
Commission for Technical Cooperation in Africa (CCTA)		1,525	1,525				
Economic Commission for Africa (ECA)		25	25				
Organization for Control of Endemic Disease (OCCGE)		100	100				
Afro-Malagasy Union (UAM)		200	200				
Asian Productivity Organization (APO)	[2](200)	211	191			20	
International Control Commission, Laos		300	300				
Organization of American States: Technical cooperation program	1,500	1,500	1,500				
Subtotal	20,200	39,748	28,800	3,382		302	7,264
Grand total	158,350	183,792	158,344	8,382	9,500	302	7,264

[1] Includes reappropriation of $4,844,000.

[2] Included in development grants, fiscal year 1962 presentation.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. CLEVELAND. I think you will find in the House Foreign Affairs Committee hearings on the lump-sum appropriation for "Contributions to International Organizations," a very clear explanation of this.

Mr. PASSMAN. A clear explanation?

Mr. CLEVELAND. Yes.

If I may proceed with the statement, Mr. Chairman, I think some of the questions that are inherent in these earlier discussions——

Mr. PASSMAN. You are on page 3, paragraph 2. Kindly proceed.

Mr. CLEVELAND. Thank you.

ECONOMIC AID AND TECHNICAL ASSISTANCE

For economic aid and technical assistance we propose contributions totaling $115.1 million—$34.3 million through the U.N. for the beginnings of economic recovery in the Congo; $50 million for the U.N.'s expanded technical assistance program and the preinvestment work of its Special Fund; $600,000 for the young program of the Commission for Technical Cooperation in Africa; $200,000 for the work of the Asian Productivity Organization; and $30 million for our share of this year's slice of the international consortium which is helping to develop the waters of the Indus Basin.

ASSISTANCE TO CHILDREN AND MOTHERS

For assistance to children and mothers we propose to contribute $12 million to the U.N. Children's Fund—the same amount as we have contributed for the past 3 years, but a declining proportion of a growing program to which other nations are now contributing more.

REFUGEE CARE

For the care of refugees we propose to contribute $17.2 million to maintain the people still homeless in the aftermath of the Arab-Israel war.

SUPPORT OF SCIENCE

For the support of science we propose to contribute $3.3 million—$1.5 million for the NATO science program, $1,250,000 for the operational program of the International Atomic Energy Agency, and $500,000 for the medical research program of the World Health Organization.

As we go through these items, Mr. Chairman, you will note that many of them are the result of U.S. initiatives over the past several years. You will also note recurring evidence that U.S. contributions in the past have served as seed money to attract rising contributions from an increasing number of other nations, permitting a gradual but encouraging decline in U.S. shares of total budgets. And I trust you will agree as we go along that each of these programs does, in fact, support directly the basic aims of U.S. foreign policy.

I do not, of course, appear before you as a spokesman for the international agencies; I appear as the spokesman for the U.S. national interest in them. It is our common duty to fix them with a critical eye,

to weigh carefully the shortcomings as well as the accomplishments of the international agencies. Let me mention several limitations which temper our assessment of the value of these international institutions at the present time.

Looking backward for the moment, it seems to me that we have been going through a necessary period of initial organization and experimentation. This applies to the U.N. itself, its specialized agencies, the countries benefiting from these programs, and those which have contributed to them, all of which now know much more about this business than they did a dozen years ago. Certainly the need for further experimentation is by no means over. I hope that nothing I shall say will detract from the genuine sense of excitement and accomplishment that we feel about the pioneering work that has been done in the past years. After all, this has been a completely unprecedented and therefore uncharted field of endeavor; there is nothing in our history books to foreshadow the emergence of such a capacity for international action in the interests of mankind.

Nevertheless, it strikes me that with this much experience behind us, we are now in a position to take a hard look at the successes and failures of the past; to establish a clear sense of direction which could not have existed in the early years of our work; to clarify our objectives; and to devise ways more effectively to mobilize, organize, and apply our resources in the future.

FINANCIAL IMPLICATION OF INTERNATIONAL COMMITMENTS

In this authorization and appropriation process, members of the committees in the House and the Senate have raised questions about the nature of our "commitments" to these international organizations. I have sought on such occasions to indicate that any arrangement we make in our negotiations is ad referendum. Whatever a U.S. delegate agrees to in an international meeting, the financial implications of his action are always subject to our constitutional processes, of which the work of this committee is so important a part. This situation applies to emergency actions such as those in the Congo and the Middle East; it applies to pledging conferences in the technical assistance and preinvestment fields; it applies equally to arrangements arrived at through consortium groups like that for financing the Indus waters plan.

In our presentation last year of this particular section of the AID appropriation, a series of questions was raised about the extent to which the U.S. Government commits itself to the support of these programs without prior congressional authorization. This is a problem inherent in our membership in international agencies and one which we have been discussing with Members of both Houses. One way of helping to deal with it is to look ahead, as best we can, on the basis of present knowledge. With your permission, I therefore should like to discuss the dimensions and directions that we have in mind for these programs over the next few years.

With respect to the United Nations Special Fund and technical assistance program, our representatives at the last pledging conference indicated a hope that the goal of $150 million for these two programs would be reached within the next few years. The U.S.

Government would match 40 percent of contributions of other governments in order to achieve this target—a formula discussed in detail with the Congress last year.

For the calendar year 1962, we originally estimated that other countries would put up about $60 million, so we asked for $40 million. In fact, our many partners in these important programs will be contributing close to $67.5 million; and thus our contribution for the current calendar year will be around $45 million. The difference will come, as we indicated last year it might, from AID contingency funds.

Our present estimate is that we will require $50 million in 1963, on the assumption that others will contribute $75 million. When the eventual goal is reached, perhaps in 2 or 3 years, the U.S. Government would expect to contribute $60 million. This goal is an objective which can be reached in the next few years, especially in view of the U.N. decade of development which the United Nations launched at the last General Assembly as a direct consequence of an initiative by President Kennedy in his address at the U.N. last fall.

U.N. FUND FOR THE CONGO

With respect to the United Nations Fund for the Congo, the future is clouded with political uncertainties in the Congo itself. For the time being we believe it to be in our interest to channel our economic assistance to the Congo through the United Nations. We would hope other governments will do likewise, and thereby limit or eliminate any danger of cold war competition when what is needed is a cooperative development program. As you know, our economic assistance has been provided with a stipulation that the amounts be used for U.S. purchases and subject to various other provisions of the AID legislation. The United Nations "umbrella" for assistance of this type should prevent unilateral action on the part of certain governments whose objectives may not be the rehabilitation of the Congo but the penetration of central Africa by political movements designed to undermine the political indpendence of the Congo.

U.N. RELIEF WORKS AGENCY

In the case of the United Nations Relief and Works Agency for Palestine Refugees, we do not clearly see at this time any sizable decrease in the amount of assistance we are making available to meet the minimum food, shelter, and other requirements of the refugees in the Middle East. We have sought through various other devices, as recommended by the Appropriations Committee several years ago, to reduce the cash outlay by utilizing surplus foods and local currencies available to the U.S. Government. We will continue and where possible expand the use of such techniques.

At the same time, we are working very hard through the quiet but vigorous diplomacy of a special representative of the Palestine Conciliation Commission, to break the political logjam that prevents real progress in the repatriation or resettlement of the growing refugee population. The Congress has repeatedly and with growing impatience—and with good reason—called for action in this regard. We

share the impatience, and we know that the committees of Congress which have voted funds for Palestine refugees from year to year know as well as we do just how hard a nut this is to crack.

U.N. CHILDREN'S FUND

I do not expect any major changes in the level of U.S. support required to maintain the United Nations Children's Fund, a program which has successfully assisted governments to carry out long-range health and nutrition activities of benefit to the children and mothers of many underdeveloped areas. This program is being financed through increasing contributions from other governments and private sources, and our hope is that the program can continue to expand without any increase in our contributions.

INTERNATIONAL ATOMIC ENERGY AGENCY

In the case of the International Atomic Energy Agency operational program, we have not yet reached the stage where we can pull the whole of this voluntary contribution into the regular assessed budget of the Agency. As you may know, nations have established nuclear reactors for peaceful purposes in a number of countries and we believe it to be in our interest to provide technical assistance and training for the operation of these reactors until such time as governments themselves can provide the manpower and skills.

Moreover, this year we have had to add to the IAEA operational program request some special funds that in previous years have been chargeable to the atoms-for-peace section of the bill. Yet, here as elsewhere, our object is to get legitimate new activities folded into the regular budget of the International Agency not only because that reduces our share but also because it increases the international sense of financial responsibility.

WORLD HEALTH ORGANIZATION

The special programs of the World Health Organization, you will note, have been markedly reduced from last year's appropriation request. Apart from the voluntary contribution for medical research, no funds are being requested this year for voluntary contributions to WHO. For malaria eradication, adequate funds are on hand to finance the program's budget needs at their current level until they are absorbed into the regular budget in 1964. A fiscal analysis of the community water supply program, which was part of this appropriation last year, also indicated that it could move at an adequate rate of progress without new money in 1963.

INDUS WATERS AGREEMENT

Our participation in the Indus Waters Agreement will continue throughout the 1960's; this is only the second appropriation request in a 10-year plan explicitly authorized by the Congress and familiar to this committee. Progress on this major undertaking has begun to accelerate; more refined engineering data has been assembled; contracts for the first important works have been awarded—to two groups

of American firms—and the callups for our share of the financing have begun to increase.

As more precise specifications and plans are developed, we will be directing our attention to a close examination of their financial implications. Because of the close connection between the Indus waters scheme and other aid to Pakistan and India, we think it might be useful in future years to show this as a part of the regional AID program for south Asia, even though the financing of the plan technically takes the form of a contribution to an international organization, the World Bank.

There is one program for which we have no request for funds but which we expect will be firmed up in the course of the year.

I am mentioning this specifically because the committee has, with good reason, wanted to know what is likely to come up so that there are no surprises between the two branches of our Government.

WORLD FOOD PROGRAM

This is the world food program—which is a 3-year experimental program now being planned with the United Nations and the Food and Agriculture Organization. It is designed to meet emergency food requirements resulting from chronic malnutrition, school lunch needs for children, and development activities which can be financed directly or otherwise through the provision of food.

From our point of view, this is also a part of the food for peace and constructive use of surpluses.

NEED FOR ADMINISTRATIVE IMPROVEMENTS

We will be back up here consulting with you when the plans for this program are a little farther along, for there may be a need for some AID funds for this program during fiscal year 1963.

These are the prospects as we currently see them as far as the levels of programs are concerned. Getting these programs going and expanding them to these levels has been the main task of the international agencies over the past 10 to 15 years. But they are now entering a new phase.

In this second phase of the life of international organizations, there is a need for a good deal of administrative tidying up—for a clarification and streamlining of functions—for more rapid improvement in coordination, particularly in the field but also at headquarters level. These are still relatively new organizations taking on unprecedented tasks of enormous complexity.

The growth of these institutions, all of which in historical perspective are still in their infancy, is a major success story. They have proved that they can survive; they have endured their early growing pains; and they have acquired what is, on balance, an extraordinary capacity to tackle jobs of huge dimension and great promise. To restore order to a nation far gone into chaos and civil war; to patrol a contested area for 5 years with but a single incident; to work toward the eradication of crippling diseases; to offer newly emerging nations support for their own organization of technical assistance; to plot a worldwide weather reporting system; to offer a fighting chance to tens

of millions of children; to assemble scientists from all over the world in a search for new sources of energy—these are some of the many assignments of international agencies, most of which are less than 10 years old. Some of them already have written stories of striking success. I would hope that in our very proper concern for prudent use of public funds, we bear in mind that while these are outright contributions they also are investments. Our contributions serve as seed money that attracts other contributions. And these investments promise enormous returns—not only in material wealth in the future but in orderly progress and stable peace.

It seems to us that we are at a watershed stage in the development of these institutions.

The Department of State has therefore started, in cooperation with the Bureau of the Budget and the Civil Service Commission, a management improvement project which will look at the staffing and financial management of several of the larger international organizations to which the United States is a principal contributor. A systematic review of the whole range of our relationships in these two areas with the U.N. and the specialized agencies has been started and we are inviting a number of private citizens, with experience in large-scale management and special interest in international organizations, to advise with us and with the special full-time staff of the management improvement project for this purpose.

We want to be certain that we are equipped to propose the very best qualified Americans for those positions in international organizations in which U.S. citizens can make a significant contribution. We consider this especially important in view of the legitimate interest of the Asian and African counties that their nationals receive additional posts, and in view of the stepped-up efforts of the Communist bloc to influence the development of the Secretary of the U.N. and its related agencies.

IMPROVEMENT OF FINANCIAL MANAGEMENT

We are also through this project taking a hard look at the financial management of these international organizations. We are concerned to find ways in which we and the other main contributors can participate in more detail earlier in the differing budgetary processes of each of these agencies. There is a need to work out closer control over budgets and expenditures, all along the line.

Included in this new survey, of course, is the question of better forward planning for the financing of the international agencies and the need for the most vigorous possible efforts for the collection of arrearages.

Even before undertaking this detailed study, financed under a grant from the President's management improvement fund, we have moved during the past year to improve financial procedures, in line with previous comments of members of this committee. A few examples may be of interest.

U.N. economic assistance to the Congo: In this program, we are making a special effort to strengthen the aid planning and financial control arrangements within the Congolese Government, to handle the economic development program and manage effectively the use of the

resources available to the Congo, through the U.N., from a number of sources. Moreover, to reduce the effect of the program on the U.S. balance of payments, all U.S. contributions to the financing of commodity imports have since July 1961 been restricted to U.S. sources of procurement.

UNRWA: In response to suggestions in this committee, the United States is increasing the Public Law 480 component of our contribution to $7.5 million. In addition, we are helping our balance-of-payments situation by making payment of $4 million of our contribution in United States-owned Egyptian pounds.

The International Atomic Energy Agency: A special committee headed by Dr. Henry D. Smythe, the distinguished nuclear physicist, has recently reported on its review, undertaken at the request of the Department of State, of the future direction of the International Atomic Energy Agency, and of the U.S. interest in it. The fiscal year 1962 $2 million bilateral grants program (which included $161,500 for International Atomic Energy Agency) has been eliminated as separate atoms-for-peace legislation and the United States is concentrating technical assistance in the field of atomic energy through the International Atomic Energy Agency, with a resulting reduction in this object of expenditure from $2 million to $500,000. The United States is working with the British to bring about the consolidation of the agency's operational budget, which is supported by voluntary contributions in cash and kind, with the regular assessed budget so that our cash contribution to the agency can decrease from 50 percent to just over 32 percent.

U.N. technical assistance: In the U.N. technical assistance program, we have established a cutoff date 2 years following the close of a given U.N. fiscal year for making matching payments against the contributions of other governments. By encouraging greater contributions from other members, the United States has reduced its percentage share of total contributions to the expanded program of technical assistance from 60.65 percent in 1952 to the present 40 percent, during a period when the total program has undergone a sharp increase. I have already noted the same favorable trend in the management of our participation in the U.N. Children's Fund.

Use of economy air travel: The United States is leading a campaign, through our influence in the budgeting process, to require the maximum use of economy air travel by personnel of the U.N. system. The WHO at its own initiative has saved some $500,000 from its fiscal year 1963 regular program by the revision of its travel regulations and a similar economy move is being recommended for the whole U.N. budget at the General Assembly this fall.

These are some of the ways in which we have moved, in specific cases, to reflect in the management of our participation in these agencies a continuing professional concern with businesslike review and control procedures. The fact that in international organization affairs we do not spend the money ourselves makes this a peculiarly difficult and extremely interesting problem in professional management. As the major "stockholder" in these international agencies, the United States has a very special responsibility (both to the U.S. taxpayer and to our position of leadership) to play a leading part not only in developing their technical programs but also in improving the way they are managed.

INDUS WATERS SYSTEM

As you know, Mr. Chairman, Mr. William Gaud is here among us. I think it might be useful to take the Indus waters out of order as an accommodation to him, if that would suit the convenience of the committee.

Mr. PASSMAN. We should like to accommodate the gentleman, but as we have been on these hearings since early March, I am wondering if he cannot accommodate us and let us move along tomorrow morning with our questions, and get through with these hearings. Is that arrangement acceptable?

Mr. GAUD. Could we count on taking up the Indus first rather than my having to sit here and go through all the other program?

Mr. PASSMAN. Yes; I thought the Indus waters undertaking was a very large program.

Mr. GAUD. I am not trying to duck any questions. It is a question of the order in which you will take up the program.

INCLUSION OF INDUS WATERS PROJECT IN INTERNATIONAL ORGANIZATION PROGRAM

Mr. PASSMAN. We shall be happy to accommodate you. This is a rather expensive project, is it not?

Mr. GAUD. Yes, sir.

Mr. CLEVELAND. This was in the appropriation request last year. It is not part of the U.N. as such, but it has been thrown into chapter 3 for the past 2 years because it was a contribution to an international organzation. Our proposal is to handle it as part of the regional program in future years.

Our proposal would be that it be so presented in the President's budget next year.

Mr. PASSMAN. Let me make it abundantly clear that we are certainly willing to discuss with you tomorrow morning the Indus waters matter.

Before recessing, I want to state that we overfunded the program to such an extent last year that, despite the cuts which were made, you have sufficient funds to take you into fiscal 1964.

Mr. CLEVELAND. I am sure you are glad we realized this saving and did not come back up here again with a request for this item.

Mr. PASSMAN. It represents an indictment of the committee for which you are not to be held accountable.

We shall recess until 10 a.m. tomorrow.

WEDNESDAY, AUGUST 15, 1962.

Mr. PASSMAN. The committee will come to order.

We should like first to hear from Mr. Gaud.

Mr. GAUD. I have no statement on the Indus project.

SECTION 202(b) COMMITMENTS TO COUNTRY PLANS

Mr. PASSMAN. Under the section 202(b) program, Mr. Gaud, the President makes a determination, or a commitment, to a nation. I

think that three have been made this year under section 202(b). They have either been made, or are in the making, and they are in Pakistan, Tunisia, and Tanganyika. Is the latter a British possession at this time?

Mr. GAUD. I think it is an independent country.

Mr. PASSMAN. So far as the Congress is concerned, we appropriate money to a plan. Only after the money has been appropriated does the agency firm up the purposes for which the money is to be spent; is that a statement of fact?

Mr. GAUD. I would not express it that way.

SPECIFIC PROJECTS TO BE FINANCED DETERMINED AFTER APPROPRIATION

Mr. PASSMAN. But, do you have specific programs and projects for which your money is going to be spent before the appropriation is made, or after?

Mr. GAUD. We have projects for which we obligate it.

We do not decide on the project until after the money is appropriated.

Mr. PASSMAN. Can you tell us specifically what programs and projects in Tanganyika——

Mr. GAUD. Ask me about Pakistan. Tanganyika is not in my area.

Mr. PASSMAN. All right. We are going to stick to the three, because you have Mr. Miller supporting you.

If you can give us a list of the firm projects, we shall accept them. if you cannot, we are going to have to accept the answer that so far as the Congress is concerned, we make the appropriation and only after you have received the appropriation do you enter into firm commitments, as they would apply to projects and programs within a country.

Mr. GAUD. That is certainly true as far as firm obligations for projects.

Mr. PASSMAN. That is good enough. I do not think the Congress has understood it that way, however.

INDUS BASIN DEVELOPMENT PROGRAM

The estimate for fiscal year 1963 for the Indus Basin development program is $30 million?

Mr. GAUD. That is right.

LOCAL CURRENCY PROGRAMING

Mr. PASSMAN. In addition to the $30 million requested, are you programing any local currencies for the Indus water basin?

Mr. GAUD. Yes. Some Public Law 480 rupees will be used in addition.

Mr. PASSMAN. Can you give us the amount?

Mr. GAUD. I do not have the figure with me.

Mr. PASSMAN. Could the controller tell us?

Mr. TENNANT. I do not have the local currency figures.

Mr. GAUD. I can give you an estimate of $46.4 million worth of rupees. I overlooked that, I am sorry. It is $30 million and $46.4 million worth of rupees. That is the estimate for fiscal year 1963.

ESTIMATED COMPLETION COST

Mr. PASSMAN. Can you give us the present estimate of the completed cost of the project?

Mr. GAUD. No, sir; I cannot.

Mr. FORD. I am surprised we cannot get a figure.

Mr. PASSMAN. You cannot give an estimate. Would you move from an estimate to a guess figure?

Mr. GAUD. I cannot even do that.

Mr. PASSMAN. Would you agree that this project, so far as we are concerned, should have no more money appropriated until we get an estimate of what the cost will be?

Mr. GAUD. I would like to elaborate on my answers, if I may, before answering the question.

Mr. PASSMAN. You should elaborate.

ORIGINAL ESTIMATE OF TOTAL PROJECT COST

Mr. GAUD. When this Indus Basin Treaty was signed in 1960, and the Indus Works Agreement entered into, it was estimated that the total cost of what you might call the Indus Basin Development Fund would be just over $895 million. This included grant and loan foreign exchange and also Pakistan rupees.

Mr. PASSMAN. Is that the total cost, whether we provide part or all of it?

Mr. GAUD. That was the estimated total cost at the time.

In addition to that, there were certain costs in India, or in connection with Indian works, which are not paid for out of the Indus Basin Development Fund, but which were called for by the treaty, which bring the total up to $1,064 million, which was mentioned in the committee's report last year. There is, in addition, a reserve fund paid by Pakistan of $27,600,000, making the total commitments $1,091,600,000.

Let's take the Indus Basin Development Fund of $895 million. The U.S. commitment to that was $177 million by way of grant, $70 million by way of a development loan, and $235 million worth of Pakistan rupees which were——

Mr. PASSMAN. Owned by the United States?

Mr. GAUD. Generated by Public Law 480 sales.

Mr. PASSMAN. Owned by the United States?

Mr. GAUD. The Public Law 480 agreements between us and Pakistan allocate 19 percent of the rupees resulting from the sale of Public Law 480 to the Indus Development Fund.

Mr. PASSMAN. Did we acquire the rupees with dollars originally through Public Law 480?

Mr. GAUD. That is correct.

Mr. PASSMAN. So, indirectly, it is American dollars we are talking about when we are talking about the Pakistan rupees?

Mr. GAUD. That is right.

COST ESTIMATES REVISED BY WORLD BANK STUDIES

Since the time when this agreement was originally entered into, the World Bank has gone forward and has obtained more precise and specific engineering estimates and studies than were available at the time the agreement was entered into.

As we said in our congressional presentation this year, it seemed pretty clear at that time when this was prepared that the figure of $1,092.4 million would not be sufficient to cover the cost of the entire works contemplated by the original program.

As of today, and for the last 2 or 3 months, negotiations have been going on between the Bank and the member nations and Pakistan to revise the works which will be covered by this agreement.

Those negotiations have not yet been completed. Therefore, we do not know what works will be included. We therefore do not know what the ultimate cost will be. That is why I say I am unable at the present moment to say what the total cost will be.

However, as of now, the executive branch of the Government has not committed itself, nor has any other member of the consortium committed itself to going beyond the original commitment.

EFFECT OF FAILURE TO MEET AN INCREASED ESTIMATE

Mr. PASSMAN. Would it follow, Mr. Gaud, with the two segments you mentioned being $1,064 billion, if it required an additional $500 million, say, to complete, it would be too late then to back out; would it not?

Would you not destroy all the good that had been accomplished if you went that far and did not go through with it?

Mr. GAUD. It would be very awkward if the World Bank does not work out some arrangement that is satisfactory to Pakistan. At the bottom of this whole thing, as you know, is a very serious political issue between Pakistan and India.

DIFFICULTIES OF FUNDING AUTHORIZED DOMESTIC PUBLIC WORKS PROJECTS

Mr. PASSMAN. Yesterday morning, the full committee considered the public works appropriation bill. Members of the committee were pleading to get just "peanut money" for some project that had been justified as favorable as far as the benefit-cost ratio was concerned. Some of these items were in the budget but were voted down.

Mr. ANDREWS. And authorized since 1946.

Mr. PASSMAN. I asked the gentleman from Iowa, Mr. Jensen, who was addressing the committee at that time, "Is it true that the Committee on Appropriations cannot recommend funds until the project has been authorized?"

His reply was, "Yes."

I asked, "And it would have never reached a point of authorization until it was established that the benefits would exceed the costs?"

"That is true," he responded.

I asked, "It requires about 7 years to reach a point where you have an authorization?"

Then I asked, "Is it true that you are necessarily satisfied to get one small slice of the total cost, in the way of money?"

He answered, "That is true."

I asked, "Almost without exception, the project must be within the budget?"

"That is true," he replied.

I asked, "Are we not considering some projects today that were authorized 20 or 30 years ago?"

He responded, "That is true."

So we do have a double standard, one for America and one for foreign countries. Several of your counterparts, at least two, agreed—one, an engineer, was very positive—that this would be a better program if we should follow the American criteria in handling these projects.

By not having such criteria for projects abroad, we run into instances where the completion cost would be as much as 600 percent of the original estimate.

There was a case, for example, where they were putting down concrete. They found out later that, because of certain conditions, it would be better to have an earthen dam. There were similar mistakes worldwide simply because of our haste to get money obligated and get projects started.

As we sit here this morning, we are dealing with at least a $1 billion project, and we do not know how firm that estimate is. It may skyrocket above that amount at some subsequent date.

The time has come to get this program under control.

If there is a new estimate, give it to us.

Mr. GAUD. Yes.

Mr. PASSMAN. What sum was appropriated for this purpose last year?

Mr. GAUD. Fiscal year 1962?

Mr. PASSMAN. Yes.

Mr. GAUD. The total was $34.5 million in grants and——

Mr. PASSMAN. What amount did the Congress appropriate?

Mr. GAUD. Last year we estimated that $16.9 million would be required in fiscal year 1962.

PROGRESS TOWARD COMPLETION

Mr. PASSMAN. If we speak in terms of completion, how far advanced is this project?

Mr. GAUD. The whole?

Mr. PASSMAN. I am talking about construction, earth moving, and so forth.

Mr. GAUD. The whole thing is not to be completed until 1970. At the present time the bank has let contracts in the amount of $482 million.

FINANCING PROJECT FOR 1962

Mr. PASSMAN. What amount did the Congress appropriate for the project last year?

Mr. GAUD. $16.9 million was requested.

Mr. PASSMAN. Did you supplement the appropriation with additional funds from any other source?

Mr. GAUD. We did.

Mr. PASSMAN. By what amount?

Mr. GAUD. To a total of $34.5 million.

Mr. PASSMAN. Have you expended those funds?

Have checks been drawn?

Mr. GAUD. Yes. We have expended them in this sense. The amount which we put up each year on our overall commitment depends upon the calls that are made on us by the World Bank. As far as internal AID accounting is concerned, we consider the moneys expended when we write a check and send it to the World Bank. This whole $34.5 million has been expended in that sense. I do not mean to suggest it has been spent by the World Bank.

Mr. PASSMAN. If you had not have had this—I am not going to use the word "flexibility"—looseness in this program, you would have had to wait until this year to get an appropriation to meet the commitment?

Mr. GAUD. If we had been unable to find these additional funds, we could not have met the Bank's call.

Mr. PASSMAN. You underestimated your needs for fiscal 1962 by 100 percent?

Mr. GAUD. Let me put it this way: We act on the basis of calls made upon us by the Bank, and just as our request for an appropriation, that is made——

Mr. PASSMAN. We have members on the Bank board?

Mr. GAUD. Oh, yes.

Mr. PASSMAN. Does it not follow that the Bank could have withheld that call until this year? The money has not been expended.

Mr. GAUD. Under the Indus Works Agreement, there will be two call dates, one is October 1 and the other is April 1. The request for the additional money came in the April call.

Mr. PASSMAN. Do they have any flexibility, or are they hard-boiled, rigid bankers?

Mr. GAUD. I think it would depend upon the particular situation and the particular time as to how badly they needed the money.

Mr. PASSMAN. I am not a betting man, but I will make a wager that the money on hand has not been expended.

Mr. GAUD. That is true.

Mr. PASSMAN. That fact indicates there was a little haste, regardless of how it came about. The amount funded was double what the Congress appropriated.

Mr. GAUD. I can give you some figures.

Mr. PASSMAN. We can insert the figures in the record. We want something specific.

Mr. GAUD. I would like to give you something specific. The most specific thing I can do——

Mr. PASSMAN. We appropriated $16.9 million, did we not?

Mr. GAUD. That is correct.

Mr. PASSMAN. You actually obligated $34.5 million?

Mr. GAUD. We obligated it.

Mr. PASSMAN. You funded it, which means that the actual amount of money funded was double the amount the Congress appropriated?

Mr. GAUD. That is true.

Mr. PASSMAN. From what source did you get those funds?

Mr. GAUD. I believe Mr. Coffin has covered this in his testimony.

Mr. PASSMAN. He is not testifying this morning.

Mr. GAUD. I am not closely involved in the allocation of funds. I know part of the answer.

Mr. PASSMAN. Can we get the complete answer?

SOURCE OF SUPPLEMENTAL FUNDS TRANSFERRED TO INDUS PROJECT

May I ask the Controller to give us the source of additional funds that were transferred to the Indus Water Basin last year?

Mr. TENNANT. Well——

Mr. PASSMAN. I believe we have found it. Is it all right for Mr. Cleveland to give it to us? What funds and from where?

Mr. CLEVELAND. The appropriation request was $16.9 million. The buildup of the $34.5 million, which was the total amount obligated, is the following: $23,572,000 of new obligation authority under the contributions to the international organizations' appropriation; $7,264,000 as a transfer under a Presidential determination from the development grant fund within the AID appropriation; $3,382,000 of new obligational authority from the contingency fund.

Mr. PASSMAN. Let us not confuse new obligational authority. You took these moneys out of other appropriations?

Mr. CLEVELAND. Out of other parts of the AID appropriation.

Mr. PASSMAN. Specifically appropriated to development grants, or supporting assistance, or the contingency fund, or military assistance; is that right?

Mr. CLEVELAND. I think, Mr. Chairman, it was appropriated to the President as part of the AID appropriation under conditions of flexibility.

Mr. PASSMAN. We know it came out of the appropriations. Specifically, we want you to tell us from what other specific appropriations.

Mr. CLEVELAND. That is what I am telling you.

Mr. PASSMAN. You are tying it up with some kind of new obligational authority.

Mr. CLEVELAND. I am using the committee's terminology of "new obligational authority."

Mr. PASSMAN. We know that we gave you new obligational authority, and it is listed here in Report No. 1107, on page 5. Your new obligational authority was $16.9 million for the Indus water project. And it was specifically set out in this report with a critical statement on page 6.

MILITARY ASSISTANCE TRANSFERS

Did you transfer anything out of the military assistance program?

Mr. CLEVELAND. For this program, directly, no.

Mr. GAUD. I beg your pardon. I believe the answer is "Yes."

Mr. PASSMAN. Mr. Cleveland says no, and you say yes.

Mr. CLEVELAND. The transfer to this program was from the three sources I mentioned, plus a small reobligation of a deobligation from a prior year.

There was a transfer from the military assistance program into the contributions to the international organizations appropriation.

Mr. PASSMAN. How much, sir?

Mr. CLEVELAND. $9.5 million.

Mr. PASSMAN. You transferred $9.5 million out of military assistance into the U.N. fund?

Mr. CLEVELAND. The President did.

Mr. PASSMAN. The President delegates that authority?

Mr. CLEVELAND. No, sir. He made this determination personally in a memorandum to the Administrator of AID.

Mr. PASSMAN. Upon request, I presume?

Mr. CLEVELAND. Upon the advice of his staff.

CONTINGENCY FUND TRANSFERS

Mr. PASSMAN. Was there anything out of the contingency fund?

Mr. CLEVELAND. Yes.

Mr. PASSMAN. How much?

Mr. CLEVELAND. The amount for the Indus——

Mr. PASSMAN. We want to get what you transferred into this account. You are putting it in one end of the bathtub and draining it out of the other.

Now tell us how much of the contingency fund went into this contribution.

Mr. CLEVELAND. There are two amounts transferred from the contingency fund into the account for contributions to international organizations. One is one I have given you, $3,382,000.

Mr. PASSMAN. Out of what fund was that amount?

Mr. CLEVELAND. The contingency fund. The other is the amount of $5 million transferred out of the contingency fund into the contributions to international organizations appropriation for the U.N. Technical Assistance and Special Fund.

I have a spread sheet that shows these figures.

Mr. PASSMAN. What else did you transfer? Any other appropriations into it?

Mr. CLEVELAND. I have mentioned them all.

Mr. PASSMAN. Let us get the total of these three figures.

You transferred out of other appropriations into the U.N. $17,882,000, did you not?

Mr. CLEVELAND. That is the buildup of the figures for the Indus project.

If you want a total for the difference between the figure in last year's appropriation and the figure that was actually spent through the contributions to international appropriations, this year, taking all the pluses and minuses into account, that figure is $25.4 million of added obligations under the appropriation for contributions to international organizations.

USE OF MAP FUND TRANSFER

Mr. PASSMAN. For what purpose did you spend the $9.5 million transferred from the military assistance program?

Mr. CLEVELAND. For the United Nations Economic Fund for the Congo.

Mr. PASSMAN. All of it?

Mr. CLEVELAND. All of it.

Mr. PASSMAN. There is going to be a conflict in testimony, but that will not be unusual.

Specifically, for what purpose did you use the $5 million? Was it for U.N. technical assistance?

Mr. CLEVELAND. The additional matching under our formula.

Mr. PASSMAN. You have narrowed it down to the point that you only have $3,382,000. Tell us where you get the rest of the money.

Mr. CLEVELAND. For the Indus Waterways?

Mr. PASSMAN. You have increased the funding by $17.6 million for the Indus water project?

Mr. CLEVELAND. Yes.

SOURCE OF REMAINING INCREASE IN FUNDING

Mr. PASSMAN. And you transferred from three other appropriations, mainly military assistance, the contingency fund, $17,882,000, but you spent the $9.5 million directly for economic aid in the Congo, and you spent $5 million from the contingency fund for technical aid; and that leaves only $3,382,000 that you can apply to the increased funding of $17.6 million, which leaves now $14,218,000.

Where did you get that money?

Mr. CLEVELAND. Again, I would suggest you examine this table which I think sets it forth quite clearly.

(The table follows:)

Contributions to international organizations, fiscal year 1962, by source of funding

[In thousands of dollars]

Organization	Congressional request	Total obligations	NOA CIO appropriation [1]	NOA contingency	Transfer from military assistance program	Prior year contingency deobligated or reobligated	Prior year development grant transfer
United Nations:							
U.N. Technical Assistance and Special Fund	40,000	45,000	40,000	5,000			
U.N. Fund for the Congo	35,000	43,000	33,500		9,500		
U.N. Military operations in the Congo	27,000	20,256	20,256				
U.N. Relief and Works Agency for Palestine Refugees	18,200	17,938	17,938				
U.N. Children's Fund	12,000	12,000	12,000				
U.N. Emergency Force	1,800	1,800	1,800				
IAEA operational program	750	650	650				
World Health Organization:							
Community water supply	400	400	400				
Malaria eradication	2,500	2,500	2,500				
Medical research	500	500	500				
Subtotal	138,150	144,044	129,544	5,000	9,500		
Regional programs:							
NATO science program	1,800	1,387	1,387				
Indus Waters Fund	16,900	34,500	23,572	3,382		282	7,264
African regional organizations:							
Commission for Technical Cooperation in Africa (CCTA)		1,525	1,525				
Economic Commission for Africa (ECA)		25	25				
Organization for Control of Endemic Disease (OCCGE)		100	100				
Afro-Malagasy Union (UAM)		200	200				
Asian Productivity Organization (APO)	[2](200)	211	191			20	
International Control Commission, Laos		300	300				
Organization of American States: Technical cooperation program	1,500	1,500	1,500				
Subtotal	20,200	39,748	28,800	3,382		302	7,264
Grand total	158,350	183,792	158,344	8,382	9,500	302	7,264

[1] Includes reappropriation of $4,844,000. [2] Included in development grants, fiscal year 1962 presentation.

Mr. PASSMAN. I am not asking an unfair question?

Mr. CLEVELAND. You are asking a very fair question.

Mr. PASSMAN. Tell us the source of the $14,218,000, without getting into a lot of complicated figures.

Mr. FORD. Does the Secretary have a copy of that spread sheet?

Mr. CLEVELAND. I do. I will recapitulate the total obligations.

Mr. PASSMAN. We have them right here. Is this what you are going by?

Mr. CLEVELAND. By the total actual obligations recorded this fiscal year.

Mr. PASSMAN. This is the basis upon which we appropriated the money. Will you have a look at our report? I wonder if you have read it.

Mr. CLEVELAND. I certainly have.

Mr. PASSMAN. Are you familiar with the figures?

Mr. CLEVELAND. Yes.

Mr. PASSMAN. That is how we got it through the Congress, with these figures.

Did you take money out of any of the accounts listed on page 5 for the Indus projects?

Mr. CLEVELAND. There were a number of internal adjustments. These were not line item appropriations. The appropriation was in one lump sum by the Congress.

Mr. PASSMAN. You justified it on the basis that we have it here in this report?

Mr. CLEVELAND. Yes, indeed.

Mr. PASSMAN. Does that fact not mean anything?

Mr. CLEVELAND. It means a great deal, and we take it very seriously.

Mr. PASSMAN. Somewhere you picked up $14,218,000, and we want to pin it down. From what accounts did you get the $14,218,000?

Mr. CLEVELAND. I will have to go through and compare item by item in that list.

Mr. PASSMAN. You take your time—let's not confuse this with a lot of other figures. We want to know from what accounts you got the $14,218,000.

Mr. ANDREWS. $17.6 million, is it not?

Mr. PASSMAN. They accounted for $3,382,000.

Mr. ANDREWS. Out of the contingency?

Mr. PASSMAN. Yes.

Mr. CLEVELAND. If you want to stick to the Indus waters first.

Mr. PASSMAN. That is why Mr. Gaud is here. We are talking about the Indus waterway. We want to know where you got the $17.6 million. You gave us $3,382,000 out of the contingency fund. That leaves $14,218,000?

Mr. CLEVELAND. Right.

Mr. PASSMAN. We want to know where you got it.

TRANSFER FROM DEVELOPMENT GRANT FUNDS

Mr. CLEVELAND. $7,264,000 came as a transfer from the development grant element of the AID appropriation.

Mr. PASSMAN. That was not originally an appropriation to the U.N.?

Mr. CLEVELAND. That was not originally an appropriation for contributions to international organizations.

Mr. PASSMAN. Why would you not add that amount?

Mr. CLEVELAND. We would, although I want to make clear that the Indus water is not a U.N. problem.

Mr. PASSMAN. Why would you not add that sum to this figure? You have given us three categories.

Mr. CLEVELAND. The figure transferred from development grants that I am giving you is a part of your $17.6 million.

Mr. PASSMAN. How much was transferred out of development grants?

Mr. CLEVELAND. $7,264,000.

Mr. PASSMAN. Let us subtract that sum from the $14,218,000. Can you tell us where you got the other $6,954,000?

DEOBLIGATION-REOBLIGATION OF PRIOR YEAR CONTINGENCY FUNDS

Mr. CLEVELAND. $282,000 came from deobligation of prior year contingency funds reobligated for this purpose.

Mr. PASSMAN. Then, you had three transfers out of the contingency fund into the U.N.?

Mr. CLEVELAND. I think, strictly speaking, they treated the obligation through a different procedure than they would have, had all amounts been taken from the contingency fund.

Mr. PASSMAN. That is what we are trying to find out, what kind of juggling goes on. You had three transfers out of the contingency fund?

Mr. CLEVELAND. There were three transfers into this appropriation.

Mr. PASSMAN. Were they out of the contingency fund?

Mr. CLEVELAND. They were not all out of the contingency fund. One was out of this year's contingency, one was deobligated funds from a prior year's contingency, and one was from development grants.

Mr. PASSMAN. Deobligated during last year?

Mr. CLEVELAND. During fiscal year 1962.

Mr. PASSMAN. Can you tell us what project you deobligated?

Mr. CLEVELAND. I would have to get that.

Mr. PASSMAN. You understand why we are asking these questions?

Mr. CLEVELAND. I understand very well.

Mr. PASSMAN. This gives you an idea of how complicated this is.

Mr. TENNANT. It probably was a collection of projects, Mr. Chairman. I am sure I cannot identify the specific project.

Mr. PASSMAN. In the amount of $282,000?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. From what source did you get the other $6,672,000?

Mr. CLEVELAND. From reductions in other items.

Mr. PASSMAN. Specifically what accounts? You have a copy of the report before you?

Mr. CLEVELAND. I do.

Mr. PASSMAN. Which accounts?

Mr. CLEVELAND. Let's take them in order. Do you want to take them in the order they are here?

Mr. PASSMAN. Surely.

Mr. CLEVELAND. U.N. technical assistance was the same. We obligated the $40 million and then added to it from the contingency fund, as I mentioned before.

TRANSFERS FROM U.N. CONGO OPERATION

U.N. Congo, military operations, the figure in last year's presentation was $27 million and the figure actually obligated was $20,256,000.

Mr. PASSMAN. Now we are getting places.

Mr. FORD. What was the figure you actually obligated?

Mr. CLEVELAND. $20,256,000, the bottom figure. If you will follow that table, I think you will find it is the bottom line of the table.

Mr. PASSMAN. It balances out just about to the penny.

With reference to the U.N. Congo operations, that money came out of the military assistance program, did it not?

Mr. CLEVELAND. No, sir; the transfer of $9.5 million from the military assistance program was for the U.N. Economic Fund for the Congo.

Mr. PASSMAN. You said you transferred from the military assistance program to the Congo economic assistance item $9.5 million. Now at a subsequent date—where we gave you $27 million—that is what you allocated for military assistance in the Congo, and you transferred that $6, 744,000 back into the U.N., and then transferred that money into the Indus water project. You took two or three detours, but you wound up transferring $6,744,000 out of the military assistance program to the Indus waterways; is that not the way it adds up?

Mr. CLEVELAND. That is not the way it was done. But in a sense, all Treasury funds are fungible.

I said that the military assistance transfer was to the U.N. Economic Fund for the Congo. But the figure we were speaking about a minute ago was for U.N. Congo military operations, which is a different account.

Mr. PASSMAN. You transferred $9.5 million out of the military assistance program into the U.N.?

Mr. CLEVELAND. Into the——

Mr. PASSMAN. Into the United Nations?

Mr. CLEVELAND. Into the U.N. Economic Fund for the Congo.

Mr. PASSMAN. It went through the U.N.?

Mr. CLEVELAND. It has been obligated for that purpose. It has not all been actually spent.

Mr. PASSMAN. It was obligated?

Mr. CLEVELAND. Yes.

Mr. PASSMAN. You have on hand close to $7 billion unspent.

Then, at a later date, you transferred out of the $27 million originally listed for military operations in the Congo the sum of $6.744,000?

Mr. CLEVELAND. Yes, sir.

Mr. PASSMAN. This $6,744,000 did go into the Indus Basin project, did it not?

Mr. CLEVELAND. Not directly; it was one of the minuses, that is one of the places where we made reductions in the program and when

you add up all the reductions, you are in a position to make a substantial plus for Indus waters within the same appropriation.

Mr. PASSMAN. We are going to find out where you got this money.

Mr. RHODES. Would it help if you got the dates of the various transfers in the record?

Mr. PASSMAN. We are going to do that. However, we want to find out where they got the money, from what accounts.

Mr. CLEVELAND. I did not complete the inventory of the minuses that go to make up the pluses in taking the year as a whole into account.

REIMBURSEMENT OF DEFENSE DEPARTMENT FOR CONGO OPERATIONS

Mr. FORD. On this point, as I understand the testimony, the Congress made available for the U.N. Congo military operations for fiscal year 1962 $27 million.

Sometime during the fiscal year a decision was made to obligate for U.N. Congo military operations only $20,256,000, or $6,744,000 less than what we made available.

Now I have in my hand here a statement from the Department of Defense of costs incurred by the Department of Defense as of June 30, 1962, in support of the U.S. operations in the Congo, which shows the amount of the cost for the Air Force, the Army, the Navy, the payments made to them for services rendered and the amount unpaid. The balance owing of billed costs for all three services as of June 30, 1962 is $25,064,600.

Mr. CLEVELAND. Of which $10 million has since been paid.

Mr. FORD. But what confuses me is, you did not use $6,744,000 of money Congress gave to the executive branch for the U.N. Congo military operations at the same time our Defense Department was not paid for services rendered as of June 30 to the extent of $25,064,600. What kind of shenanigans are going on around here?

Mr. CLEVELAND. The Defense Department is not performing these services and providing these supplies to the Department of State. It is providing the supplies to the U.N.

Mr. FORD. This money is to the U.N., $27 million, through the Department of State.

Mr. CLEVELAND. But the two are quite different accounts.

Mr. FORD. But they are all tax dollars.

Mr. CLEVELAND. Sure. The Defense Department is doing work for the U.N. in connection with the Congo military operation, airlift, and so on.

Mr. FORD. Sure.

Mr. CLEVELAND. And the U.N. pays the Defense Department from time to time against its bills, as it just did the other day with a $10 million check to pay for those services.

Now, as a wholly separate question, the U.N. collects from all governments, including us, assessed and voluntary contributions that go into the ad hoc Congo account from which these payments are made to the U.S. Defense Department and other organizations that are doing work for the U.N.

Mr. FORD. Except we always end up on the short end of the deal.

Mr. CLEVELAND. We do not always end up on the short end of the deal.

Mr. FORD. We certainly did on this one.

Mr. CLEVELAND. We ended up where we expected to end up.

JUSTIFICATION FOR FINANCIAL PROCEDURE

Let me clarify why less was used this last fiscal year than was anticipated.

The estimate of $27 million was the amount we expected to make available out of fiscal 1962 money for voluntary contributions to the U.N. for the Congo military operation for the period November 1961 through September 1962, and for part of the period January through October 1961.

In fact, as you know, we went through only half the year, to June 1962, the period for which assessments were made and a voluntary contribution pledged. Consequently, we needed only 8 months' worth of money instead of 11 months' worth because, after July 1, 1962, as we were discussing yesterday evening, the financing of the U.N. military in the Congo goes on a different basis and is presumed to come out of the sale of U.N. bonds.

Therefore, we did not need the whole year's money of voluntary contributions to do the share we had indicated we would do, and we therefore did not transfer it to the U.N. We therefore used it, within the flexibility that this committee and the Congress have provided in the AID bill, for other worthy purposes within the terms of our testimony and of the AID bill last year.

Mr. FORD. Bearing in mind the obligations which have been submitted by the U.S. Department of Defense, which as of June 30, 1962, totaled $28,630,000, why would it not have been better to take that $6,744,000 and transfer it directly to the Defense Department?

Mr. CLEVELAND. That would have involved the use of the Presidential waiver authority which has come under a good deal of criticism in the past; that is, giving services and supplies to the U.N. and not charging for them, which was done in 1957, and a considerable hurrah developed.

Mr. FORD. I think there will be considerable hurrah about the way this has been handled.

Mr. CLEVELAND. This is a very businesslike way of doing it. They perform their services for the U.N., they bill the U.N., and are paid by the U.N.

Mr. PASSMAN. If I had my way, you people would operate according to a system, and you would not be juggling the figures all over the waterfront.

Mr. CLEVELAND. May I submit for the record the table?

Mr. PASSMAN. We are not going to get this all mixed up, more than it already is. You are drawing in at one end of the tub and taking it out at the other end.

Now, you obligated out of the U.N. to the Indus waterways last year $34,500,000; is that correct?

Mr. CLEVELAND. That is correct, out of the international organizations chapter.

Mr. PASSMAN. Did you have a specific appropriation by the Congress of $16,900,000?

Mr. CLEVELAND. No, sir.

We had a specific appropriation by the Congress for $153.8 million and one component in the illustrative program was the item you mentioned.

Mr. PASSMAN. If you are going to testify on that basis, my friend, there is no use to pay any attention to your request. This committee will take care of it in the future.

We might as well adjourn the hearings if you are going to completely ignore what the committee says in its report. Regardless of how you may shuffle the funds, according to the committee's report, on page 5, approved by the subcommittee, full committee and the Congress, we did appropriate $16.9 million for the Indus waterways.

Mr. CLEVELAND. Yes, but you may recall the Senate last year did, in fact, in its bill divide up the authorization and voted individual amounts for individual programs. The House voted its authorization in a lump sum and the conference committee accepted the House version.

Mr. PASSMAN. We appropriated $153,500,000.

Mr. CLEVELAND. Yes, sir.

Mr. PASSMAN. As itemized in the list here?

Mr. CLEVELAND. Yes, sir.

Mr. PASSMAN. Did we make any additions or subtractions to it after it left here?

Mr. CLEVELAND. No, sir.

Mr. FORD. May I ask a question?

Did the Senate in its bill actually itemize the programs as set forth here?

Mr. CLEVELAND. As I recall, they did.

Mr. PASSMAN. On page 5 of the committee report, it shows that we appropriated $153,500,000 for the international organizations and programs.

Mr. CLEVELAND. Some of which are not U.N. agencies.

Mr. PASSMAN. I am saying international organizations and programs, which are under your agency.

Mr. CLEVELAND. Yes.

Mr. PASSMAN. Directly above that figure we listed Indus waters, $16.9 million; is that correct?

Mr. CLEVELAND. That is right.

Mr. PASSMAN. Mr. Gaud, is that your understanding of the original application?

Mr. GAUD. Yes, sir.

Mr. PASSMAN. So, to keep the record straight, the Senate did not break up the House's list of projects and amounts.

On page 2 of the Senate bill, international organizations and programs for expenses authorized by section 302, $153.5 million.

Mr. MILLER. Is that the Senate Appropriations Committee bill, or the Senate Foreign Relations bill?

Mr. PASSMAN. You are supposed to have read this bill. If you have not read it you are behind in your work. Certainly, it is the Senate Appropriations bill.

Mr. MILLER. I am not sure Mr. Cleveland referred to the Senate Appropriations bill.

Mr. PASSMAN. We are dealing with the Committee on Appropriations. I do not know why we should continue confusing the record.

Mr. CLEVELAND. It was in the authorization bill.

Mr. PASSMAN. We are dealing with the appropriations bill.

The Senate had just one paragraph there, international organizations programs for expenses, authorized by section 302, $153.5 million.

Mr. CLEVELAND. There was a specific decision by Congress last year to leave this group of programs as a lump sum appropriation, and not to appropriate individually to each program. This was a grant of flexibility to the executive branch by the Congress which we have used in trying to make the most business-like use of the funds available.

DATES OF TRANSFERS TO INDUS WATERWAYS

Mr. PASSMAN. According to this, there was an item in the total of $16.9 million for the Indus waterways. During the year the agency transferred $3,382,000 out of the contingency fund to the Indus waterways; is that correct?

Mr. CLEVELAND. That is correct.

Mr. PASSMAN. We want the date you made the transfer.

Mr. CLEVELAND. We will have to supply the date of the transfer.

Mr. RHODES. Does Mr. Tennant have the date?

Mr. PASSMAN. It was on June 30, 1962. I have the date.

We are not going to find out how late in the day, but it was on June 30. It might have been at closing time that day.

You deobligated from the contingency fund an additional $282,000?

Mr. CLEVELAND. That is correct.

Mr. ANDREWS. What was that date?

Mr. PASSMAN. He is looking that up, and they are going to give the project from which they deobligated.

Mr. TENNANT. It is the result of a number of deobligations, and it is from the balance of the contingency account.

Mr. PASSMAN. In effect, it is an additional transfer from the contingency for this purpose?

Mr. TENNANT. That is correct.

Mr. PASSMAN. On what date was that transfer made?

I am speaking of the $282,000. Will you supply that information?

Mr. TENNANT. We will.

Mr. PASSMAN. You also transferred out of the development grant category, $7,264,000 to the U.N., and from the U.N. to Indus waterways?

Mr. CLEVELAND. Yes. We transferred $7,264,000 from development grants directly to chapter III for the Indus project under a Presidential determination.

Mr. PASSMAN. On what date?

Mr. CLEVELAND. June 5, 1962, which I would be glad to confirm for the record.

Mr. PASSMAN. Then you had $6,772,000 that you transferred out of the Congo military operations, if we go by the list that is in the book, because you obligated a program of $6,744,000 less. That makes $34,500,000. It balances out to a penny, if you want it to rest there.

Mr. CLEVELAND. The military reduction was actually a slightly different figure from the savings within chapter 3 which we used for the Indus.

Mr. PASSMAN. How much? We want it accurate. You gave us that information originally.

INTERNAL ADJUSTMENTS WITHIN A CONTRIBUTION TO INTERNATIONAL ORGANIZATIONS APPROPRIATION

Mr. CLEVELAND. $6,744,000 was the amount of the reduction in the U.N. Congo military program. There are other smaller pluses and minuses within the contributions to international organizations. The amount of savings from within the original appropriation for chapter III used for the Indus project is $6,672,000.

Mr. PASSMAN. Can the record show there is no way to pin down where the money came from, exactly, by item?

Mr. CLEVELAND. The record should show——

Mr. PASSMAN. You are using a lot of pluses and minuses on a two-page statement. We want to know from what appropriation this money came.

Mr. CLEVELAND. From "Contributions to international organizations" appropriation by internal shifts within that appropriation under the authority given us last year by Congress.

Mr. PASSMAN. We are trying to find out from what accounts this money came.

AUTHORITY FOR TRANSFERRING FUNDS BETWEEN ITEMS OF ONE PROGRAM

What authority can you cite which Congress gave you specifically for shifting around these funds?

Mr. CLEVELAND. Last year's appropriation act appropriated it as a lump sum.

Mr. PASSMAN. For specified purposes, though, according to your own testimony before the committee. You came before the committee and said "Here is how much we want for these specific items." You listed them. There are 13 items which were itemized. That is what you justified the money for, is it not?

Mr. CLEVELAND. That is right.

Mr. PASSMAN. Did you have any other authority for shifting it around?

Mr. CLEVELAND. One or two cost a little more and one or two cost a little less. We made internal adjustments within the lump-sum figure.

Mr. PASSMAN. Are you recommending this year that we do appropriate specifically as we have in the past?

Mr. CLEVELAND. I am not——

DATE OF TRANSFER FROM MAP TO INTERNATIONAL ORGANIZATIONS

Mr. RHODES. We never did get the date of the transfer from the military to the U.N.

Mr. PASSMAN. We want the information. We have them all, other than the $6,744,000. On what date did you transfer that money to the U.N.?

Mr. CLEVELAND. The Controller would know that.

Mr. TENNANT. That figure is an adjustment within the international organization.

Mr. PASSMAN. On what date did you make the adjustment?

Mr. TENNANT. I would have to yield to Mr. Cleveland on that. The initial transfer?

Mr. RHODES. From military to international organization.

Mr. TENNANT. The $9.5 million was on June 6.

Mr. PASSMAN. We want the date for the $6,744,000.

Mr. RHODES. That is what he is talking about.

Mr. PASSMAN. You have $9,500,000 out of the military assistance account. You have reduced the amount that we set up for the Congo military operations by $6,744,000. We want to know on what date that determination was made.

Mr. TENNANT. That was a reprograming within the international organizations appropriation.

Mr. PASSMAN. On what date?

Mr. TENNANT. I haven't the date on that.

Mr. CLEVELAND. We would have to figure up the specific documents on each of the pluses and minuses within that appropriation.

Mr. PASSMAN. In previous years, prior to fiscal 1961, we have been appropriating this by item, specifically, have we not?

Mr. ANDREWS. Can't we get that date, Mr. Chairman, regarding the $6,700,000?

Mr. PASSMAN. I want the record to show that prior to fiscal year 1961 we did appropriate this money specifically by item.

Mr. ANDREWS. Let us get the date of the $6,700,000.

Mr. PASSMAN. They do not have it.

Mr. ANDREWS. Somebody ought to have it. Let us put it in the record right now.

Mr. PASSMAN. We would like to have it.

Mr. ANDREWS. If it takes a telephone call let us get it.

I want to suggest we are wasting a lot of people's time up here. Here we appropriate $16,900,000 for a project and wind up with juggling around and transferring $34,500,000 for the same project. Why not give them money and let them spend it as they want to? They will do it, anyway.

Mr. PASSMAN. It is about that.

Are you getting that date for us, Mr. Controller General?

Mr. TENNANT. Yes, sir, I was just checking to see whether any of the people here have it.

Mr. ANDREWS. I move we suspend the hearings until we get that date.

Mr. PASSMAN. Maybe they have it, so we will not have to suspend, but it is a worthy suggestion. The motion would carry if you insisted.

LINE ITEM APPROPRIATION IN PRIOR YEARS

Here is the fiscal 1961 appropriation. Up until that time you had line item appropriations, right down to the last dollar, all the way through.

It just gives you an idea of what happens whenever we give up a little bit more control. We find that you juggled this account until it would make a juggler in a sideshow look like an amateur.

I have nothing further in connection with this juggling of these funds. You had sufficient money. You programed some of it through 1964, which is indication that we appropriated more money than you needed, and that is why all this juggling took place.

Let us go back and try to get this date, which the committee insists on knowing.

Mr. TENNANT. The young lady is calling in for that date. She is on the phone at the present time.

Mr. PASSMAN. I yield about the date, Mr. Rhodes. They are calling in for it.

Mr. RHODES. I will pass.

Mr. PASSMAN. Would the gentleman withhold his motion until the telephone call can go through?

DOUBLE STANDARD FOR FUNDING DOMESTIC AS COMPARED WITH FOREIGN PROJECTS

Mr. ANDREWS. Reluctantly. I am one of those unfortunates in the committee yesterday who could not get a million dollars for a project which was authorized in 1946 which affects four States—Kentucky, Tennessee, Mississippi, and Alabama. The four Governors of those States appeared before the committee and pled for the $1 million. The entire congressional delegation of those States appeared before the committee and begged for that $1 million.

When we are denied money for an American project that was authorized in 1946, and then sit here and see how this money is spent, frankly I don't like it.

Mr. PASSMAN. Was your project budgeted?

Mr. ANDREWS. No, sir; but the one from Florida was and they didn't get money.

Mr. PASSMAN. But it had been authorized?

Mr. ANDREWS. Authorized, and a good report from the Engineers.

Mr. PASSMAN. And the Florida project had been budgeted and couldn't get it?

Mr. ANDREWS. That is right.

Mr. PASSMAN. The gentleman must be a little considerate now, because there is a double standard.

Mr. ANDREWS. I understand that.

Mr. PASSMAN. Even after justifying a project you have no assurance of getting it.

Mr. ANDREWS. I understand that.

Mr. PASSMAN. You would get it this year if you could get it out of the contingency fund.

Mr. ANDREWS. I think if four congressional delegations from four States and four Governors cannot get $1 million—I hate to see it spent this way when we cannot get it the hard way.

Mr. PASSMAN. Have you obtained that date yet?

Mr. CLEVELAND. Is this the easy way?

Mr. PASSMAN. The way you get it here?

Mr. ANDREWS. You get it when we don't even give it to you. I call that easy. We give you $16.9 million and you wind up with $34.5 million.

Mr. CLEVELAND. The law is full of limitations and we have conscientiously stayed within the limitations that Congress gave us.

APPROPRIATION APPROVED FOR INDUS RIVER PROJECT

Mr. ANDREWS. Let me see if I understand correctly now. Congress gave you for this Indus River project $16,900,000, period.

Mr. FORD. All that was asked for.

Mr. ANDREWS. Is that right?

Mr. CLEVELAND. You gave us a lump sum——

Mr. ANDREWS. I am asking if it was not spelled out, $16,900,000 for this project?

Mr. CLEVELAND. It was spelled out.

Mr. ANDREWS. You can answer that "Yes" or "No."

Mr. CLEVELAND. Yes, but the legislative history——

Mr. ANDREWS. One moment. Is that right? $16,900,000 for this Indus River project?

Mr. CLEVELAND. Was in the committee report for this project, yes.

Mr. ANDREWS. So the answer is "Yes." However, you wound up spending $34,500,000 for that project. Yes or no?

Mr. CLEVELAND. By transfers into this appropriation from other appropriations.

Mr. ANDREWS. Of course, I understand that.

Mr. CLEVELAND. Under authority which has been granted by Congress in the act.

Mr. ANDREWS. Did you tell the committee last year you wanted $34,500,000 for this Indus River project?

Mr. CLEVELAND. No, sir. We said the figures were——

Mr. ANDREWS. You answered the question.

Mr. CLEVELAND. We said the figures were uncertain.

Mr. ANDREWS. If I were in court I would say I move to strike the balance of the answer. He answered the question.

TRANSFER PROCEDURE INDICATES "MORAL" VIOLATION

Mr. RHODES. Of course, the way this money was set forth in the appropriation bill last year, Mr. Cleveland, in the Senate the exact amount was appropriated, and in the House the exact amount was set forth in the committee report.

I would like to call your attention to the law, and I realize this is not a technical violation of the law but it is certainly in my opinion a moral violation of it.

The law for transfer between accounts allows a 10-percent transfer from an account but not to exceed a 20-percent transfer into an account.

Mr. ANDREWS. This is 50.

Mr. RHODES. The transfer was made to the U.N. Fund, or the international agencies fund, which is $153 million-plus. Technically the 20 percent was not exceeded.

Actually, because of the way in which the money for the Indus Basin was appropriated, I say morally it was exceeded and the intent of the law was thwarted.

COMMITTEE REPORT ON INDUS WATERS, 1962

Mr. PASSMAN. In addition, Mr. Rhodes, it was obvious something was wrong, as was evidenced by the answers to our questions. We put this in our report:

The United States contributed $6,870,000 in grant aid to the project during fiscal 1961, and also made a DLF loan in the amount of $70 million to Pakistan for the project. The committee points out that the United States has agreed to participate in the project prior to (1) the establishment of firm cost estimates for the different phases of project; and (2) an arrangement for the sharing of costs in the event actual construction costs exceed the estimate of $1,064 million.

Such haste to commit the U.S. taxpayer to the expenditure of over a half billion dollars without recognition of the potential cost illustrates the kind of thing that can happen when commitments are made prior to full review and approval.

I hope the committee may go along on a direct line appropriation this year, so we will not get into this kind of foulup.

Mr. Gaud was kind enough to say he could not even give an educated guess as to what this project might cost.

Mr. FORD. Would the chairman yield there?

Mr. PASSMAN. The lady has the date.

May we have that date?

(Discussion off the record.)

Mr. PASSMAN. I yield to Mr. Ford.

DISCUSSIONS ON INDUS RIVER PROJECT DURING FISCAL YEAR 1962 HEARINGS

Mr. FORD. Last year in the hearings, on page 299, Mr. Gary was the chairman when the Indus water settlement program was submitted. Mr. Gary says:

Next is the Indus water settlement. The appropriation for fiscal year 1961 for this program was $6,810,000. The request for fiscal 1962 was $16,900,000. There is a prepared statement with reference to this item which will be inserted at this point in the record.

The statement was inserted.

I have read through here and see no indication in this prepared statement that there would be any possibility of an increase in the amount of $16.9 million.

On page 300 of the hearings which includes the prepared statement, there is the following statement:

We propose to contribute the sum of $16.9 million for fiscal 1962 to meet Indus Basin fund calls on the United States for further funds against our commitment of dollar grant aid. We also propose during fiscal year 1962 to provide approximately $35 million equivalent in local currency as called for by the fund from Pakistan rupees available as a result of earlier agreements for the sale of agricultural commodities under Public Law 480 and through provision for allocations from future food-for-peace programs for Pakistan.

LOCAL CURRENCY CONTRIBUTIONS

Based on the request of $16.9 million, you substantially increased the dollar grants. What has happened to the plan for the rupees? You propose $35 million in local currencies. What has been the actual figure in that area?

Mr. GAUD. The actual figure was $32.2 million for 1962, Mr. Ford.

EFFECT OF WORLD BANK CALLS

Mr. FORD. Why did we contribute considerably more dollars and a few million less in rupees?

Mr. GAUD. The hearings to which you refer I think were held late in August. The Bank makes its calls on us in October and in April. The data presented in the fiscal year 1962 congressional presentation was based on information we had from the Bank in the spring of 1961. They subsequently increased their calls.

Mr. PASSMAN. On what dates does the Bank make its calls?

Mr. GAUD. October 1 and April 1.

Mr. PASSMAN. According to the information given to us on one very large item here, you did not transfer it out of the contingency over to the U.N. until June 30, 1962.

Mr. GAUD. That is true, sir. The call which brought our fiscal 1962 figure up to $34.5 million was made on April 1. We did not succeed in funding the whole call prior to the end of June.

Mr. PASSMAN. Is it called on a calendar year basis or fiscal year basis?

Mr. GAUD. It is called on a fiscal year basis.

Mr. PASSMAN. What is the fiscal year of the two calls?

Mr. GAUD. It is the same as ours.

Mr. PASSMAN. Let us be sure. Does not the U.N. operate on a calendar basis?

Mr. GAUD. This is tied to the Pakistan fiscal year, really, which is the same as ours.

Mr. PASSMAN. Many of your funds operate on a calendar year basis?

Mr. GAUD. These do not.

Mr. PASSMAN. If it had not been for this excess money in the contingency fund you would have requested funds in fiscal 1963, would you not?

Mr. GAUD. We would have been unable to meet our calls.

Mr. PASSMAN. And you would have included that amount in this year's request?

Mr. GAUD. It would have had to come out of fiscal year 1963 funds.

Mr. PASSMAN. They had a lot more money in the contingency fund than they had need for, and they were milking it in every direction to dissipate the account.

Mr. MILLER. I think Mr. Coffin and others testified, concerning this particular matter, that one of the reasons this particular payment resulting from a call was deferred was in order to reduce the amount of the military transfer to the contingency fund because at the time that this call was made it was believed that there would be some deprograming of funds which were then a call upon the contingency

fund, so that in effect this was sound fiscal management rather than an attempt to use funds which were——

Mr. PASSMAN. Notwithstanding the fact that Mr. Gaud, who has been forthright with this committee, stated it could have come from 1963 funds, and it would have come out of 1963 funds had you not had the contingency account, that you could transfer it on the last day of the fiscal year.

ACTIONS ON OVERRUNS ON COST ESTIMATES

Mr. Gaud, what have you done to alleviate the committee's concern about firm estimates and arrangements for financing overruns in the cost of construction? I refer you specifically to page 6 of our report.

Mr. GAUD. We in common with the other nations involved do not agree with the total cost of the project as presently estimated.

Mr. PASSMAN. I think you stated earlier that if the project should be considerably more than estimated, we are into it, and we would have no alternative other than to find some way to try to complete it.

Mr. GAUD. I think we will obviously have to complete some part of these works. We are doing our best to keep that figure down as much as we can.

You can be sure as soon as we have anything definite we will come up here and discuss it with you so you will be posted.

Mr. PASSMAN. It would follow that like many other projects we have around the world, such as the highway in Thailand, not in your area, and the highway in Vietnam, the highway in Cambodia, we get into those things and we just keep running. We ran a project from about $17 million up to $131 million. When you get into it, we have no alternative other than to try to see it through. Is that the situation?

Mr. GAUD. Especially since section 404 of the Mutual Security Act approved this plan.

Mr. PASSMAN. I am sure the committee will have a lot to say about that plan in the future. As far as I am concerned, I disassociate myself with the thinking downtown that Congress ever intended to appropriate money on a plan and after you got the money you would firm up the items for which it will be expended.

RELIABILITY OF FISCAL YEAR 1963 REQUEST

Can you tell us how firm is your estimate of $30 million for this project in fiscal 1963?

Mr. GAUD. Mr. Chairman, at the time our congressional presentation was prepared the Bank told us that that was what they would need for fiscal year 1963. I have checked it within the last couple weeks. They still say that on the basis of their best estimates that is all we will need.

It is no firmer than that.

Mr. PASSMAN. If you had only $30 million that is all you would obligate. Would that not be true?

Mr. GAUD. If we had only $30 million?

Mr. PASSMAN. For the Indus water project.

Mr. GAUD. And did not have capacity for transferring money from elsewhere that is true.

Mr. PASSMAN. You have been fair, Mr. Gaud, in answering our questions forthrightly. We recognize that there is a degree of uncertainty involved.

Mr. PASSMAN. Mr. Ford?

U.S. COMMITMENTS TO INDUS WATER PROJECT

Mr. FORD. Last year this prepared statement which was submitted for the record indicated the U.S. commitment totals $515 million.

Mr. GAUD. Yes, sir.

Mr. FORD. Is there any change in that?

Mr. GAUD. None.

Mr. FORD. This $515 million is a commitment, but what do we mean by a commitment? No more?

Mr. GAUD. That is all we are obligated to at the present time, Mr. Ford.

ANTICIPATED INCREASE IN ORIGINAL COST ESTIMATES

As I said earlier, the cost of the works that are included in the plan is obviously going to be more than the amount originally committed by all the member countries.

Mr. FORD. Would you repeat that?

Mr. GAUD. The cost of the works included in the plan will be more than that originally estimated.

Mr. FORD. When was the estimate made?

Mr. GAUD. By the World Bank?

Mr. FORD. Yes.

Mr. GAUD. We heard about it in January 1962.

Mr. FORD. About the possibility of an increase?

Mr. GAUD. Yes. We refer to that in our congressional presentation for this year.

Mr. FORD. You have no idea what the increase will be?

Mr. GAUD. No, for this reason: All the member countries and the Bank are not prepared to come up with everything that it would take to complete the presently planned works, and negotiations are now in progress to determine to what extent the works shall be reduced.

When we reach an agreement on that we will have firm figures on the cost.

LIMITATION OF U.S. COMMITMENT

Mr. FORD. It has been alleged that by special authorizing legislation Congress is committed to the Indus River Basin project. We don't use that term loosely, do we?

Mr. GAUD. You mean what term, Mr. Ford?

Mr. FORD. The idea of commitment regardless of cost.

Mr. GAUD. We don't view it that way downtown, as the chairman likes to say. We feel that the United States is not committed to a cent beyond this $515 million.

Mr. FORD. We have your assurance we are not committed beyond $515 million?

Mr. GAUD. That is my understanding.

Mr. CLEVELAND. We are not committed up to that amount. The word "commitment" we use with great seriousness. You cannot make

a firm commitment until there is in fact an authorization and an appropriation.

Mr. GAUD. We have pledged, subject to appropriation, to the amount of $515 million.

Mr. CLEVELAND. We have made a pledge but that is a different category.

Mr. GAUD. Some of it we have come forward with and some it we have not.

Mr. FORD. The most we are committed to under the most generous use of the term "commitment" is $515 million?

Mr. GAUD. That is right.

TOTAL COMMITMENTS IN DOLLARS, LOANS, AND LOCAL CURRENCIES

Mr. FORD. Within that commitment, at least on a tentative basis, we have agreed to $177 million in dollar grants?

Mr. GAUD. That is right.

Mr. FORD. We have no plan to go beyond that?

Mr. GAUD. We do not. That is at this time.

I am not foreclosing the possibility we will not, but as of now we have no such plan.

Mr. FORD. You are very frank and very well-informed on this. We want your complete assurance that these are the figures we are dealing with on August 15, 1962.

Mr. GAUD. That is right.

Mr. FORD. And they are the same ones we dealt with in August of 1961?

Mr. GAUD. That is right, $177 million in grant commitment, $70 million in a loan commitment, and $235 million worth of rupees emanating from the Public Law 480 agreement.

POSSIBILITY OF ADDITIONAL FUNDING TO COMPLETE PROJECT

Mr. PASSMAN. Would the gentleman go further and assure us this will be all that you will ever request of the Congress?

Mr. GAUD. No, sir; I cannot do that.

Mr. ANDREWS. The figure is $482 million, Mr. Ford.

Mr. GAUD. I have not finished.

Mr. PASSMAN. I believe you said "as of this time."

Mr. GAUD. The question was as of August 15.

Mr. PASSMAN. You say you cannot give us any assurance that at some subsequent date the request will not increase substantially?

Mr. GAUD. I cannot.

If I may finish to get up to the $515 million.

There is still left a $33 million development loan to India which is for a dam called the Beas Dam, part of this whole Indus development.

Mr. FORD. I am sure you will detect from what has been said on this side of the table that there is a very strong feeling that we should not go beyond this $515 million commitment.

Mr. GAUD. I have detected some such feeling, sir.

Mr. FORD. Even though we have increased the obligation by $17 million-plus in fiscal 1962 over what we requested, there is no change in the overall commitment of $515 million.

Mr. GAUD. That is true. What has happened is that the Bank has awarded certain contracts which are going forward, and in rescheduling the requirements for those contracts they found they needed more money now than they had originally estimated.

Mr. FORD. But the fact more money was needed in fiscal 1962 should not be any indication that there is a change in the commitment?

Mr. GAUD. There is no change in the commitment. I am almost morally certain that I will be up here some day saying that we feel we will want to spend more on this project; but as of now there is no change in the commitment.

Mr. FORD. Mr. Gaud, if you come up, or your successor comes up, it will be a real rough day.

Mr. GAUD. We have had them before.

Mr. ANDREWS. Not in this committee.

Mr. FORD. That makes the ball game interesting.

SOURCES OF FUNDING BY OTHER COUNTRIES

Let us turn to page 301 of the hearings last year where a prepared statement showed the sources of funding. It shows Australia, Canada, Germany, New Zealand, United Kingdom, and the United States have made certain proposed commitments or contributions.

Mr. GAUD. Yes, sir.

Mr. FORD. Can you tell us what the plan was in its original inception for the amounts which would be paid periodically for each of these countries?

INCREASE IN BANK CALLS ON OTHER COUNTRIES

When you lay these figures alongside the commitments how have they produced? How is the Bank doing on calls to other countries? They doubled their calls to us. Did they increase the others similarly and have the others paid in a similar way?

Mr. GAUD. There was an increase in calls. The principal increase in our call was in the April 1 call of this year. There were increases in calls on other countries as well.

Mr. FORD. Let us start from the beginning. What was the Bank's call which corresponded to the proposed call of $16.9 million for the United States?

Mr. GAUD. I haven't that information with me, Mr. Ford.

(Discussion off the record.)

Mr. FORD. Another factor has to be cranked into this: At the time these commitments were made, as shown on page 301 of last year's hearings, the value of the Canadian dollar was more than it is today, and by quite a bit.

How do we crank in that factor, Mr. Gaud?

Mr. GAUD. I don't know.

Mr. FORD. It will not buy as much today as it was planned to buy a few months ago.

Mr. GAUD. I daresay that is true.

Mr. CLEVELAND. Most of the expenditures are probably in Canada and it would not be a foreign exchange transaction.

Mr. GAUD. I can say a little about the calls and will get the specific information.

When the calls were made some of these governments pointed out that their parliaments would not be in session long enough for full appropriation action to be taken, so that they would not be able to raise the money by the time the Bank wanted it because, like ourselves, their commitments were subject to appropriations.

There were two countries which have not met their calls.

At the time these calls were made, the calls on the development grant money, largely because of the parliamentary situation, it was also agreed at this time that the Bank's problem of funding could be met in part by increasing the draw-down on the development loans made by the Bank and the United States, so there was a step up. We made, as you know, a $70 million loan. Only $3.7 million of that was advanced to the Bank in 1961.

During 1962, $30 million was advanced.

Both we and the Bank agreed there could be an increased draw-down on our loan to meet this problem in part.

Mr. PASSMAN. Where we had met our pledge in its entirety, at a subsequent date you doubled it, but some nations had not come up with their pledges because their parliaments had not approved?

Mr. GAUD. I didn't say that they did not meet pledges. They were unable to meet the increased calls in their entirety.

Mr. PASSMAN. I stand corrected.

Mr. FORD. In the material which you prepare for the record, and I would like a personal copy of it if I may have it, sir, there should be a footnote which would indicate the decrease in purchasing power of the Canadian commitment based on their recent devaluation of the Canadian dollar. This should be easy to figure out by some authority at the agency.

Mr. GAUD. I shall try to do that, sir.

Mr. FORD. I believe that is all.

Mr. PASSMAN. You might do similarly with regard to all the nations which are committed. It is not unusual for a nation's currency to go up or down. Would also give us the same type of information on any nation where there has been as much as a 1-percent increase or decrease.

Mr. RHODES. Please also ask for whatever plans the Bank as the trustee might have for making up the difference in purchasing power as a result of the decline in purchasing power of the various currencies.

(The information follows:)

INDUS WATERS PLAN

Indus Basin development fund

1. Projected cost of total plan (as of fall 1961) (U.S. dollars or dollar equivalents).

Foreign-exchange grants:	
Australia	15, 601, 600
Canada	22, 544, 119
Germany	31, 500, 000
India	173, 768, 000
New Zealand	2, 800, 000
Pakistan	1, 232, 000
United Kingdom	58, 408, 000
United States	177, 000, 000
Total, foreign-exchange grants	482, 853, 719
Foreign-exchange loans:	
IBRD	80, 000, 000
United States	70, 000, 000
Total, foreign-exchange loans	150, 000, 000
Pakistan rupee grant:	
Pakistan	27, 580, 000
United States	235, 000, 000
Total, Pakistan rupee grant	262, 580, 000
Grand total	[1] 895, 433, 719

[1] The congressional presentation figure includes $197 million costs in India not met from the Indus Basin development fund, and excludes $27.6 million (shown above) in Pakistan rupees committed by the GOP.

2. Payments made during U.S. fiscal year 1961 (U.S. dollars or dollar equivalents).

Foreign exchange grants:	
Australia	600, 210
Canada	899, 405
West Germany	1, 143, 555
India	34, 753, 600
New Zealand	420, 000
Pakistan	184, 800
United Kingdom	2, 246, 400
United States	6, 807, 060
Total foreign exchange grants	47, 055, 030
Foreign exchange loans:	
IBRD	2, 625, 000
United States	3, 675, 000
Total foreign exchange loans	6, 300, 000
Pakistan rupee grants:	
Pakistan	4, 194, 458
United States	21, 047, 000
Total, Pakistan rupee grants	25, 241, 458
Grand total	78, 596, 488

3. February 1961 estimates of foreign exchange grant calls to be made during fiscal year 1962 (U.S. dollars or dollar equivalents).

Australia	1,486,161
Canada	2,213,309
West Germany	2,620,476
United Kingdom	5,552,240
United States	16,846,055
Total	28,718,241

EXPLANATORY NOTE: The estimate that the U.S. grant contribution for fiscal year 1962 would be $16.9 million which was contained in the fiscal year 1962 congressional presentation (prepared in February 1961) was based on the IBRD's schedule of projected disbursements in each of the 12 years covered by the Indus waters agreement, and on the established percentage distribution among grant contributors. These projections were prepared at the time the treaty and agreement were signed in September 1960 and remained the only estimates available until the new calls were issued on Apr. 1, 1962.

4. Payments made during fiscal year 1962 (U.S. dollars or dollar equivalents).

Foreign exchange grants:	
Australia	[1] 3,042,064
Canada	[1] 4,524,552
West Germany	[2] 2,625,000
India	----------
New Zealand	[3] 280,000
Pakistan	61,600
United Kingdom	[4] 4,200,000
United States	[5] 34,50,000
Total, foreign exchange grants	49,233,216
Foreign exchange loans:	
IBRD	1,915,830
United States	30,014,670
Total, foreign exchange loans	31,930,500
Pakistan rupee grants:	
Pakistan	6,293,050
United States	32,174,520
Total, Pakistan rupee grants	38,467,570
Grand total	119,631,286

[1] Payment made in April 1962 for the full amount of the call.
[2] Payment made in April 1962. The call was for $5,846,931 equivalent in deutsche marks.
[3] Payment of a fixed amount per original agreement.
[4] Payment made in 2 slices, May and June 1962. The call was for $11,385,504 equivalent in pounds sterling.
[5] Payment made in 2 slices $20,000,000 in March 1962; $14,500,000 in June 1962. The payment was equal to the call.

5. PAYMENTS INTO THE FUND

The original agreement provides that each country would pay a certain amount of its own currency into the Indus Basin fund over the life of the agreement. These national commitments to the Development Fund were made in dollar equivalents of the national currencies, at the dollar value of those currencies at the time the treaty was signed.

So far, however, the "calls" for foreign exchange grants have been made in terms of dollar equivalents: consequently a country whose currency has depreciated vis-a-vis the dollar, has had to pay more local currency, and a country whose currency has appreciated, has had to pay less.

Since each currency up to now has been used to purchase goods and services of the donor country, the economic effect of the arrangement has depended on the movement of the prices of the goods or services required.

6. THE BRITISH AND WEST GERMAN PARLIAMENTS

The 1961–62 session of the British and the West German Parliaments began in October 1961 and ended in midsummer 1962. In both cases the budgets were presented in early spring, and budget debates were carried out in April. The German Government made its partial payment in April 1962 and the British Government made its partial payments in May and June 1962.

Just as the United States delayed its full payment to June 1962, these other two donors have delayed making their full payments. The IBRD which is the Executor of the Indus Basin development fund, is in communication with the two Governments regarding their full payment.

Mr. RHODES. It is a problem but it is one we have to face.

Mr. PASSMAN. Regardless of what we may say or do, the people downtown have finally maneuvered this thing to the point that there is practically unlimited flexibility, and the implication is strong that we have a moral commitment, and that great damage will be done if we do not go through with these commitments. There is no legal commitment but the moral commitment is there.

I am sure we could pinpoint 100 such cases, if time would permit examination of the projects.

Here is one:

EXAMPLE OF INCREASING SCOPE AND COST OF A HIGHWAY PROJECT

The original project was to construct one highway at a cost of $18,300,000. Subsequently the scope of the project was broadened to include three highway routes. The present estimate is $61,378,000. The budget estimate is $6,950,000. There is an additional dollar cost after 1961 of $4 million.

In addition, through June 30, 1961, local currency expenditures were estimated to be $48,781,000 and $8,400,000 was proposed for fiscal 1961.

The total cost of the project, including dollar and local currency cost, is estimated now to be $129,909,000, an increase of approximately 600 percent above the original cost estimated for the project.

That is the kind of situation you are getting into all over the world.

Mr. FORD. Might I make a comment, Mr. Chairman?

Mr. PASSMAN. Yes.

AFGHANISTAN-PAKISTAN BORDER PROBLEM

Mr. FORD. Mr. Gaud, I am sure you will remember our conversations of a few weeks ago about this Kandahar-Kabul Road?

Mr. GAUD. Yes, sir.

Mr. FORD. And the difficulty of opening the gate between Afghanistan and Pakistan. The problem related to the adamancy of the Pakistan Government.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. FORD. I was only going to make the comment that you would think our generosity would have some persuasive influence in these kinds of problems.

Mr. PASSMAN. I thought Pakistan agreed; that they cooperated.

Mr. FORD. Maybe they are more realistic than some of the others.

Mr. GAUD. Yes and no. As I think Mr. Talbot said, this is an almost age-old, at any rate a very old, political problem whereby a large part of northwestern Pakistan is claimed as her territory

by Afghanistan. It is inhabited by these Pushtoons, and it is really a political issue. It is one of those situations which seems unfortunate where they are putting the political issue above everything else.

Mr. PASSMAN. But both are recipient nations of our aid.

Mr. GAUD. That is right. Our interest in getting into Afghanistan is not to be generous, but we feel it is essential to have a presence there so that this country will not be completely dependent upon Russia. They have a large program there, military and economic.

DATES OF TRANSFER OF FUNDS TO INDUS WATERS PROJECT

Mr. PASSMAN. Do you have those dates, gentlemen?

Mr. CLEVELAND. Yes, sir.

Mr. PASSMAN. What are the dates?

Mr. CLEVELAND. There are two dates involved. One is the transfer into the pot of the savings from the Congo military, which was on a program approval of January 17, 1962, just after the General Assembly had met.

Mr. PASSMAN. When did you transfer it to the Indus project?

Mr. CLEVELAND. Then on April 26, 1962, there was a program approval to increase the Indus program.

Mr. PASSMAN. What was that last date?

Mr. CLEVELAND. April 26.

Mr. PASSMAN. You are dealing specifically with the $6,744,000?

Mr. CLEVELAND. The second program approval was an approval to pull the Indus up to the $34.5 million by the use of money in the pot and by other transfers which were subsequently made from contingency fund and all. That whole transaction was not completed until the last day of the fiscal year.

Mr. PASSMAN. That was June 30, 1962, when it was completed.

While we were completing this some of the other nations had not agreed to increase their assessments. Is that correct?

Mr. CLEVELAND. Yes. Mr. Chairman, if I may say just a word about this business of flexibility.

When I got here a year and a half ago the prior experience had been individual line items for the international organizations. Last year, my first year of testimony on this subject, I did not propose a change in that practice.

The practice was changed last year, after full discussion by the Congress in the authorization legislation. In requesting an appropriation, we followed the authorizing act in asking for a lump sum for contributions to international organizations.

We used the authority thus given to us to make what seemed to be the most efficient use of the total money involved for the purposes prescribed in this program.

LINE ITEM APPROPRIATIONS PRECLUDE INTERNAL TRANSFERS

Mr. PASSMAN. But if the Congress had stuck to a line item appropriation you could not have done all this shuffling, could you?

Mr. CLEVELAND. That is correct.

Mr. PASSMAN. Mr. Rhodes?

Mr. CLEVELAND. We could have made transfers from contingency, but not the internal transfers.

Mr. PASSMAN. We are talking about internal transfers.

TRANSFERS IN AND OUT OF THE CONTINGENCY FUND

Mr. RHODES. You could have taken the $6,700,000-plus out of military, put it into the contingency, and then transferred it into the U.N. and allocated it to the Indus Basin. Is that right?

Mr. PASSMAN. That is right.

Mr. RHODES. Whether or not it was a line item appropriation.

Mr. CLEVELAND. I don't know there is any procedure for transferring into contingency from other parts of the AID appropriation.

Mr. TENNANT. There is a flexibility provision in the legislation, section 610, which permits us to transfer 10 percent out and not increase the appropriation by more than 20 percent.

Mr. CLEVELAND. Into the contingency fund?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. You have a very flexible flexibility?

Mr. TENNANT. Quite flexible.

Mr. RHODES. I thought Mr. Cleveland knew that. I am surprised that he operated this way and didn't know the source of the "flexibility" he employed.

Mr. CLEVELAND. I have never seen it transferred that way. In our shop we usually get money out of the contingency and do not put it in.

Mr. GAUD. Excuse me, Mr. Rhodes. If I may go back to Mr. Ford's question. I have more information on it now.

Mr. RHODES. Certainly.

INCREASE IN BANK CALLS MET BY OTHER COUNTRIES

Mr. GAUD. Mr. Birnberg made a phone call and confirmed my impression that the increase in the calls that were made in the spring of 1962 was proportionate for all the countries.

As of July 30, 1962, all the countries had met their increased calls except the United Kingdom, which had paid $4.2 million against $11.4 million due, and Germany, which had paid $2.6 million against $5.8 million due.

As far as the Canada situation is concerned, it appears that the Bank translates the Canadian contributions into U.S. dollars at rates as of the time the remittances are made, and that means that the Canadian money, the last transfer, I guess, took $1.06 of Canadian money to equal $1 of U.S. money.

There has been no request that Canada increase her dollar pledges because of this depreciation but they have been asked to increase their current callup proportionately.

Mr. FORD. In other words, whereas our call of April 1 went up more than double, we can assume from your statement that the same was true of all others?

Mr. GAUD. The calls were all increased proportionately, yes, sir.

Mr. PASSMAN. They all had not responded, though, and met the payment?

Mr. GAUD. Everybody except the United Kingdom and Germany, both of whom had met it in part by June 30.

Mr. FORD. In other words, two-thirds of the countries had met their calls 100 percent and one-third failed to do so?

Mr. GAUD. Yes, sir.

Mr. FORD. What is the explanation of why Great Britain and West Germany had not met their calls?

Mr. GAUD. All I can say is that at the meeting at which these calls were discussed they said their Parliaments could not act in time, or, at any rate, the situation was such they could not go to them with a request for an appropriation. I have not gone into the details of it.

Mr. FORD. Let us find out whether or not the Parliaments in both West Germany and the United Kingdom were in session and whether they are now in session and whether as of this date they have now fulfilled their call 100 percent.

I appreciate the expeditious way in which this helpful information has been obtained but I think for the record we should still have the kind of data I ask for in detail with a supplement.

Mr. GAUD. I shall get it.

(The information appears on p. 1038.)

Mr. RHODES. Mr. Gaud, can we assume that these pledges set forth on page 301 of last year's hearings were made in U.S. dollar equivalents?

Mr. GAUD. Yes, sir.

Mr. RHODES. And this is true in every case?

Mr. GAUD. Yes, sir.

Mr. RHODES. So when the call is made the payment is made in the currency of the country but to the equivalent in U.S. dollars?

Mr. GAUD. I may have spoken too quickly here. The countries pay in terms of their local currencies, but the amounts are determined for presentation purposes in dollar equivalents.

Mr. RHODES. That is what I mean. Either the currency is there for informational purposes or the dollar equivalent is.

Mr. GAUD. I don't really know the answer.

Mr. RHODES. Would you get that and furnish it for the record?

Mr. GAUD. Yes, sir.

(The information appears on p. 1036.)

Mr. RHODES. If it is dollar equivalent, then my question about how the IBRD was to meet the deficit in the event of depreciation of the currency would not be valid.

Mr. GAUD. It would be immaterial, that is right.

Mr. RHODES. If it is not that way then the question would certainly have to be answered by somebody.

Mr. GAUD. You are quite right.

COMPARISON OF INDUS WATERS PLEDGE AND SECTION 202(b) COMMITMENTS

Mr. RHODES. The Indus project is not a commitment on the part of the United States. It is, as Mr. Cleveland pointed out, sort of a pledge.

I suppose I should direct this to Mr. Miller: Is it possible to compare the sanctity of the pledge in the Indus Basin with the so-called sanctity in the 202(b) program? Is the halo wider and brighter or is it less wide and less bright?

Mr. MILLER. I think, Mr. Rhodes, you are far more expert on the comparative value of moral obligations than I.

Mr. RHODES. I accept that.

Mr. MILLER. Having disqualified myself as an expert, I shall simply——

Mr. FORD. Now just testify.

Mr. MILLER. Section 404 of the Mutual Security Act of 1954 as amended is what I shall point to, which states the affirmation of the undertaking involved.

Mr. FORD. You want to put section 404 in at this point?

Mr. MILLER. I shall be delighted to.

(The section referred to follows:)

SECTION 404

SEC. 404. INDUS BASIN DEVELOPMENT.—The Congress of the United States welcomes the progress made through the good offices of the International Bank for Reconstruction and Development toward the development of the Indus Basin through a program of cooperation among south Asian and other nations of the free world in order to promote economic growth and political stability in south Asia, and affirms the willingness of the United States, pursuant to authorities contained in this and other Acts, to participate in this significant undertaking. In the event that funds appropriated pursuant to this Act are made available to be used by or under the supervision of the International Bank for Construction and Development in furtherance of the foregoing purposes, such funds may be used in accordance with requirements, standards, or procedures established by the Bank concerning completion of plans and cost estimates and determination of feasibility, rather than with requirements, standards, or procedures concerning such matters set forth in this or other Acts; and such funds may also be used without regard to the provisions of section 901(b) of the Merchant Marine Act of 1936, as amended (46 U.S.C. 1241), whenever the President determines that such provisions cannot be fully satisfied without seriously impeding or preventing accomplishment of such purposes: *Provided*, That compensating allowances are made in the administration of other programs to the same or other areas to which the requirements of said section 901(b) are applicable.

RELIABILITY OF FISCAL YEAR 1963 REQUEST FOR INDUS WATERS PROJECT

Mr. RHODES. On page 30 of the green book, the worldwide summary of activities, we have for Indus waterways a request for this fiscal year of $30 million. Is that still a valid request?

Mr. GAUD. Yes.

Mr. RHODES. There has been no change and there will be no request for supplementals so far as you know?

Mr. GAUD. I don't know about the latter. It depends entirely on the Bank. So far as I know now, this is it.

Mr. RHODES. You spent $34.5 million last year?

Mr. GAUD. That is right, we obligated that amount.

Mr. RHODES. You are asking for $30 million this year?

Mr. GAUD. Yes.

ESTIMATE ON BANK CALLS DURING FISCAL YEAR 1963

Mr. RHODES. Do you have any information from the Bank whatsoever as to the probable magnitude of its calls in October of this year and April of next year?

Mr. GAUD. No.

Mr. RHODES. $30 million is the rankest kind of guess, then, is it not?

Mr. GAUD. It is the Bank's best estimate.

Mr. RHODES. You mean you got this $30 million estimate from the Bank?

Mr. GAUD. Yes.

Mr. RHODES. That was my question. If that is the Bank's best estimate then that is it.

Mr. GAUD. That is all I have to go on.

Mr. RHODES. This is where it came from. So far as you know this is a valid figure at this time?

Mr. GAUD. Yes.

Mr. RHODES. That is all, Mr. Chairman.

Mr. FORD. Is that the same procedure used in previous years?

WORLD BANK MANAGEMENT OF INDUS RIVER DEVELOPMENT FUND

Mr. GAUD. Yes. The Bank manages this Fund. The Bank lets the contracts.

The Bank does the whole job, Mr. Ford. We make contributions to the Fund. They tell us, in accordance with their schedule of works, and the like, how much money they need out of the commitment and they issue a call to all the contributors. Then we are supposed to meet it.

LEGAL OPINION ON PROVISIONS OF FOREIGN ASSISTANCE ACT REGARDING TRANSFERS

Mr. PASSMAN. Gentlemen, before we recess until 1 o'clock, I want to read from a section of the analysis of the Foreign Assistance Act of 1961, as interpreted by your General Counsel:

SEC. 302. Authorization. The Foreign Assistance Act, section 302 (foreign assistance) authorized the appropriation of $153,500,000 for fiscal year 1962 to carry out the purposes of section 301 and section 303 (Indus Basin development). The full $153,500,000 was appropriated for this purpose by the Foreign Assistance Appropriation Act of 1962. These funds will be in addition to other funds available under any other act for such purposes.

No other category of funds under the Foreign Assistance Act, however, may be used for such purposes since in general it is to be assumed that a specific appropriation of an amount for a particular purpose is an indication that Congress did not intend that other amounts should be used for the same purpose. In addition, the presence in the law of several categories of aid in general suggests that there are meaningful lines separating them.

If what has been done is not a complete violation of what your own counsel said I never heard of it.

Mr. MILLER. I think in general the General Counsel's opinion, which we would be happy to provide on this particular transfer, will also show that sections of the act, which involve and allow the transfers of appropriations from one account to another, will, of course, also be applicable under the circumstances so that sections 610 and 614 would be——

Mr. PASSMAN. I am giving your own interpretation of the act.

Mr. MILLER. I would be happy to have the General Counsel provide an opinion on this.

Mr. PASSMAN. He has already provided an opinion. It is signed by Seymour J. Rubin, General Counsel, Agency for International Development.

Mr. GAUD. May I ask for the date of the opinion?

Mr. PASSMAN. Here it is. You people change rules down there as fast as anything of which I have ever heard.

Mr. Gaud, when we take a recess, it will not be necessary for you to come back.

Mr. GAUD. Thank you, sir.

WEST GERMAN POSITION ON FOREIGN AID COMMITMENTS

Mr. PASSMAN. Earlier in our hearings a colloquy between the two of us had to do with the position of the Republic of Germany.

I knew that I had had this very long meeting with Dr. E. Bendheim, a foreign trade information officer, Federal Republic of Germany.

I want to make available to you a copy of this letter so there will be no misunderstanding about the intent of Germany, and upon what basis they make commitments.

I think one or two paragraphs would be appropriate to read at this time, and you may have a copy of the letter. Therefore, I quote:

As you may know, in the past, development aid contributed by the Federal Republic of Germany has been essentially undertaken through international organizations mainly through the World Bank. Only on rare occasions had bilateral financial aid been granted from public funds.

In 1961 foreign aid of the Federal Republic of Germany amounted to approximately DM5.5 billion, inclusive a loan from the German industry of almost DM1 billion. It must, however, be noted that the above figures are not in anyway final. The DM5.5 billion are not else than pledges for projects which may only be realized after several years or not at all should the investigations regarding the projects be negative.

In the German budget for 1962 an amount of DM2.6 billion was provided for by the Government for foreign aid which amount, however, was somewhat reduced by the budget committee. Attention is drawn to the fact that these pledges have to be considered practically and legally as conditional credit promises which would only become credit agreements after a detailed investigation has been made with regard to the feasibility of the respective projects.

It goes on:

I wish to add that it is the aim of the Government and the private industry in the Federal Republic of Germany to grant aid in future still more than up to now to such partners only whose reliability has been definitely established.

I sincerely hope that my explanation—

and so on.

Any pledges they make are subject to the budget committee, and many times these pledges are drastically reduced.

I think if you read this letter you will know that the German Budget Committee may reduce pledges by 50 or 100 percent.

The budget committee determines the level.

This letter is available for you, sir.

Mr. GAUD. Thank you.

Mr. PASSMAN. And it is self-explanatory.

We shall recess until 1 o'clock this afternoon.

AFTERNOON SESSION

Mr. PASSMAN. The committee will come to order.

ASSISTANCE TO JAMAICA

Without objection, I wish to insert in the record at this point a letter and memorandum from our distinguished colleague, Mrs. Edna F. Kelly, of New York, a high-ranking member of the Committee on Foreign Affairs.

(The letter referred to follows:)

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., August 13, 1962.

Hon. OTTO E. PASSMAN,
Chairman, Subcommittee on Foreign Operations,
House Committee on Appropriations, Washington, D.C.

DEAR MR. CHAIRMAN: I am submitting to you a memo emphasizing the need for U.S. assistance to the new independent country of Jamaica.

I hope that you and your committee will give it consideration. The background material submitted during the course of the authorization on the mutual security bill was written up over a year ago, before Jamaica became independent. The needs at present are much more urgent and in need of immediate consideration.

I trust that you will give this attention during the course of your hearings, so that we could include favorable increased aid from your committee.

With sincere appreciation, I am,

Sincerely yours,

EDNA F. KELLY.

COMMITTEE ON FOREIGN AFFAIRS,
August 13, 1962.

Memorandum to: Hon. Otto E. Passman, chairman, Subcommittee on Foreign Operations, Committee on Appropriations.
From: Hon. Edna F. Kelly.
Subject: Need for increased U.S. assistance to Jamaica in fiscal year 1963.

1. The aid program for Jamaica, prepared by the Agency for International Development several months ago—before Jamaica became a newly independent state—called for fiscal year 1963 grants in the amount of $1 million. These funds are to come from the Alliance for Progress appropriation and are to be used in continuing U.S. assistance to alleviate Jamaica's social problems of housing, inadequate water supply, and substandard school equipment and facilities.

2. In addition, negotiations have been in progress for some time regarding loans for (*a*) low-cost housing and redevelopment, and (*b*) a community water supply program in Jamaica. Two loans for the above purposes, amounting together to $4.4 million, are expected to be made by the Inter-American Development Bank from the Social Progress Trust Fund which was established pursuant to the Latin American Development Act of 1960.

3. The Government of Jamaica is anxious to obtain additional assistance to develop the port of Kingston. A 1954 survey established the feasibility of this project and indicated that the first two phases of it would cost approximately $11 million. The completion of the final phase, and the construction of appropriate warehousing facilities, would involve an estimated $16 million. Additional funds would be required to provide low-cost housing for Jamaicans displaced by the port of Kingston development project.

4. Jamaica's immediate need is for a grant to finance an up-to-date engineering study of the proposed project (the 1954 study is apparently obsolete in some respects). In addition, grant or loan assistance is expected to be required in fiscal year 1963 to start work on the initial phases of the project. Since local currency expenditures on construction and improvement projects of this nature are usually substantial, foreign currency (dollar) assistance in the amount of $5 to $10 million would appear sufficient to advance this project.

5. Shortly after Jamaica became an independent State, its Prime Minister, Sir Alexander Bustamante, reaffirmed his country's friendship for the United States, expressed deep interest in attracting private American investment, and offered to make certain facilities—ports, airports, etc.—available to the United States. In view of the situation in Cuba, and certain other developments in that area of the world, it is important that we achieve stronger ties with Jamaica. Assistance for the development of the port of Kingston would serve this objective.

Mr. PASSMAN. How long has Jamaica been independent?

Mr. CLEVELAND. It became independent just a couple of weeks ago.

Mr. PASSMAN. Off the record.

(Off the record.)

We discussed earlier additional funds transferred into the U.N.

U.N. TECHNICAL ASSISTANCE PROGRAM AND SPECIAL FUND

TRANSFER FROM CONTINGENCY FUND

Now, dealing particularly with the contingency fund of $5 million into the technical aid program, that was to bring it up to 40 percent of the total pledges by the other member nations; is that correct?

Mr. CLEVELAND. That is correct.

Mr. PASSMAN. How many members do you have in the U.N. contributing to this particular fund, U.N. technical aid?

Mr. CLEVELAND. I have a list here. I will have to count up the numbers.

Mr. PASSMAN. Go ahead and count them.

Mr. CLEVELAND. Ninety-two.

Mr. PASSMAN. Ninety-two nations.

Could you give us the percentage of the total contributions on the part of the other nations? Ours is 40 percent of the total.

Mr. CLEVELAND. We have the absolute figures.

Mr. PASSMAN. We want the percentages. We put up 40 percent of the total?

Mr. CLEVELAND. Yes. The others make voluntary contributions. This is not a percentage scale of assessment. They do not operate on a percentage basis.

Mr. PASSMAN. Ours is voluntary, too.

Do you not have any way of knowing the percentage of the total the others put up?

Mr. CLEVELAND. We have the figures and we can calculate the percentage.

Mr. PASSMAN. What country is the largest contributor other than the United States?

Mr. CLEVELAND. The United Kingdom. Three million dollars out of $42.9 million.

Mr. PASSMAN. What percentage would that be?

Mr. CLEVELAND. We do not have a list of the percentages but we can work that out.

Mr. PASSMAN. What would the percentage be for the United Kingdom?

Mr. CLEVELAND. About 7 percent.

Mr. PASSMAN. About 7 percent against our 40 percent.

If it is 6½ percent, indicate 6½. We want the percentages of the other nations. If you will put that data in the record we shall appreciate it.

Mr. CLEVELAND. I will be glad to.

(The information requested follows:)

United Nations Special Fund, Government pledges and contributions

[In U.S. dollar equivalent]

Country	Calendar year 1961	
	Amount	Percent
Afghanistan	$11,000	0.023
Albania	2,000	.004
Argentina	96,386	.197
Austria	260,000	.533
Belgium		
Bolivia	10,000	.021
Brazil	208,108	.426
Bulgaria	14,706	.030
Burma	20,000	.040
Byelorussian S.S.R.	50,000	.102
Cambodia	5,000	.010
Canada	2,350,000	4.814
Central African Republic	5,000	.010
Ceylon	10,000	.021
Chile	104,762	.215
China	20,000	.040
Colombia	40,000	.082
Cuba		
Cyprus	4,200	.009
Czechoslovakia	69,444	.142
Denmark	579,123	1.186
Dominican Republic		
Ecuador	40,000	.082
El Salvador	2,000	.004
Ethiopia	29,000	.059
Federation of Malaya	10,000	.021
Finland	100,000	.205
France	1,072,066	2.196
Gabon	2,000	.004
Germany, Federal Republic of	3,449,750	7.068
Ghana	28,000	.057
Greece	30,000	.062
Guatemala	8,000	.016
Guinea	10,000	.021
Haiti	14,000	.029
Honduras	5,000	.010
Hungary	42,608	.087
Iceland	4,011	.008
India	1,750,000	3.585
Indonesia	25,000	.051
Iran	125,000	.256
Iraq	34,000	.070
Ireland	25,000	.051
Israel	70,000	.144
Italy	1,350,000	2.766
Ivory Coast		
Japan	1,422,483	2.914
Jordan	16,000	.033
Korea	10,000	.021
Kuwait		
Laos	20,000	.040
Lebanon	30,476	.063
Liberia	15,000	.031
Libya	25,000	.051
Luxembourg	5,000	.010
Madagascar	4,051	.008
Mexico	34,000	.070
Monaco	1,519	.003
Morocco	30,000	.061
Nepal	2,000	.004
Netherlands	2,561,436	5.248
New Zealand	140,000	.287
Nicaragua	3,857	.008
Nigeria	140,017	.287
Norway	597,088	1.223
Pakistan	129,998	.266

United Nations Special Fund, Government pledges and contributions—Continued

[In U.S. dollar equivalent]

Country	Calendar year 1961	
	Amount	Percent
Panama	$1,000	.002
Peru	70,000	.144
Philippines	66,000	.135
Poland	125,000	.256
Portugal	10,000	.021
Romania	16,667	.034
Saudi Arabia	25,000	.051
Senegal	24,000	.049
South Africa		
Spain	50,000	.103
Sudan	45,000	.092
Sweden	2,103,228	4.309
Switzerland	465,116	.953
Thailand	160,000	.328
Tunisia	13,000	.027
Turkey	322,222	.660
Ukrainian S.S.R	125,000	.256
U.S.S.R	1,000,000	2.050
United Arab Republic	287,191	.588
United Kingdom	5,000,000	10.243
Uruguay	20,000	.041
Vatican City	1,000	.002
Venezuela	100,000	.205
Vietnam	16,686	.034
Yugoslavia	192,000	.393
Total, other governments	27,511,199	
Local costs	1,776,008	3.639
Subtotal	29,287,207	
United States	19,524,805	40.000
Grand total	48,812,012	100.000

United Nations expanded technical assistance program, Government pledges and contributions

[In U.S. dollar equivalent]

Country	Calendar year 1961	
	Amount	Percent
Afghanistan	$13,500	0.031
Albania	2,000	.005
Argentina	118,837	.270
Australia	660,000	1.498
Austria	170,000	.386
Belgium		
Bolivia	10,000	.023
Brazil	687,406	1.560
Bulgaria	14,706	.033
Burma	40,000	.091
Byelorussian S.S.R	100,000	.227
Cambodia	5,714	.013
Canada	2,150,000	4.879
Central African Republic	2,000	.005
Ceylon	25,000	.057
Chile	200,000	.454
China	20,000	.045
Colombia	110,000	.250
Costa Rica	10,053	.023
Cuba	100,000	.227
Cyprus	4,200	.010
Czechoslovakia	69,444	.158
Denmark	1,158,245	2.628
Ecuador	20,000	.045
El Salvador	7,700	.017
Ethiopia	20,000	.045
Federation of Malaya	25,000	.057
Finland	50,000	.113
France	1,852,533	4.204

United Nations expanded technical assistance program, Government pledges and contributions—Continued

[In U.S. dollar equivalent]

Country	Calendar year 1961	
	Amount	Percent
Gabon	$2,000	.005
Germany	2,120,000	4.811
Ghana	66,158	.150
Greece	30,000	.068
Guatemala	12,000	.027
Guinea	10,000	.023
Haiti	16,000	.036
Honduras	8,000	.018
Hungary	53,260	.121
Iceland	4,011	.009
India	750,000	1.702
Indonesia	50,000	.113
Iran	85,000	.193
Iraq	56,000	.127
Ireland	14,000	.032
Israel	64,000	.145
Italy	900,000	2.042
Ivory Coast		
Japan	400,000	.908
Jordan	24,000	.054
Korea	5,000	.011
Kuwait	50,000	.113
Laos	20,000	.045
Lebanon	20,317	.046
Liberia	25,000	.057
Libya	25,000	.057
Luxembourg	4,000	.009
Madagascar	4,051	.010
Mexico	121,000	.275
Monaco	1,519	.003
Morocco	15,000	.034
Nepal	2,000	.005
Netherlands	1,565,083	3.552
New Zealand	280,000	.635
Nicaragua	2,571	.006
Nigeria	70,008	.159
Norway	604,788	1.372
Pakistan	170,000	.386
Panama	4,000	.009
Peru	40,000	.091
Philippines	66,000	.150
Poland	100,000	.227
Portugal	30,000	.068
Rumania	16,667	.038
Saudi Arabia	25,000	.057
Senegal	16,000	.036
South Africa	10,000	.023
Spain	50,000	.113
Sudan	90,000	.204
Sweden	1,005,219	2.281
Switzerland	465,116	1.055
Thailand	38,095	.086
Tunisia	17,000	.038
Turkey	266,667	.605
Ukrainian S.S.R	250,000	.567
U.S.S.R	2,000,000	4.538
United Arab Republic	143,596	.326
United Kingdom	3,000,000	6.808
Uruguay	100,000	.227
Vatican City	1,000	.002
Venezuela	550,000	1.248
Vietnam	25,714	.058
Yugoslavia	138,000	.313
Total, other governments	23,744,178	
Local costs	2,696,716	6.119
Subtotal	26,440,894	
United States	17,627,263	40.000
Grand total	44,068,157	100.000

Mr. CLEVELAND. The balance of payments effect of the U.N. system as a whole is actually positive as far as the United States is concerned.

Mr. PASSMAN. If it were positive 10 times over, it would not wipe out the balance of payments deficit for last month. Are we not putting up dollars that are spent abroad?

U.N. EXPENDITURES IN THE UNITED STATES

Mr. CLEVELAND. More money is spent in this country by the U.N. system as a whole than we pay into the U.N. system as a whole.

Mr. PASSMAN. What do you get back when the dollars are spent? Are they shipping anything back? Is there any gold coming back in?

Mr. CLEVELAND. In effect, yes.

Mr. PASSMAN. Define it.

We gave $153.5 million last year as a contribution to international organizations. What did we get back on the boats coming back to America, or the planes, for this $153.5 million in tangibles?

Mr. CLEVELAND. That is not the point I was making.

The U.N. system as a whole is what I am talking about.

Mr. PASSMAN. How did it affect our balance of payments situation, if we did not get something back?

Mr. CLEVELAND. For the U.N. system as a whole our assessed contribution came to $84.6 million, and the estimated amount of the U.N.'s total budget that was spent in this country is $114.3 million.

Mr. PASSMAN. Spent in this country?

Mr. CLEVELAND. Yes.

Mr. PASSMAN. Let us put the two together, assessements and voluntary contributions.

Mr. CLEVELAND. If you take the voluntary contributions, the total U.S. contribution is $148.9 million proposed and the estimated procurement in the United States, or other savings in that manner, would come to about $107 million out of that.

Mr. PASSMAN. Let us add the voluntary contributions and the assessed contributions. Let's see the two of them together.

Mr. CLEVELAND. The two together would be $233.5 million as the U.S. contribution, and $221 million estimated purchases in the United States. That goes beyond the U.N. system into some of the other——

Mr. PASSMAN. Something procured in the United States and shipped out?

Mr. CLEVELAND. Yes.

Mr. PASSMAN. Did anything come back for the dollars?

Did you get any gold back, any steel? Did anything come back?

It is strictly a one-way street?

Mr. CLEVELAND. Yes.

Mr. PASSMAN. How does it help our balance-of-payments situation, if it is all traveling one way?

Mr. CLEVELAND. I say the U.N. system——

Mr. PASSMAN. Let us stay to this $221 million.

How did that help our balance-of-payments situation, if it traveled a one-way street out?

Mr. CLEVELAND. The point I was making before is that when we make these contributions, our dollars and the dollars of the other countries, and the convertible currencies of other countries, are used

to make purchases in the United States for the United Nations, and the net result is, in the case of most of the U.N. operations and certainly the system as a whole, positive. In the U.N. headquarters, for example——

Mr. PASSMAN. We want that pinned down.

Mr. CLEVELAND. Something like 55 percent of the expenditures by the U.N. headquarters up in New York is in the United States, and we put up 32 percent of that in our regular budget. It is a two-way arrangement.

Mr. PASSMAN. I do not agree with you.

EXPENDITURES OF AID FUNDS IN THE UNITED STATES

I believe that the AID, as such, put out a lot of propaganda all over the United States that this is a good program because 80 percent of all the appropriations are actually spent in the United States.

Mr. CLEVELAND. That is the way the Administrator is administering the program. That is the way he is making it come out. He is administering the program so 80 percent of the funds will be expended in this country.

Mr. PASSMAN. And there is another group that says 93 percent is expended in this country.

Mr. TENNANT. I believe Mr. Gaud said that in his area.

INVOICE PAYMENTS ON SHIPMENTS TO RECIPIENT COUNTRIES

Mr. PASSMAN. When these shipments go out of the United States, the invoices are not sent to the recipient country for them to pay out of dollars they earn from their exports, but the invoice winds up at the U.S. Treasury for payment, does it not?

Mr. CLEVELAND. Not in this program.

Mr. PASSMAN. I am talking about the foreign aid program, as such. The invoices go to the Treasury for payment, do they not?

Mr. TENNANT. On the regular aid appropriation, that is correct, sir. They are paid through banks in New York.

Mr. PASSMAN. They wind up in the U.S. Treasury and the Treasury meets the payment?

Mr. TENNANT. That is correct.

Mr. PASSMAN. If what the aid agencies are advocating as being good for America is a fact, if we doubled the aid program then we would double the amount of jobs and ship out twice as much stuff. Is it logical to follow it to that conclusion?

You people administering, you are on several advisory committees. I want to see if we understand it the same way.

Mr. CLEVELAND. As far as the international organizations are concerned, the thing special about them is, other people's contributions also get spent in the United States.

ECONOMIC EFFECT OF AID IN UNITED STATES

Mr. PASSMAN. I am speaking of the AID program.

It has been stated that 80 percent of the money we appropriate is spent in the United States. You are familiar with that statement?

Mr. CLEVELAND. Yes.

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Mr. PASSMAN. The claims are to the effect that it creates about 700,000 jobs, and it helps the economy of the United States.

Mr. CLEVELAND. Yes.

Mr. PASSMAN. Then, if we should double the amount of money, it would mean that we would double the amount of jobs and double the amount of prosperity we are getting out of these expenditures?

Mr. CLEVELAND. There are two sides to the equation.

On one side you have the positive effect of any Government expenditure—public works in this country or otherwise.

On the other side, you have the tax take that has to be taken out of American business, and we want to keep that from going any higher. As the President has just indicated, we want to get it down.

Mr. PASSMAN. It is unadulterated poppycock about this program benefiting America economically.

Why do you not go into chapter 2, that when you ship these goods out, the invoices go to the U.S. Treasury for payment by the taxpayers, and it is just that much wealth leaving the shores of the United States never to be returned.

You do not quarrel with that statement, do you?

Mr. CLEVELAND. That is quite right.

Mr. PASSMAN. Thank you.

Mr. CLEVELAND. There is another element to it where progress has been made. In previous years much more of the dollars we put into aid programs were actually spent in other people's economies, making jobs in their countries.

Mr. PASSMAN. That has caused the balance of payments to get out of kilter?

Mr. CLEVELAND. That is one of the elements, that and the military expenditures abroad.

Mr. PASSMAN. Is it not true when you spend dollars abroad, they always come home, either directly or indirectly? So, it does not make any difference whether you are spending them directly through the manufacturere or the third nation. It is something we are giving away, where it is military expenditures abroad.

There are only three things you can do with the dollar. Buy gold, buy what we produce, or accumulate them for speculation?

Is that a statement of fact?

Mr. CLEVELAND. Yes. We want to manage the whole thing in such a way other countries have only just enough dollars to buy our goods and not enough dollars to buy our gold.

Mr. PASSMAN. You said let these people have just enough dollars to buy the goods they need. Here, however, is the plight we are in substantially as a result of this vast, uncontrolled, wild, loose program:

GOLD HOLDINGS IN UNITED STATES AND FOREIGN COUNTRIES

U.S. gold holdings on December 31, 1952, amounted to $23,252 million. On December 31, 1961, our gold holdings had been reduced to $16,947 million.

We go then to foreign short-term dollar assets, "free world," and we find that they held $10.5 billion on December 31, 1952. On December 31, 1961, this total had increased to $22,558 million.

Not only had they been able to reduce our gold with our dollars, a substantial portion of which we gave to them, by $6,305 million, but they pushed their gold holdings up from $13 to $23.6 billion.

Would you like to have a copy of this tabulation for your file?

Mr. CLEVELAND. I think it would be very useful.

I think one footnote I would put on this is, that most of the countries abroad who have been able to increase their gold reserves over the past few years have been European countries, the developed countries.

Mr. PASSMAN. Do you think so?

Mr. CLEVELAND. Most of these programs have to do with the less developed countries.

Mr. PASSMAN. Do you think so?

Why do you not ask the Treasury to give you a statement for the past 5 years listing the amount of gold that new countries have bought, even some of the new African countries.

Much of our gold has been drained off by these so-called new nations, the ones we are helping the most.

Over the whole world, you will find that some of these nations would get an aid allocation perhaps in October for $15 million and in November they would buy $16 million of our gold.

CONTINGENCY FUND TRANSFER TO U.N. TECHNICAL ASSISTANCE PROGRAM

You stated that you transferred $5 million out of the President's contingency fund over to the U.N. technical aid fund.

Mr. CLEVELAND. That is correct, sir.

Mr. PASSMAN. That fact was brought about by the fact that the other 95 participating nations, at least some of them, had increased their pledges, which required ours to be 40 percent; is that correct?

Mr. CLEVELAND. That is correct.

PLEDGES MADE IN ADVANCE OF CASH PAYMENTS

Mr. PASSMAN. Some of those nations make their pledges on a calendar year basis, do they not?

Mr. CLEVELAND. They are all made against calendar years.

Mr. PASSMAN. Some of them make their pledges 2 years in advance, do they not?

Mr. CLEVELAND. They generally do not pledge ahead. They are generally working on the current year.

Mr. PASSMAN. We had testimony to that effect yesterday. You reconcile the difference.

Mr. CLEVELAND. They make a pledge, but they do not put up the cash sometimes for a while, and we have to watch that pretty carefully because we do not want to put up our cash until they do.

Mr. PASSMAN. It was testified to yesterday that in some instances they make a 2-year pledge. It might be 2 years before you would call the money, is that correct?

Mr. CLEVELAND. Each pledge applies to the particular year.

Mr. PASSMAN. They do have 2 years in which to put up the money, do they not, when they make these pledges?

Mr. CLEVELAND. Yes, indeed.

Mr. PASSMAN. Whether it is for a 1- or 2-year pledge?

Mr. CLEVELAND. Yes. The pledges are for each year as they go along, but they have 2 years in which the pledge may be paid in, during which period we will match their contributions on a 40- to 60-percent ratio.

OBLIGATION OF U.S. FUNDS AGAINST FOREIGN PLEDGES

Mr. PASSMAN. They make a pledge and they have 2 years in which to put up the money?

Mr. CLEVELAND. That is right; yes.

Mr. PASSMAN. Why do you people have to take out of the contingency fund and build our contribution to 40 percent right off the bat?

Mr. CLEVELAND. Well, we have not passed over the funds that are involved, most of them.

Mr. PASSMAN. You obligated the funds, did you not?

Mr. CLEVELAND. We obligated the funds.

Mr. PASSMAN. They are out of our reach now; is that correct?

Mr. CLEVELAND. That is correct.

Mr. PASSMAN. Could this not carry over to fiscal year 1963?

Could you not have said, "We do not know whether the pledges will be collected, but as of this date the other 95 nations of the world who are participants have agreed within the next 2 years to pay in so much money. If so, we will need this amount"? Is it not too early to determine whether you will require $45 million?

Mr. CLEVELAND. No. The $45 million is based on what?

Mr. PASSMAN. Forty percent of other nations' pledges.

Mr. CLEVELAND. On our last possible estimate during the fiscal year 1962 of other nations' actual and expected pledges for calendar year 1962.

Mr. PASSMAN. They have 2 years in which to pay.

Mr. CLEVELAND. And so do we.

Mr. PASSMAN. They have pledged now?

Mr. CLEVELAND. They have until the end of the year to complete pledges for 1962.

Mr. PASSMAN. They have 2 years in which to pay it?

Mr. CLEVELAND. Yes.

RECORD OF PLEDGES MET BY OTHER COUNTRIES

Mr. PASSMAN. And you do not know yet whether they are going to pay in according to those pledges, do you?

Mr. CLEVELAND. Well, the record has been pretty good.

Mr. PASSMAN. "Pretty good"?

Do you have a record from which you can say these pledges have been paid in accordance to the amount pledged, whether it is 60 or 65 percent?

Mr. CLEVELAND. The record is, for 1960 pledges, the collections have been all but 0.7 percent.

Mr. PASSMAN. Let us go back to 1955 and bring it up to date.

Mr. CLEVELAND. This is 1960, 1961, and 1962; those are the years I have been involved with.

Mr. PASSMAN. We have been told previously that nations had not come up with as much money as they had pledged.

Mr. CLEVELAND. This is true on some of the U.N. accounts, but not for this program.

Mr. PASSMAN. How about the Russians? What do you do with their rubles? Also, did they increase their pledge?

Mr. CLEVELAND. No, they put up $1 million worth of rubles in the special fund in the last 2 years.

Mr. PASSMAN. Is that the amount of their pledge?

Mr. CLEVELAND. That is the amount of their pledge.

Mr. PASSMAN. The rubles are unspent, are they not?

Mr. CLEVELAND. Most of those contributed to the Special Fund are unspent. All of the amounts they contributed to the technical assistance program are being used.

(The information follows:)

UTILIZATION OF BLOC CURRENCIES IN UNITED NATIONS EXPANDED TECHNICAL ASSISTANCE PROGRAM AND SPECIAL FUND

In 1961, the bloc, excluding Cuba, contributed the equivalent of $2,606,076 to the United Nations expanded program of technical assistance, and $1,445,425 to the United Nations Special Fund.

In some cases, contributions in nonconvertible currencies present no problems, at least to the U.N. expanded program of technical assistance, and it has been found that the utilization possibilities are greater than the availability of currencies paid to meet assessments.

In 1961, the UNETAP utilized $2,488,000 worth of rubles. (This compares with the contribution by the U.S.S.R., Byelorussia, and the Ukraine of $2.3 million in rubles in the same year.) The United Nations reports that in 1961 it utilized these rubles for the following purposes: (*a*) payment of Soviet experts, $967,000; (*b*) fellowships, $481,000; and (*c*) equipment, $1,040,000.

Mr. PASSMAN. That transaction prompted an increase in our contributions because it brought the total amount up, by Russia giving her rubles?

Mr. CLEVELAND. Except we do not match the cash until the cash comes in.

Mr. PASSMAN. The rubles are considered as cash. Do they not tell you where and how to spend them?

Mr. CLEVELAND. In effect, their rubles are tied to services and goods procurable from the Soviet bloc countries.

Mr. PASSMAN. You must have Russian technicians in order to be able to spend those Russian rubles; is that not correct?

Mr. CLEVELAND. Yes.

Mr. PASSMAN. You do not have to have an American technician performing the service in order to receive our contribution, do you?

Mr. CLEVELAND. That is correct.

Mr. PASSMAN. If Russia wanted to——

Mr. CLEVELAND. On the supply side, our funds tend to be used for dollar procurement. This is less true on the technician side.

Mr. PASSMAN. Let us consider the number of nations in arrears for calendar 1961.

Mr. CLEVELAND. The pledges and contributions are here.

Mr. PASSMAN. The nations in arrears——

Mr. CLEVELAND. I was addressing myself to your previous request for the list of pledges.

Mr. PASSMAN. You answered for 1955 through 1962, inclusive.

NATIONS IN ARREARS FOR CALENDAR YEAR 1961

Tell us the number of nations that are delinquent for calendar year 1961. Would you read them into the record at this point?

Mr. CLEVELAND. Here they are. The only trouble with the foreign aid program is it involves too much paper.

Mr. PASSMAN. That certainly is one trouble with it.

Mr. CLEVELAND. This is the whole table for the Special Fund. It would take quite a while to read it.

Mr. PASSMAN. We would like to have it. The first nation?

Mr. CLEVELAND. Argentina.

Mr. PASSMAN. How much?

Mr. CLEVELAND. $96,386.

Mr. PASSMAN. That nation in 1961 bought $90 million of our gold. Next?

Mr. CLEVELAND. They have a 2-year period, and perhaps they will come up with their money. On past performance——

Mr. PASSMAN. We put up additional money while other nations are in arrears. Let us get the next one.

Mr. CLEVELAND. We have not put it up yet. We have obligated it on our books.

Mr. PASSMAN. You have taken it out of the President's contingency fund, so they could liquidate that fund. So far as we are concerned, it is out of control of Congress. It is on hand.

Give us the other nations.

Mr. CLEVELAND. Bolivia.

Mr. PASSMAN. How much in arrears?

Mr. CLEVELAND. $10,000; Central African Republic, $5,000; Ecuador, $40,000; Ethiopia, $29,000; Guatemala, $8,000.

These are all dollar equivalents.

Haiti, $14,000; Honduras, $5,000; Italy, $1,350,000.

Mr. PASSMAN. I think Italy has about $4 billion in gold reserves.

Mr. CLEVELAND. They will be paying up. They normally do.

Panama, $1,000.

United States of America pledged $19,524,805.

Mr. PASSMAN. Are you putting the United States as being delinquent in its payments?

Mr. CLEVELAND. I am saying we have not paid over as much as our pledge. That is what these figures represent—for the United States as well as the other nations.

Mr. PASSMAN. You have obligated.

Mr. CLEVELAND. It is obligated on the books of the United States, but we have not made an international transaction. This may be true of these other nations.

Mr. PASSMAN. You do not want to include the United States as being in arrears in the payments?

Mr. CLEVELAND. It is not in this sense an arrearage. We are in the same category as the other ones I am reading you.

Uruguay, $20,000.

Mr. PASSMAN. If you say they have not paid it over, we are wasting a lot of time.

Mr. CLEVELAND. Since they have not paid, it is up to us to get them them to pay. The purpose of matching is to get them to pay.

Mr. PASSMAN. Give us the rest.

Mr. CLEVELAND. So we are holding back our cash payment until their cash payment comes in.

JUSTIFICATION FOR CONTINGENCY FUND TRANSFER

Mr. PASSMAN. Are you saying that you are holding ours back until theirs is ready, and yet you transferred out of the contingency fund $5 million over to something that you could have delayed until you could have explained to the committee the reason?

Mr. CLEVELAND. We obligated in order to make good our pledge.

Mr. PASSMAN. I thought you said it was to encourage them to pay up.

Mr. CLEVELAND. We have not paid it over. We have obligated it in order to show our pledge is real and we have the money.

Mr. PASSMAN. You could have delayed this action until fiscal year 1963 and stated, "We think we shall need money on account of thus and so."

Mr. CLEVELAND. We said for the record last year we probably would need more money and if so we would take it out of the contingency fund.

Mr. PASSMAN. You have not answered my question.

Mr. CLEVELAND. This is well covered by the legislative history of last year.

Mr. PASSMAN. I am interested in specifics.

Could you have postponed until fiscal year 1963 your request for this $5 million, then included it and said, "Here is why we need an increase"?

Would it have been in time to meet the commitments?

Mr. CLEVELAND. The expenditure commitments.

Mr. PASSMAN. It would have been?

Mr. CLEVELAND. Yes.

Mr. PASSMAN. Thank you.

You know that we know you did not have to transfer this out of the President's contingency fund in order to meet our commitments.

Do you have any more nations in arrears?

Mr. CLEVELAND. That is the end.

ASSESSMENTS FOR U.N. EMERGENCY FORCE

Mr. PASSMAN. On page 3 of your statement, you state that you need $1.3 million for the U.N. Emergency Force in the Middle East, to complete our financing for the period up to June 30, 1962; is that correct?

Mr. CLEVELAND. Yes; $1,320,000.

Mr. PASSMAN. What is our regular assessment for this purpose from January to June of 1962?

Mr. CLEVELAND. The assessment for that same period?

Mr. PASSMAN. Yes, sir.

Mr. CLEVELAND. $3,121,950.

Mr. PASSMAN. How many nations, if any, are in arrears on their contributions to the U.N. for this purpose?

Mr. CLEVELAND. For the U.N. Emergency Force, I believe 56.

Mr. PASSMAN. Fifty-six nations in arrears?

Mr. CLEVELAND. Yes.

AID RECIPIENTS IN ARREARS ON U.N. PAYMENTS

Mr. PASSMAN. All the nations you listed as being in arrears on U.N. technical aid are recipients of our aid program. Of these 56 nations in arrears, could you tell us how many are recipients of our aid program?

Or, rather than that, do you know of any that are not aid recipients? Insert those in the record. It would be a very short list.

Mr. CLEVELAND. It certainly would.

(The information requested follows:)

NATIONS IN ARREARS ON ASSESSED CONTRIBUTIONS FOR UNEF, WHICH ARE NOT RECIPIENTS OF U.S. ECONOMIC AID IN 1962

(As of July 31, 1962)

Albania	Czechoslovakia
Belgium	Hungary
Bulgaria	Rumania
Byelorussian S.S.R.	Ukrainian S.S.R.
Cuba	U.S.S.R.

Mr. PASSMAN. Off the record.

(Off the record.)

Mr. PASSMAN. This voluntary contribution of $1.3 million is to be used to reduce by up to 80 percent the January–June 1962 United Nations Emergency Fund assessments of member states least able to pay; is that correct?

Mr. CLEVELAND. That is correct.

Mr. PASSMAN. Are there 56 of them?

Mr. CLEVELAND. No, there are more than that in that category.

Mr. PASSMAN. That are unable to pay?

Mr. CLEVELAND. Yes.

Mr. PASSMAN. Could it be that is the same type of pledge you have been matching? If they are not able to pay this, can they pay the technical aid assessment?

Mr. CLEVELAND. This is a different——

Mr. PASSMAN. I know it is different.

Mr. CLEVELAND (continuing). Kettle of fish. This is one of the programs that was in an unsettled legal condition as to whether these assessments were in fact expenses of the organization within the meaning of the Charter. This question has just been settled by the World Court, as you know. This will provide a basis——

Mr. PASSMAN. That was an opinion.

Mr. CLEVELAND. It is now the law as a result of the Court decision.

U.N. BOND ISSUE TO PAY FUTURE EXPENDITURES

Mr. PASSMAN. Why would you be wanting money for bonds, then? Would this thing not work itself out without the U.N. bonds?

Mr. CLEVELAND. No, sir. There is no assessment for either UNEF, or the Congo operation, from July 1 on. The bond money is the only money available.

Mr. PASSMAN. To pay future expenditures?

Mr. CLEVELAND. From the beginning of last month on.

Mr. PASSMAN. Last year our regular assessment, plus our voluntary contribution, amounted to 41.66 percent of the program; did it not?

Mr. CLEVELAND. Yes, sir.

RISING PERCENTAGE OF U.S. CONTRIBUTION

Mr. PASSMAN. This year our percentage contribution is rising to 45.56 percent; is that correct?

Mr. CLEVELAND. Which is a reduction from 1960 when it was 48.48.

Mr. PASSMAN. We thought we had worked it down to where it would meet the other.

It was 41.66 percent during fiscal year 1962; is that correct?

Mr. CLEVELAND. That is correct, sir.

Mr. PASSMAN. It will rise to 45.56 percent during fiscal 1963?

Mr. CLEVELAND. That is correct. That is for the first half of 1962.

Mr. PASSMAN. During the same time our gold is flowing out to those who are in arrears, and they are creating favorable balance of payments while ours is still very unfavorable.

U.N.-CONGO ECONOMIC ASSISTANCE

You are requesting $34.3 million for U.N. economic assistance to the Congo?

Mr. CLEVELAND. That is correct.

VOLUNTARY CONTRIBUTIONS BY UNITED STATES

Mr. PASSMAN. How much has the United States contributed to date voluntarily to this program?

Mr. CLEVELAND. It is a total of $98,271,953 from all sources, including the Public Law 480 food program under titles I and II.

Mr. PASSMAN. Does the United States also have a bilateral program for the Congo in fiscal year 1963?

Mr. CLEVELAND. Yes, it does.

Mr. PASSMAN. The amount?

Mr. CLEVELAND. ——— proposed.

Mr. PASSMAN. Would that fact indicate a shift toward the U.N. of the U.S.-paid program for the Congo?

Mr. CLEVELAND. Actually, it has always been handled for the most part under the U.N. except for some relatively small projects.

OTHER PARTICIPATING COUNTRIES

Mr. PASSMAN. Under this type of a system, where there are 96 nations contributing to the technical aid, how many would be contributing to this program for the Congo?

Mr. CLEVELAND. In this particular case it is much smaller because only a few of the larger countries are participating at all.

The contributions to the U.N. Fund for the Congo come from 15 countries altogether, although Belgium is a major contributor of economic assistance to the Congo, but not through the Fund.

Mr. PASSMAN. Could you tell us what percent of the total the United States is contributing?

Mr. CLEVELAND. Something over 80 percent of aid channeled through the U.N. This is not done on a percentage basis.

Mr. PASSMAN. Of the 15 nations, we are contributing 80 percent of the total?

Mr. CLEVELAND. 86.33 percent so far. But if we look at economic assistance—bilateral as well as multilateral—the large Belgian contribution of some $90 million since independence reduces our total percentage input considerably.

Mr. PASSMAN. 86 percent.

RECOGNITION OF U.S. ASSISTANCE BY RECIPIENTS

For the 14 nations, if you broke it out on an even basis, it would be 1 percent each. I wonder if the nation which is putting up 1 percent or less gets as much credit as a nation putting up 86 percent, in the eyes of the people in the Congo.

Mr. CLEVELAND. I think they probably do not.

I think most of the people in the Congo are aware that most of the U.N. program comes from the United States.

Mr. PASSMAN. I think that is subject to debate.

In some of the more enlightened nations, they do not know the source of the aid.

Mr. CLEVELAND. The purpose of the exercise is results, not gratitude.

Mr. PASSMAN. I should think such knowledge and appreciation would play an important part, from our point of view.

Mr. CLEVELAND. My experience is, when people are helped, they are not always grateful even if they are made stronger.

Mr. PASSMAN. When you come down to the cold facts, those who have insulted us the most harshly are getting the greatest increases in the program for fiscal year 1963.

It gives me the idea you are right, that gratitude works in reverse in this program.

Mr. CLEVELAND. Remember the rich man who was told that a friend of his really hated him, and he said, "I do not understand why that man should hate me, I never helped him in my life."

Mr. PASSMAN. That observation might fit very well here.

U.N. TECHNICAL ASSISTANCE AND SPECIAL FUND

Now, for the U.N. technical assistance program, the estimate is $50 million for the fiscal year 1963?

Mr. CLEVELAND. That is correct.

Mr. PASSMAN. Has this amount been pledged yet?

Mr. CLEVELAND. There has not yet been a pledging conference. That happens in the late fall. This is for the calendar year 1963.

AMOUNT OF U.S. PLEDGES DETERMINED BY PRESIDENT

Mr. PASSMAN. Is the percentage of our total discretionary with our delegate?

Mr. CLEVELAND. No, sir; the delegate is an instructed delegate under the President.

Mr. PASSMAN. If he pledges 35 percent of the total, that is our obligation. It is not mandatory that he go for it?

Mr. CLEVELAND. No. What we have done in the past, and as we testified before, is to say that we will match 40 percent against 60 percent that the rest of the countries in the world do, up to a specified dollar limit.

Mr. PASSMAN. Does the delegate have any discretionary powers at all about the percentage?

Mr. CLEVELAND. No.

Mr. PASSMAN. You are testifying differently than was testified yesterday.

You only have a precedent for 40 percent, but there is nothing mandatory about it?

Mr. CLEVELAND. That is correct.

But you asked the question in terms of the delegate in New York.

Mr. PASSMAN. Yes.

Mr. CLEVELAND. The delegate does not have discretion. The President has discretion.

Mr. PASSMAN. He delegates to the delegate?

Mr. CLEVELAND. No; he could tell the delegate to pledge some other figure than 40 percent.

Mr. PASSMAN. How many Presidents do we have?

Mr. CLEVELAND. Just one.

Mr. PASSMAN. He delegates the power, and they use it; and it is the President's budget, and it is the President's everything else. I presume that is the way it is supposed to be.

Mr. CLEVELAND. That is why he has assistant secretaries.

Mr. PASSMAN. It is the assistant secretaries that do this, and not the President?

If this should be worked down, we would not object to it, if other nations wanted to increase theirs?

Mr. CLEVELAND. If we could get other nations to increase it enough, that would be a good direction to go.

Mr. PASSMAN. You do have 95 contributing?

Mr. CLEVELAND. Yes.

So far, this incentive system has been working pretty well.

Mr. PASSMAN. On whose side is the incentive?

Why should it not produce?

EFFECT OF REDUCED PERCENTAGE OF U.S. CONTRIBUTIONS

If 95 nations are putting up 60 percent, which should make it about 1¼, and Uncle Sam is putting up 40, why should it not be an incentive.

What if we limited it to 25 percent?

Mr. CLEVELAND. I think it would hurt the program.

Mr. FORD. Will the gentleman yield?

Why would it hurt the program?

Is there not any possibility these other nations freely and willingly and voluntarily would say, "Well, if the program is as good as advertised, we are going to increase our percentage"?

I do not understand why you of necessity say the program is going to be hurt.

Mr. PASSMAN. Page 5 of the background paper indicates:

It has been suggested by participating governments and by the managers of the UNTA and Special Fund programs that the 40 percent matching proviso be eliminated.

Mr. CLEVELAND. The reason they want to eliminate it, they want us to put up more than 40 percent.

Mr. PASSMAN. Do you not think they have every reason to believe they can suck us into it?

Our gullibility in the past has indicated it is not such a task to get us into such a program. Why does not our delegate get his dander up?

You say that 95 nations are putting up 60 percent?

Mr. CLEVELAND. Yes.

Mr. PASSMAN. Practically every one is a large aid-recipient nation; and poor old Uncle Sam, with a dwindling gold supply, borrowing the money to do it, with a serious balance of payments situation, is putting up 40 percent, and they want this removed so we can even go higher.

That is the purpose, is it not?

Mr. CLEVELAND. We will——

Mr. PASSMAN. That is the purpose, is it not?

Mr. CLEVELAND. And we are resisting that effectively.

Mr. PASSMAN. Off the record.

(Discussion held off the record.)

Mr. PASSMAN. I quote again:

One suggestion before us is to eliminate the 40 percent matching proviso which was instituted by the United States to stimulate pledges from other participating governments as well as to insure that the United States does not do a preponderant share of the financing.

Your statement indicates it is for one purpose and you said it is for another.

Mr. CLEVELAND. I am showing you what we are up against.

Mr. PASSMAN. Did you not say this proviso, which I first read, was one the other nations wanted so we could increase our pledge and they could decrease theirs?

Mr. CLEVELAND. Yes.

Mr. PASSMAN. You said, Mr. Cleveland, that the purpose of what I read, page 5, was that the nations wanted it in so that the United States would increase their percentage of the total.

On another page you say the United States put it in. Read your statement on page 5.

Mr. CLEVELAND. This is a suggestion by others, which we don't agree with. That is what I am saying in the statement.

Mr. PASSMAN. Prior to that you indicated the other nations wanted it in so it would force us to increase our percentage of the total.

You also testified to the contrary.

U.N. SPECIAL FUND FOR PROJECT IN POLAND

In January of this year the Associated Press reported that a special fund had been allocated of $1,020,500 to help Communist Poland set up a food research institute in Warsaw. Is that correct?

Mr. CLEVELAND. I will have to look and see the project list.

Mr. PASSMAN. All right.

Mr. CLEVELAND. The Board of the U.N. Special Fund did approve in January of 1962 a project for Poland in the field of food production, processing, and utilization, of a little over $1 million.

Mr. PASSMAN. Allocated for research?

Mr. CLEVELAND. Research and extension program.

Mr. PASSMAN. In the committee's report of last year, page 6, we stated:

> The committee endorses the language of section 620 of the Foreign Assistance Act of 1961 which proposes to restrict the United States funds to the Government of Cuba or other Communist-dominated countries. The Secretary of State and U.S. representatives are urged to use every reasonable means to prevent the constitution or initiation of multilateral projects or programs in Cuba or other Communist-dominated countries which are funded in part by contributions from the United States.

Has the State Department, or any person in authority, read the report of the committee?

Mr. CLEVELAND. Yes, sir.

Mr. PASSMAN. Even so, it was completely ignored in this case, as well as in many others.

Mr. CLEVELAND. The project was not approved by us. It was approved by an international organization.

Mr. PASSMAN. To which we contribute, and it is so stated in our report.

Mr. CLEVELAND. This is right.

Mr. PASSMAN. It looks as though we are actually wasting money printing these reports. It seems they pay no attention to us down there.

At least you are courteous. You say you have read the reports. We have had witnesses who said they had not read the reports.

Mr. CLEVELAND. Mr. Chairman, I think in the case of international organizations we have to live with a small amount of contributions to the Communist countries in order to have it a universal organization at all. We try to limit it as much as possible. We cannot take the flat political position we will not allow any international organization of which we are part to put anything into any Communist country, or the whole system would fall.

Mr. PASSMAN. Can you tell us the amount of the original request from Poland?

Mr. CLEVELAND. On this program?

Mr. PASSMAN. Yes.

Mr. CLEVELAND. I don't know, sir.

Mr. PASSMAN. I have a lot of dear friends who are Polish. Many of them are now great Americans, some of the greatest, but that does not alter the fact that Poland is a Communist nation so far as the political setup is concerned.

Mr. CLEVELAND. It is not U.S. policy to cut ourselves off entirely from these captive nations.

ASSISTANCE TO MEMBER NATIONS OF BELGRADE CONFERENCE

Mr. PASSMAN. In fiscal 1962 our contribution to 24 Belgrade conference nations was $671 million.

When we put together the estimates for fiscal 1963 for these so-called neutrals, the total had jumped up to $813,500,000, increased by $142 million, which is more than a 20-percent increase.

Those are the things that lead me to believe we do a lot of talking for public consumption and comparatively little effective acting subsequent to the talking.

Mr. CLEVELAND. I can assure you we do——

Mr. PASSMAN. You are familiar with the statements made about the mutual security recipient nations, what the President said and what Members of Congress said?

Rather than cutting back, however, we increased it for these countries by $143 million. That is the request.

Mr. CLEVELAND. I can only indicate that in this area of international organizations the bloc, taken as a whole, puts more money into these programs than the block gets out of them in projects. If we can keep a fair balance of payments that way it is already something.

Mr. PASSMAN. You include the United States in that category?

Mr. CLEVELAND. No, the Soviet bloc taken as a whole.

SOVIET BLOC CONTRIBUTIONS

Mr. PASSMAN. The Soviet bloc is always putting up rubles, and they particularly earmark those funds. They must be spent in designated countries for Russian technicians. What can they lose with that kind of skin game?

How much did they contribute to the U.N. in fiscal 1962?

Mr. CLEVELAND. Their contributions in calendar 1962 are not yet finished. In the last full period of 1961, they put up $2,606,000 for technical assistance and $1,445,000 for the Special Fund, a total of just over $4 million.

Mr. PASSMAN. What was the total of U.S. contributions in those same categories?

Mr. CLEVELAND. For 1961 it was $19 million for technical assistance.

Mr. PASSMAN. Put the two together.

Mr. CLEVELAND. And $19,500,000 for the special fund, making a total of $38,500,000.

Mr. PASSMAN. In that instance, our contribution was about nine times that of the Soviet Union's. Our actual advances were about nine times their pledges, and their pledges were in rubles restricted as to uses.

Mr. CLEVELAND. Of course, we cannot measure our interest in this business by their interest. Their interest is to destroy international organizations in which we are dominant and where we play a dominant part.

SOVIET CONTRIBUTIONS TIED TO SPECIFIC USES

Mr. PASSMAN. So often other witnesses attempt to get their appropriation up by pointing out what the Russians are doing. This is just another instance where if you pin it down it is merely conversation.

It has been testified to before that when the Russians put up their rubles they designate what country it will be spent in, and the purpose for which it can be paid, and that can be only to Russian technicians.

On that basis, this ruble account accumulates and percentagewise very little is being expended. Is that right?

Mr. CLEVELAND. I agree with you on their low percentage of contribution.

Mr. PASSMAN. Those people, from a standpoint of propaganda, get a lot of headlines; but when you pin it down, as you have here, they are long on promises and short on deliveries.

Mr. CLEVELAND. They haven't got very many headlines out of this.

Mr. PASSMAN. I speak of the overall. This is one instance where we put up nine times the amount they did. They put theirs up in their currency, designate the countries and projects, and it must be for Russian technicians.

I do not agree that is right, but they get by with it and remain as a participating member.

Mr. CLEVELAND. What I am agreeing with you about is that their performance should not be the measure of our performance.

Mr. PASSMAN. I have not suggested that it should. I want to show the hypocrisy of claims that some people make—"look what the Russians are doing."

We do not know yet what the Russians are giving. They have short-term loans at high interest, and a barter system. I have been extending the invitation for years to pin down something that they are actually giving.

Mr. CLEVELAND. They are very grudging and reluctant in these organizations.

Mr. PASSMAN. Not only here, but in other fields.

AFRICAN REGIONAL ORGANIZATIONS

COMMISSION FOR TECHNICAL COOPERATION IN AFRICA

The U.S. contribution to projects of the Commission for Technical Cooperation in Africa is estimated to be $600,000 in fiscal 1963?

Mr. CLEVELAND. That is correct.

Mr. PASSMAN. What was the amount of the U.S. contribution in fiscal 1962?

Mr. CLEVELAND. $1,525,000.

Mr. FORD. What program?

Mr. CLEVELAND. CCTA, the Commission for Technical Cooperation in Africa.

Mr. PASSMAN. How much was it for fiscal year 1962?

Mr. CLEVELAND. $1,525,000.

Mr. PASSMAN. Was that the amount of the presentation last year?

Mr. CLEVELAND. Last year it was not part of this appropriation. It was transferred——

Mr. PASSMAN. What did you justify before the committee last year? Was it $50,000, and was that why it was not listed.

Mr. NISSENBAUM. In last year's congressional presentation we had no specific line items.

In last year's presentation we presented details only on projects which were continuing from fiscal year 1961. Therefore there were $130 million unprogramed of development grants in the appropriation request. The amount in the presentation for 1961 was the costs of U.S. observers at CCTA meetings. This reference to $1.5 million was for projects initiated in 1962.

Mr. PASSMAN. We are referring to the CCTA?

Mr. NISSENBAUM. That is right.

Mr. PASSMAN. Let us read into the record what you justified.

African regions, under general and miscellaneous, paragraph 2:

The CCTA, in keeping with the desire to cooperate with the CCTA and ICA, has provided U.S. experts and consultants to a number of technical meetings in a variety of fields, for instance, Trypanosomiasis, use of radioisotopes and vocational selections sets, $50,000.

Mr. NISSENBAUM. Yes, sir.

Mr. PASSMAN. You actually allocated $1,525,000?

Mr. NISSENBAUM. That was the amount of the obligation for fiscal 1962; that is correct.

(Discussion held off the record.)

Mr. PASSMAN. You programed $1,525,000. What projects are being financed in part by this contribution in fiscal 1963?

Mr. NISSENBAUM. The same three projects will continue, as well as two additional ones. The rinderpest control will continue. Bovine pleuropneumonia will continue, and finally an oceanographic survey of the Gulf of Guinea.

BILATERAL PROGRAMS IN AFRICA

Mr. PASSMAN. What is the amount of the U.S. bilateral programs in fiscal 1963?

Mr. NISSENBAUM. Africa regional portion?

Mr. PASSMAN. The total.

Mr. NISSENBAUM. Total bilateral programs for Africa comprise approximately $350 million in all categories.

Mr. PASSMAN. Our share of that program is $350 million?

Mr. NISSENBAUM. Yes, sir; in development loans and development grants.

Mr. TENNANT. That is the total African program under bilateral programs.

Mr. CLEVELAND. There is a question I would like to consult you about. This program was transferred into the "Contributions to international organizations" appropriation this year on the ground that everything that was a contribution to an international organization ought to be in this chapter.

Where it fits as a matter of substance is in the regional program, as does the Indus waters project.

Mr. PASSMAN. If we ever get the U.N. to where you will have every region in the world down on this thing, then 12 months would not be sufficient time in which to hold hearings. We have to go along. Last year we thought we would cooperate by not making a line item appropriation. You see what has happened as a result of that action.

Undoubtedly if we are dealing with a request of this one item, and that is mutual security, which is only one of many facets, we get $153,500,000 out of your part; if you and your people here cannot justify that request, you can imagine what we are up against when we get into billions and billions of dollars.

Mr. CLEVELAND. I am wondering whether it would not make more sense to present that to you another year as part of the African program rather than to have so many cats and dogs in this appropriation, and hold this appropriation primarily for the worldwide organizations which do not fit into any region.

Mr. PASSMAN. Of course, you brought this on yourself. I speak of the Agency and not you personally. I speak of the way you handled

it when we cut you loose. You just about lost control of it, and it is a sure thing that we did.

Asian Productivity Organization

Two hundred thousand dollars is requested for fiscal 1963 appropriations for the Asian Productivity Organization. Under what appropriation did this Organization receive its first and second appropriations from the United States?

Mr. Durso. In fiscal year 1961 from technical assistance. In fiscal year 1962 it was originally presented to Congress in the President's request as part of the "Development grant" appropriation, but later it was funded under chapter III, that is, "Contributions to international organizations."

Mr. Passman. Really another mixup, then. You justified it one place and funded it from another. Is that correct?

Mr. Durso. No, sir. We justified it on the basis of the requirement as we saw it.

Mr. Passman. Is that technical aid? It was justified as a technical-aid item.

Mr. Durso. In the original fiscal year 1962 presentation to Congress we included the request as a Far East regional project.

Later, as a result of the hearings——

Mr. Passman. From what account did you get the funds?

Mr. Durso. Development grants in fiscal 1962, as proposed. The funds as actually provided in fiscal 1962 came from chapter III, the appropriation which is under Mr. Cleveland.

Mr. Passman. Contributions?

Mr. Durso. That is right. The shift was made as the result of the legislation as it was finally approved.

Mr. Passman. If we were pulling teeth and had no novocain, there would be a lot of pain in this room.

Mr. Tennant. The shift was made pursuant to the decision of our counsel which you read this morning indicating they thought the items should come out of chapter 3 of the act.

Mr. Passman. Do you not think that you made a mistake in letting us have Rubin's decision?

Mr. Tennant. No.

Mr. Miller. We like to provide as full information as we can to the committee at all times.

Mr. Passman. This was not presented to the committee by the new counsel. The new counsel wanted to get us an interpretation of the ruling. He wanted to give us a ruling on the ruling. We vetoed that proposal and let the ruling speak for itself, but you are very cooperative.

Why did you allocate $200,000 to this Organization for 1962 in view of the fact that you allocated $158,000 to the Organization on June 23, 1961, which was enough to run the agency for 1 year?

Mr. Durso. The Organization came into being in April of 1961, as you know, sir. The program was approved by the governing body and funds were allocated by AID in June of 1961.

Mr. Passman. On June 23 you gave them $158,000?

Mr. Durso. That is right.

Mr. PASSMAN. Seven days later did you give them $200,000?

Mr. DURSO. No, sir. You are speaking of the $200,000 which came from fiscal year 1962?

Mr. PASSMAN. That is right.

OBLIGATION FOR THE ASIAN PRODUCTIVITY ORGANIZATION ON A CALENDAR YEAR BASIS

Mr. DURSO. No, sir. Funds for 1962 were obligated just this past June. They are on a calendar year basis. This amount is for the APO's calendar year 1962 program.

The funds provided by AID in fiscal year 1961 were for the APO's calendar 1961 program for that year.

Mr. PASSMAN. Approved and allocated, $158 million, June 23; $7,000 approved earlier in 1961. Are you not working a little fast?

You have a very small organization coming into being, and you had 34 days to go and you allocated $165,000 for the 34 days.

It was stated that this would carry the Organization through the first year's budget.

Mr. DURSO. Calendar year 1961 program.

Mr. PASSMAN. What did you use the other money for, the $200,000?

Mr. DURSO. That statement refers to the requirement which we included in our fiscal year 1962 budget for their calendar year 1962 program. This ran through December 31 of 1962.

Mr. PASSMAN. Then the $200,000 is for calendar year 1963?

Mr. DURSO. The amount included in AID's 1963 budget corresponds to the APO's calendar year 1963 program.

Mr. PASSMAN. It is for 1963?

Mr. DURSO. That is right.

They are on a calendar year basis.

Mr. PASSMAN. Let me see how fouled up you are getting it. I quote from our hearings:

> Mr. FOWLER. We are requesting appropriation authority.
>
> Mr. PASSMAN. If we should specifically deny that, you would have money to go for a year?
>
> Mr. FOWLER. Yes.

This speaks for itself.

Mr. CLEVELAND. For 1 year.

Mr. DURSO. One year.

Mr. PASSMAN. That is for the past fiscal year. Then you added $200,000 to it.

Mr. DURSO. $211,000, which they are now proceeding to implement this year, Mr. Chairman.

Mr. PASSMAN. Again you were working fast. You could just as easily have justified it when you came before the committee this year, could you not? You transferred it out of one of the grant funds set up for another purpose into the U.N., did you not, referring to the $200,000?

Mr. DURSO. I shall have to defer to Mr. Cleveland.

Mr. CLEVELAND. Mr. Chairman, we have been trying very hard to get our requests to you and our financing on a basis where we come to you before we have to go to a pledging conference or a commitment conference.

Mr. PASSMAN. You see what happens when we eliminate a line item appropriation.

Mr. CLEVELAND. This is so we can participate together in deciding what those figures should be before the U.S. delegate makes an irrevocable commitment at a meeting.

If we did it a year later we would have to make the commitment before coming up here and consulting the committee.

Mr. PASSMAN. You have no pledge or commitment at all when you get the money.

Mr. CLEVELAND. That is right.

Mr. PASSMAN. You transferred this money out of one of the direct aid funds?

Mr. CLEVELAND. Development grants.

Mr. PASSMAN. I can see now, as Mr. Rhodes indicated, that perhaps technically you can do this. If there were not so many segments you would be in complete violation. In this instance you transferred over 100 percent, and not 20 percent.

Mr. DURSO. My understanding is that this was the result of a decision reached and mutually agreed to.

Mr. PASSMAN. Not by this committee.

Mr. TENNANT. This was an Agency interpretation of the language of the statute.

FLEXIBILITY OF AID PROGRAM

Mr. PASSMAN. We already agreed that this is a flexible program of flexibilities.

Mr. TENNANT. I indicated there was some flexibility in the legislation, sir.

Mr. MILLER. In this particular instance, Mr. Chairman, it is my understanding that it was funded under chapter 3 of the existing legislation because, as you noted in the section-by-section analysis, there had been a determination that under the statute it should be funded thereunder.

There was a program presented to this committee last fall, a year ago, and that amount——

Mr. PASSMAN. I think your interpretation is broad enough to give the Congo this building we are meeting in, if you had any way of getting it over to them. It is now so flexible that I am not aware of anything you could not do under it.

UNITED NATIONS CHILDREN'S FUND

COUNTRIES AND TERRITORIES ASSISTED

What countries have UNICEF projects in these areas?

Supply that information for the record.

(The information requested follows:)

COUNTRIES AND TERRITORIES ASSISTED BY UNICEF AS OF CLOSE OF BOARD SESSION JUNE 1962

Since inception of the Fund, 137 countries and territories have received UNICEF aid. Listed below are 115 countries and territories currently assisted. "Currently assisted countries" are those in which a UNICEF-assisted project is in operation or to which an allocation has been made but supplies have not yet been sent.

AFRICA (37)

Algeria
Basutoland
Burundi
Cameroun
Central African Republic
Chad
Comoro Islands
Congo (Brazzaville)
Congo (Léopoldville)
Dahomey
Gabon
Gambia
Ghana
Guinea
Ivory Coast
Kenya
Liberia
Malagasy Republic
Mali
Mauritania
Mauritius
Morocco
Niger
Nigeria
Nyasaland
Rwanda
St. Helena
Senegal
Seychelles
Sierra Leone
Swaziland
Tanganyika
Togo
Tunisia
Uganda
Upper Volta
Zanzibar

ASIA (23)

Afghanistan
Burma
Cambodia
Ceylon
China
Hong Kong
India
Indonesia
Japan
Korea, Republic of
Laos
Malaya, Federation of
Netherlands New Guinea
North Borneo
Pakistan
Philippines
Sarawak
Singapore
Solomon Islands
Thailand
Tonga
Vietnam, Republic of
Western Samoa under New Zealand administration

EASTERN MEDITERRANEAN (17)

Aden: Colony
Aden: Protectorate
Cyprus
Ethiopia
Iran
Iraq
Israel
Jordan
Lebanon
Libya
Saudi Arabia
Somali Republic
Sudan
Syria
Turkey
United Arab Republic
Yemen

EUROPE (5)

Greece
Italy
Poland
Spain
Yugoslavia

THE AMERICAS (33)

Argentina
Bolivia
Brazil
British Guiana
British Honduras
Chile
Colombia
Costa Rica
Cuba
Dominican Republic
Ecuador
El Salvador
Guatemala
Haiti
Honduras
Mexico
Nicaragua
Panama
Paraguay
Peru
Surinam
Uruguay
The West Indies:
Antigua
Barbados
Dominica
Grenada
Jamaica
Montserrat
St. Kitts-Nevis-Anguilla
St. Lucia
St. Vincent
Trinidad and Tobago
Turks and Caicos

U.N. Relief and Works Agency for Palestine Refugees

Mr. Passman. The U.N. Relief and Works Agency: $17.2 million, plus $7.5 million in Public Law 480 commodities.

In view of your statement that neither Israel nor the Arab States have during the past year come appreciably closer to a solution of this refugee problem, what is the situation with regard to the refugees out there?

Mr. Cleveland. It is very bleak unless a solution can be found. An attempt at solution is being worked out, by Dr. Johnson, the special representative of the Palestine Reconcilation Commission.

As you know, this is one of the most difficult problems we have in American foreign policy. You cannot let go of it, and yet you cannot solve it without the Arabs and Israeli agreeing.

It is an attempt to get some minimum agreement on beginning the process of either having the refugees trickle back into Israel or be compensated and resettled elsewhere that we are trying to work out.

You are impatient with it, and so am I.

Mr. Passman. There is no progress being made there. We are making ourselves party to a program that is impossible.

Are we ever going to reach the day when we tell our Arab friends how this thing is going, so they may just become reconciled to the facts of life and make up their minds to go elsewhere?

Mr. Cleveland. That is what we are pushing toward in this Johnson mission.

Mr. Passman. But you have been pushing in that direction ever since the situation developed, have you not?

Mr. Cleveland. This is a new initiative on the part of this administration.

AID TO UAR AND ISRAEL

Mr. Ford. I find some conflict there. In fiscal 1962 we increased funds to the United Arab Republic from $2 million to $41 million. I don't see how you reconcile that dollar situation with the statement you just made.

Mr. Cleveland. That didn't buy peace with Israel.

Mr. Ford. You tended to agree with a statement made by the chairman, and yet the executive branch of our Government seems to be

acting contrary to that by increasing funds to the United Arab Republic in fiscal 1962 compared to fiscal 1961.

Mr. CLEVELAND. That bilateral program is not related to these Palestine refugees.

Mr. FORD. But it is the Government policy. I hope the policy is related, bilateral and——

Mr. CLEVELAND. We have aid programs on both sides of that fight. The trouble is that we cannot get them to settle the fight.

Mr. FORD. So we go ahead and increase from a ratio of 2 to 41 the funds for one of the participants in the fight and we get no progress.

Mr. CLEVELAND. The two things really were not tied together.

Mr. FORD. I am sure of that. The record is clear.

What I think the chairman is saying and what many Americans are saying is that they should be tied together. I find no evidence—comparing fiscal 1961 to fiscal 1962—they are being tied together.

PLIGHT OF THE REFUGEES

Mr. PASSMAN. I speak as an individual who has been out there numerous times. On one of my trips to Jordan we drove up to one of these refugee camps. Word came through they wanted to have a little meeting with the delegation.

I took a tour of this hill and observed the poverty in which these people are actually living, and I have had nothing but profound sympathy for them since. They are starving to death, and you know it.

You are rearing generations, at least one generation, and they are on such short rations that if a child dies they might bury it right in a pit where they are living, so they will continue to get that ration.

For the United States to be cognizant of that situation and not be forthright, and just tell those people that this is a proposition that will never be solved—I do not know who is right or wrong—is unbelievable.

Two or three of the refugees marched me up on a hill. One said, "See that house? That's mine. I want it back." It was across the border. Another pointed to a farm and made the same type of comment. Then they started crying.

Regardless of who is right or wrong, those people know they will not get the house back as well as you know your name is Cleveland.

Mr. CLEVELAND. That is right.

Mr. PASSMAN. They ought to be told.

I do not know how many votes you would get, but if you came clean with those people and let them know the score, you would come before this committee for funds to relocate them; you would have at least one vote to get the funds. But, to keep bringing them up in poverty, rearing a generation in those little pens—you have been out there?

Mr. CLEVELAND. Yes, sir.

Mr. PASSMAN. Sometimes there are four or five in nothing more than what we would refer to as a hog pen, with a little tarpaulin over the top of it. They are starving to death.

They ought to be told the facts as they are, and action should be taken accordingly.

Mr. CLEVELAND. Mr. Chairman, a year and a half ago at the beginning of the new administration, we took a look at this situation.

I made about the same type of speech you just made, in the same tone of voice, though not as eloquently.

Mr. PASSMAN. Thank you.

Mr. CLEVELAND. I must say that we have started a process. We hope it will work.

REVIVAL OF PALESTINE RECONCILIATION COMMISSION

We revived the Palestine Reconciliation Commission for the purpose of going to work on this problem.

It may not turn out to be successful because when you get in between two fellows who have been fighting as long as they have sometimes only the referee gets burned.

Mr. PASSMAN. In Mr. Truman's administration they tried to solve it. I do not know of anything the Eisenhower administration worked any harder on, or assigned any more intelligent people to, than they did on that program. They made no progress.

Mr. CLEVELAND. That is right.

Mr. PASSMAN. I do not know whether you will make progress under the Kennedy administration until you inform these people of what they are up against.

Instead of informing them, however, you are increasing the amount.

Mr. CLEVELAND. What we are working toward now is a process which would hopefully give them a real alternative of compensation or repatriation. This is a new effort.

Whether it comes off or not is a different thing.

Mr. PASSMAN. I do not think they have ever been told the truth. Those people still are led to believe they will get back their properties. I am not taking sides, but I believe they should be compensated and relocated.

You know there is no willingness on the part of our friends on the other side to compensate them. But, they ought to say, "No, we will not give you anything." Let it be known. Let us not keep holding out hope for those people that they will regain their former status.

NATO SCIENCE PROGRAM

NATO science, $1,530,000: Is that figure correct?

Mr. CLEVELAND. Yes, sir.

Mr. PASSMAN. Is this the reactor program?

Mr. CLEVELAND. No, sir; this is scientific research.

Mr. PASSMAN. Can you list for the record the contribution of member NATO nations to each category of the program?

Mr. CLEVELAND. Yes, sir.

(The information requested follows:)

Contributions by member countries to the NATO science program, 1962

Country	Fellowships and institutes	Research grants	Total gross
Belgium	$62,928	$24,494	$87,422
Canada	140,857	49,673	190,530
Denmark	38,394	14,131	52,525
France	373,710	146,449	520,159
Germany	413,036	137,885	550,921
Greece	11,360	3,340	14,700
Iceland	2,681	428	3,109
Italy	151,310	51,043	202,353
Luxembourg	2,772	771	3,543
Netherlands	60,428	24,408	84,836
Norway	29,081	9,849	38,930
Portugal	17,267	5,567	22,834
Turkey	43,394	14,131	57,525
United Kingdom	424,824	167,004	591,828
United States	1,181,362	207,256	1,388,618
Total	2,953,404	856,429	3,809,833

International Atomic Energy Agency

Mr. Passman. The International Atomic Energy Agency, $1,250,000—is that correct?

Mr. Cleveland. Yes, sir.

Mr. Passman. Is that for the reactor program?

Mr. Cleveland. It used to be for the reactor program.

Mr. Passman. This was one of the most mismanaged of all the programs.

Mr. Cleveland. This is Mr. Thomas.

Termination of reactor program

Mr. Thomas. The reactor program you speak of was discontinued in 19——

Mr. Passman. Who can I congratulate?

Mr. Thomas. I think yourself to a certain extent.

Mr. Passman. Thank you.

Go right ahead.

Mr. Thomas. That was discontinued and the last grant under that program, a special atoms-for-peace program, was given last year.

The money we are asking for here is $750,000 as a contribution to the operational program of the International Atomic Energy Agency.

Mr. Passman. This is not a fellowship program, is it?

Mr. Thomas. They have a fellowship program.

Mr. Passman. What is that?

Mr. Thomas. The International Atomic Energy Agency fellowships are a part of the $750,000 we are requesting.

Mr. Passman. It is financed to the tune of about $350,000?

Mr. Thomas. That is an additional request, sir, for fellowship funds which we give unilaterally for placement in the United States.

Mr. PASSMAN. What is the amount of our contribution?

Mr. THOMAS. This is a voluntary contribution in kind. In 1960, however, the $350,000 we gave amounted to 44 percent of the total contributions awarded in kind by member states.

Mr. PASSMAN. Forty-four percent?

Mr. THOMAS. In 1959 it was 66 percent. In 1960 it was 44 percent. In 1961 it was 31 percent.

Mr. PASSMAN. What would be our percentage in 1963?

Mr. THOMAS. We won't know until other governments have made their pledges.

Mr. CLEVELAND. On the regular assessment our contribution to the whole program is 32.27 percent.

Mr. PASSMAN. Would these agencies not survive and do better if they were tightly controlled? There are 100 nations participating. If we got down to 10, 15, or 20 percent, and said, "This is it," would it not be better?

You were up to 46 percent and went down to 31 percent. You do not know what it will be until you get other commitments. Is that correct?

Mr. THOMAS. This is a voluntary contribution.

Mr. PASSMAN. You do not know what ours will be until you find out what others will do. It could go back up to 75 percent?

Mr. THOMAS. It could but it is improbable. The first year it was 66, the second year 44——

Mr. PASSMAN. It was 66 percent the first year?

Mr. THOMAS. When it started.

Mr. PASSMAN. How many students from bloc countries received fellowships? I refer to U.S. fellowships.

Mr. THOMAS. The total since the program began was 17. At the present moment as a result of comments you made 2 years ago there are no bloc students in the United States.

Mr. PASSMAN. You have 150 requested as experts and consultants. What is an expert?

Mr. THOMAS. Usually scientists who attend meetings sponsored by the International Atomic Energy Agency to discuss various problems.

They are also scientists who visit certain underdeveloped countries who have these research reactors, to help them to operate them profitably and usefully.

Mr. PASSMAN. Off the record.

(Discussion held off the record.)

Mr. THOMAS. The exchange of knowledge and scientific data between the East and West has been found profitable for our scientists as well as for the others.

Mr. PASSMAN. Let us hope so.

Mr. THOMAS. The cost varies depending on where the meeting is. I haven't any average figures.

Mr. Passman. The World Health Organization, $500,000: Is that correct?

Mr. Cleveland. That is right, for medical research.

Dr. James Watt, of the Public Health Service, is here with me.

Mr. Passman. Is that figure correct?

Dr. Watt. That is correct.

Mr. Passman. This program has been underway for a long time?

Dr. Watt. It has been going for about 3 or 4 years, sir.

Mr. Passman. What is its function?

Dr. Watt. The function of the research program is to get information about medical problems around the world.

In creating this program we have been very hopeful and very effective in getting information about medical activities in different parts of the world to permit comparison with problems in this country.

A good example is the work which was initiated in the Louisiana State Medical School by the late Dr. Holman studying arteriosclerosis. He was particularly interested in finding out how much of the damage to our blood vessels was also true in other parts of the world where mortality rates are different.

The first undertaking of this program was to develop centers which would permit this type of comparison in different parts of the world.

It was begun first in this country and now we are getting similar tissue exchanges from pathologists from all parts of the world.

Mr. Passman. You are an M.D.?

Dr. Watt. Yes, sir.

Mr. Passman. In what year did this program start?

Dr. Watt. 1959.

Mr. Passman. What sum did you have for the program in fiscal year 1959?

Mr. Cleveland. Out of this appropriation there was nothing. There was an appropriation out of HEW funds for $300,000 that first year.

Fiscal 1960.

Dr. Watt. That was a voluntary contribution.

Mr. Passman. We are trying to find out how rapidly the organization is growing, and whether it is a permanent organization.

Dr. Watt. The first contribution of $300,000 was to finance a study of the nature and scope of medical research activities which could profitably be undertaken by WHO. They had not been carrying on an active research program prior to that time.

The first grant was to permit planning and development of a medical research program.

The second year, after this planning money was granted, saw the beginning of the actual program of the WHO and this gradually has been absorbed into their regular budget.

We have been giving a voluntary contribution to increase the potential as this capability is being built up.

In my opinion it is an extraordinarily valuable thing for us in medical research.

Mr. Passman. What has been the cost?

Whad did you have the first year of its operation—$300,000 in fiscal 1959?

Mr. CLEVELAND. In 1959, $300,000.

In 1960 a total of $782,000, of which only $500,000 came out of this appropriation.

The 1961 amount was $500,000 from this appropriation.

In 1962 it was $500,000.

Mr. PASSMAN. Can you give us a total allocated to the World Health Organization, regardless of the source?

Mr. CLEVELAND. Yes, sir.

Mr. PASSMAN. Then put the percentage of the U.S. contribution.

Mr. CLEVELAND. Very well.

(The information follows:)

Contributions to World Health Organization medical research programs

Year	State regular budget	State voluntary	National Institutes of Health	Health, Education, and Welfare	Total United States	Non-United States	Grand total
1959				$300,000	$300,000		$300,000
1960	$160,000	$500,000	$282,940		942,940	$340,000	1,282,940
1961	240,000	500,000	549,000		1,289,000	[1] 514,833	1,803,833
1962	320,000	500,000	330,000		1,150,000	680,000	1,830,000
Total	720,000	1,500,000	1,161,940	300,000	3,681,940	1,534,833	5,216,773

[1] Including voluntary contribution by Sweden of $4,833.

NOTE.—The U.S. percentage of total contributions to the World Health Organization's medical research activities through fiscal year 1962 stands at 70.58 percent.

OTHER U.S. FUNDS FOR WORLD HEALTH ORGANIZATION

Mr. PASSMAN. Does this organization receive funds from any other U.S. agency, other than through this committee?

Mr. CLEVELAND. Yes, sir, the National Institutes of Health under arrangements that Dr. Watt can describe.

Mr. PASSMAN. How much?

Mr. CLEVELAND. In 1960, $282,940; in 1961, $549,000; in 1962 it was $330,000.

Mr. PASSMAN. How about HEW?

Mr. CLEVELAND. Only that first year.

Dr. WATT. The National Institutes of Health are part of HEW.

Mr. PASSMAN. This program is another element of foreign aid.

Dr. WATT. There is quite a difference in the way those funds are granted.

Mr. PASSMAN. If you just get it out of one U.S. agency we would come nearer to keeping up with the costs.

Why do you not keep your request before one agency of the U.S. Government? In that way we could keep up with it.

If you draw from other appropriations, they do not know what you are spending, and we do not, either, unless we take a list of them and go through it.

Mr. ANDREWS. Doctor, can you tell us this: This program has been underway 3 or 4 years?

Dr. WATT. Yes, sir.

ACCOMPLISHMENTS OF THE WHO PROGRAM

Mr. ANDREWS. Can you tell us of something concrete you can put your finger on which has been accomplished with this program?

Dr. WATT. I can give you some specific examples of information we are getting which is very valuable, sir. I mention this one on the exchange of tissue in arteriosclerosis.

We found when we first started this program that it was virtually impossible for pathologists in different parts of the world to read each other's papers and understand each other because they were using different standards for their studies in their own laboratories.

This particular organizational work through the WHO has made it possible for these pathologists to exchange those tissues in different parts of the world and thus be able to communicate their findings so they understand each other and can get on with their own work and permit this type of comparison. This is one example.

Another is that exchange of information which is possible on viruses, such as influenza. We have centers all over the world now which have been established, and which communicate with each other, through the help of this program.

When a change in character of the virus takes place this will be detected wherever it is.

This will immediately be identified in a laboratory and this will be sent to laboratories all over the world.

We will be able to modify our own vaccine to contain this new component just as soon as this information is passed to us. We can today move this information to the different centers faster than people travel, we hope.

Mr. ANDREWS. Did your organization have anything to do with the epidemic of so-called Asiatic flu a year or two ago?

Dr. WATT. The Asiatic flu was one of the best examples I know of scientific information getting around the world quickly.

We got in this country an actual sample of the virus through exchange with these labs which made it possible to build that component into our vaccine before it actually appeared in this country.

We didn't get it out fast enough to prevent a major amount of influenza in this country because the machinery still is not working that well, but the basic elements for this type of comparison are being built.

Mr. ANDREWS. Does your organization duplicate any work done by any other international or national organization?

COORDINATION AMONG SCIENTISTS TO AVOID DUPLICATION

Dr. WATT. If you refer to the WHO, sir, we don't duplicate the work of other organizations. One of the main reasons for this work is to permit coordination of work. There can be an awful lot of duplication in laboratories in different parts of the world unless they know and understand each other's progress in the field.

One of the main uses of this fund is to permit coordination between the scientists in different parts of the world so that they can avoid unnecessary duplication and can, in fact, make use of their findings more quickly than would otherwise be possible.

Mr. ANDREWS. You mentioned laboratories scattered throughout the world.

Dr. WATT. Yes, sir.

Mr. ANDREWS. Are they financed by the World Health Organization?

Dr. WATT. Most of the costs of the laboratory are financed by the country where it is located. It is usually done with a laboratory. I can illustrate it best in this way: We have a communicable disease center in Georgia. We have a laboratory for the diagnosis of diarrheal diseases. They have a small grant from the World Health Organization as part of the money coming to them, which permits them to take on the added costs of exchange between countries. They carry their own work in their own country.

The international center is in Copenhagen. In Copenhagen they also carry as part of the Serum Institute the basic work for that country, but the World Health Organization funds support the additional costs which will transmit this information from one country to the other and exchange the information back and forth.

COORDINATION FUNCTIONS OF WHO

Mr. ANDREWS. In other words, your organization is more engaged in the dissemination of information than it is to actually do research?

Dr. WATT. I would say an important part of the program is arranging for the coordination of research. Its basic function is to permit scientists to coordinate their activities so they can be more efficient. It is more a facilitating of the research of the scientists than actual doing of it by a scientist in a laboratory, although the program also includes grants for that purpose.

Mr. ANDREWS. You have no laboratory where your people do the research?

Dr. WATT. That is correct. There is no WHO laboratory as such.

Mr. ANDREWS. You coordinate the findings of the laboratories scattered throughout the world and then pass that information on?

Dr. WATT. That is right, sir. It is one of the main areas where the Organization can be helpful.

For example, in this big to-do on thalidomide we have had recently, if there had been a better means of international reporting—reporting these unusual events to a single place, we would have realized this unusual occurrence much sooner than we did.

Mr. ANDREWS. Did your organization take any part in that thalidomide case?

Dr. WATT. Only indirectly in that the information about this is being brought into Geneva through an informal report, but there is no required basis for it at the present time.

Mr. ANDREWS. Where are the headquarters for the World Health Organization?

Dr. WATT. In Geneva, sir.

Mr. ANDREWS. That is, all, Mr. Chairman.

Mr. PASSMAN. Thank you, Doctor.

Mr. Natcher has agreed to yield to our esteemed colleague, Mr. Ford.

U.S. Contributions to Congo Military Operations

Mr. Ford. In the testimony in the hearings for the purpose of the United Nations bonds, on page 79, it shows the U.S. contributions to the Congo military operation through June 30, 1960, was $114,489,290.

Mr. Cleveland. That is correct, sir.

Mr. Ford. I have before me the statement to which I referred this morning showing the statement of costs incurred by the Department of Defense as of June 30, 1962, in support of the United Nations operations in the Congo. That shows the total cost to DOD of $28,630,000. Is the $28,630,000 reflected in the $114,489,290?

Mr. Cleveland. It is reflected in the U.N. expenditure amout. It is reflected in what the United Nations has needed and the figure you are reading is for the June 30 date, the billed amount of services by the Department of Defense toward the United Nations total activity.

Mr. Ford. The question was: Is the $28 million reflected in the $114 million?

Mr. Cleveland. No, sir.

Mr. Ford. Why not?

DOD expenditures reimbursable by the U.N.

Mr. Cleveland. Because this $114 million is our contribution to the United Nations pot. The $28 million is services performed for the United Nations by the Department of Defense for which the United Nations reimburses the Department of Defense. Your figure for that date is the reimbursable billed portion.

Mr. Ford. The chart on page 79 is the U.S. contribution——

Mr. Cleveland. To the central pot.

Mr. Ford. Is this $28 million shown on the latest audited report of the United Nations?

Mr. Ziehl. You have the amount actually billed to the United Nations as of June 30, 1962—the amount actually billed?

Mr. Ford. This is from Maj. Gen. R. S. Moore, U.S. Army, retired, Special Assistant to the Comptroller, Department of Defense. The balance owing of billed costs is $25,064,600. The unbilled part is $3,565,400, making a total owed of $28,630,000.

What part of that, if any, is reflected in the last audited report of the United Nations?

Mr. Ziehl. The audited report of the United Nations as of June 30 has not yet been received but is expected by the end of this week.

Mr. Ford. Will you see that this committee gets a copy of that by Monday?

Mr. Ziehl. Yes. I expect to have it on my desk this week, and you certainly will have it by Monday.

(The information follows:)

Department of Defense Supplies and Services Furnished to the United Nations for Peacekeeping Operations as of June 30, 1962, for Which DOD Is To Be Reimbursed

The Deparment of State has inquired of both the United Nations and the U.S. Department of Defense concerning estimates of Department of Defense obligations for U.N. operations in the Congo as of June 30, 1962. The overall conclusion is that the Department of Defense agrees that the estimates of the United Nations appear to be reasonable and accurate provisional estimates.

The following table gives the key figures concerning Department of Defense obligations and expenditures for U.N. peacekeeping operations.

The Department of State understands that the United Nations and the Department of Defense agree for the UNOC account that bills submitted, but unpaid as of June 30, 1962, were $24,502,922, and that the U.N. estimate of $12,611,078 as obligated but unbilled as of June 30, 1962, appears to be a reasonable and accurate provisional estimate. The total of these figures is $37,114,000, which is the amount shown as unliquidated obligations for UNOC in the U.N. financial statement as of June 30, 1962.

The Department of State understands that the amounts shown for UNEF in the table are also agreed figures.

Department of Defense supplies and services furnished for United Nations peacekeeping operations as of June 30, 1962

	UNEF	UNOC	Total
Bills paid by United Nations [1]	$6,796,212	$5,824,834	$12,621,046
Unliquidated obligations (estimated) [2]	[3] 802,000	[4] 37,114,000	37,916,000
Total, Department of Defense expenditures for which United Nations reimbursement was not waived	7,598,212	42,938,834	50,537,046
Department of Defense expenditures for which United Nations reimbursement was waived	1,191,581	[5] 10,317,622	11,509,203
Grand total, Department of Defense expenditures	8,789,793	[6] 53,256,456	62,046,249

[1] Source: Department of Defense.

[2] Source: United Nations (latest analysis of U.N. financial position is as of June 30, 1962).

[3] See the following:

The United States has billed the U.N. but not been paid as of June 30, 1962, for UNEF	$738,461
Estimated amount due but unbilled was	63,539
Total unliquidated obligations (provisional estimates)	802,000

[4] See the following:

The United States has billed the U.N. but not been paid as of June 30, 1962, for UNOC	$24,502,922
Estimated amount due but unbilled was	12,611,078
Total unliquidated obligations (provisional estimates)	37,114,000

[5] Department of Defense was repaid $10,317,622 from fiscal year 1961 MSA contingency funds. However, the amount has by mutual agreement been included in both U.S. and U.N. statements of "voluntary contributions." It is reflected as a part of the 49.94 percent U.S. contribution to the U.N. Congo budget for calendar year 1960.

[6] Department of Defense incurred certain additional costs in the Congo apart from the above peacekeeping operations:

Airlift of foodstuffs for famine relief: Reimbursement by the Department of State to the Department of Defense	$721,953
Airlift evacuation of troops and civilians from the Congo:	
Reimbursed to the Department of Defense	139,265
Billed to Department of State, but unpaid	401,066
Total, airlift evacuation of troops and civilians	540,331
Grand total, other assistance rendered by the Department of Defense in the Congo	1,262,284

NOTE.—The above financial accounting statement is as of June 30, 1962. Since that date the United Nations has paid the Department of Defense $10,025,563. If this payment is reflected, the first 2 lines of the above table would be changed as follows:

	UNEF	UNOC	Total
Bills paid by United Nations	$6,796,212	$15,850,397	$22,646,609
Unliquidated obligations (estimated)	802,000	27,088,437	27,890,437

The latest audited figures we have are as of March 31, which is material that has been put into the record in another committee. I have that if you would like it.

Mr. FORD. May we have that, please.

Mr. ZIEHL. Yes, sir.

Mr. FORD. We will look at this. Would you expect that the $28,630,000 owing to the Department of Defense would be in the audited report to which you referred a few minutes ago?

Mr. ZIEHL. Yes. As a matter of fact, I expect that the audited report will probably be larger than that amount in total, because in addition to the amounts you cite that have actually been billed and which remain unpaid, there is usually a difference—an amount which is in float and has not as yet been reported from the forces of the military commands in the field. I expect the figure will be slightly higher than $28 million and that the reconciliation will show how much of it has actually been billed and how much of it is still in float. I would expect it to be slightly higher. You have the information as of June 30. Since that time there has been a payment of $10,025,563.

Mr. FORD. What is the date of that payment and from whom?

Mr. ZIEHL. This payment was from the United Nations to the Department of Defense. The date of it was last Friday, which I believe is August 10. The breakdown on the payments was made entirely by the Department of Defense; they credited almost all of it to the Air Force, they credited $812 to the Army, $1,260,194 to the Navy, and $8,764,558 to the Air Force, based on the oldest outstanding bills. This was their system of crediting.

Mr. CLEVELAND. The Air Force acts as executive agent for the Department of Defense in this matter.

POSSIBLE REIMBURSEMENT OF DOD FROM U.N. BOND ISSUE

Mr. FORD. Will the Department of Defense, assuming the United Nations bond legislation passes, be reimbursed out of the bond proceeds?

Mr. CLEVELAND. To the extent possible we hope they will be reimbursed out of collections of some of these arrearages. Some of the bond proceeds might also be used for the purpose over the period of the next year.

Mr. FORD. I thought earlier you testified—this appeared to be somewhat in conflict with testimony given before—that the United Nations bond issue was to finance the operations from July 1 on.

Mr. CLEVELAND. I said that the United Nations bond money is the only money available for the period from July 1 on. I think I also said some of the bond money would as a practical matter have to be used to pay some of the most urgent of the organization's debts to reestablish its credit.

Mr. FORD. I hope you will say that the obligations to the Defense Department would fall in that category.

Mr. CLEVELAND. I think they are very important. How to marry them to the other obligations the organization has would require much more detailed analysis. But the Department of Defense is one of the biggest creditors of the United Nations and, therefore, will receive the biggest payments.

Mr. FORD. As of the last audited reports, Mr. Ziehl, you are more familiar with that than I, how much is owed and what amount of the total is owed to the Defense Department?

Mr. ZIEHL. First, the net deficit amount of the United Nations at March 31, I believe was just under $120 million. I am quite sure that as of March 31 it was just under $120 million net, as I recall.

The amount owed to the Department of Defense was at that time $32 million. On the average for a 3-month period they would prob-

ably have supplied about $10 million additional services. They have been paid about $10 million. So I would expect after subtracting this $10 million that as of June 30 the figure would be right around $30 million that the Defense Department would be owed.

Mr. FORD. So the Department of Defense, based on those figures, is owed about 25 percent of the unpaid obligations?

Mr. ZIEHL. As of June 30, the estimated unpaid obligations, the net deficit will be about $140 million. Therefore, it would be about $30 million out of $140 million, which is a little lower than 25 percent.

DOD BILLING TO DEPARTMENT OF STATE FOR AIRLIFT IN 1960

Mr. FORD. On this sheet that I have, given to me by General Moore, Special Assistant to the Comptroller for DOD, it shows that billed to the State Department $11,579,900, paid $11,018,300. Why did the Defense Department bill the Department of State?

Mr. ZIEHL. May I answer the first part of the question? By far the largest part of it was for the initial airlift in the Congo operation. The cost of that was $10,317,622.

Mr. FORD. That is for fiscal year 1961?

Mr. ZIEHL. Yes. This was the cost of the initial airlift. This was waived by the President, but the President under this waiver authority reimbursed the Department of Defense from mutual security funds.

Mr. FORD. What was the date of that?

Mr. CLEVELAND. Fiscal year 1961.

Mr. FORD. Which would end June 30, 1962?

Mr. CLEVELAND. Which would end June 30, 1961. This was actually an airlift in the summer of 1960. It was at the very beginning of the Congo operation.

Mr. FORD. What about the remainder?

Mr. ZIEHL. Will you repeat your figure of $11 million?

Mr. FORD. $11,579,900.

Mr. ZIEHL. There are three components of that amount—the airlift I have mentioned, the second amount was a U.S. airlift of flour and food, which was a civilian airlift type program, not military airlift, which was in the amount of $721,953.

The third component of it was U.S. air evacuation of troops and civilians. That was $540,331.

I believe that should total to your figure because I know we are in agreement with Defense on this.

Mr. CLEVELAND. The three items are marked on the table.

Mr. FORD. I believe fiscal 1961 would end June 30, 1962.

Mr. CLEVELAND. 1961.

Mr. FORD. 1961, you are right. I would be interested in knowing the dates that these payments were made by the State Department, the dates that the transfers were really made. It is not a payment but a transfer. Also the amounts and the specific justification for each.

(The information follows:)

Amounts billed by the Department of Defense to the Department of State in connection with operations in the Congo through June 30, 1962

Amounts billed	Payments made by Department of State to Department of Defense		
	Amounts paid	Date of payment	Justification
1. $10,317,622	$10,317,622	Apr. 27, 1961	Initial airlift of U.N. troops and equipment into the Congo through Aug. 31, 1960.
2. $721,953	562,023	July 17, 1961	Airlift of flour and foodstuffs to avert famine in the Congo, July 1960 and January-February 1961.
	159,930	July 14, 1962	Airlift of foodstuffs to avert famine in the Congo, January-February 1961.
Total	721,953		
3. $540,331	630	June 29, 1961	Evacuation of American citizens from the Congo, July 1960.
	100,514	Feb. 19, 1962	Do.
	37,491	June 25, 1962	Do.
	630	July 9, 1962	Do.
Total	139,265		
Grand total, $11,579,906	11,178,840		

U.S. CONTRIBUTION TO PORTIONS OF U.N. CONGO OPERATION HANDLED AS INTERNAL TRANSACTIONS

Mr. FORD. I thought earlier this morning, Mr. Cleveland, you testified—I am sorry but I do not have the record—that the United Nations Congo operation was handled out through one U.S. agency to another but directly from the U.S. Government to the United Nations.

Mr. CLEVELAND. That is correct.

Mr. FORD. This incident we have been discussing seems to be in contradiction to that.

Mr. CLEVELAND. I understand why it looks curious. The reason is that in those three specific cases, and only in those three specific cases, the procedure for making the contribution to the United Nations was for the President to waive, under authority contained in the U.N. Participation Act, reimbursement by the United Nations. However, internally in the U.S. Government the Department of Defense naturally still wanted to be paid, and AID funds were transferred to reimburse the Department of Defense for its services.

So in these three cases there was no payment by the United Nations to the Defense Department, but instead we made a payment from U.S. AID appropriations direct to the Defense Department. It amounted to a contribution to the United Nations by the U.S. Government, but the contribution was made in kind rather than in cash in those three particular cases. The money payment was an internal transaction.

Mr. FORD. But this internal transaction did not result in any increased demand on the other nations for participation financially, did it?

Mr. CLEVELAND. We treated it as part of our contribution to the program. A good many other nations did the same thing. Indeed, quite a number of nations that put troops in did not ask for reim-

bursement under the arrangements that were developed for the supply of their troops—except the extraordinary costs.

For example, a Swedish soldier going in still had his salary paid by the Swedish Government without reimbursement by the United Nations. Only flight pay, combat pay, that kind of extra allowance was paid by the United Nations.

Mr. CONTE. Will the gentleman yield?

Mr. FORD. Yes.

U.N. HEADQUARTERS BUILDING IN THE CONGO

Mr. CONTE. While Mr. Ford is on the Congo, can you tell me why the United Nations has such an elaborate building out there in the Congo?

Mr. CLEVELAND. Why the United Nations has such an elaborate building?

Mr. CONTE. Have you been there?

Mr. CLEVELAND. Yes, they have the old Royal Hotel.

Mr. CONTE. How many people are out there?

Mr. CLEVELAND. They have about 410 civilian technical people all over the Congo. They have the headquarters of the United Nations Force. The Force itself is just under 18,000 men. I do not know how many are at headquarters, but it is a substantial headquarters operation for quite a substantial military force.

Mr. CONTE. Yes, it looks like one of these buildings in Washington. They also have a United Nations hospital out there.

Mr. CLEVELAND. Yes, substantially manned by the World Health Organization doctors.

Mr. CONTE. Is that strictly for United Nations personnel?

Mr. CLEVELAND. I do not believe so. I think there is one hospital in Léopoldville they mostly use for the personnel.

Mr. CONTE. That is the one I mean, the one in Léopoldville.

Mr. CLEVELAND. But I think other people can go in, too, on an emergency basis. Of course, like any other military force, they have to have immediate access to a hospital.

Mr. CONTE. Does the United Nations own that building they are headquartered in?

Mr. CLEVELAND. No, sir.

Mr. CONTE. What is the rent there?

Mr. CLEVELAND. I do not know, but I can find out. I do not know for a fact. My guess would be that the Government simply makes it available to the United Nations without charging rent for it, the Government of the Congo.

Mr. CONTE. I would like to have that for the record.

Mr. CLEVELAND. I will get the facts.

(The information follows:)

RENT FOR U.N. HEADQUARTERS BUILDING IN LÉOPOLDVILLE

The United Nations rents space in the privately owned Hotel Royal for its headquarters in Léopoldville. While the amount varies, depending on the amount of space in use, the average cost is $17,000 per month.

Use of a wing of the hospital has been provided to the United Nations rent free. The United Nations has, however, paid for some alterations and repairs.

Mr. CONTE. It seems to me they are overstaffed, and they have people stumbling over each other. The number of people was amazing. I can see how they had a difficult time trying to make a decision whether to send troops into Katanga or not.

Mr. CLEVELAND. It is a big operation, and on the civilian side it has to grow in order to do something about economic recovery there. To some extent the United Nations has had to substitute for functions that in other countries would be performed by the government itself.

Mr. CONTE. They did not have too many programs, if I remember correctly. I went to one school where they were teaching boys how to strip down tractors and put them back together. This program was excellent, but a very small one. They had a few instructors there. I did not see many economic programs going on.

Mr. CLEVELAND. They are scattered all over the country. I visited one of the provinces on the other side, and they were all over the place with mining enterprises and truck maintenance—and highway projects especially. One of the real bottlenecks in that country is that you cannot get from place to place because there are too many holes in the road.

Mr. CONTE. It might be the best thing to have the United Nations out there, but every Congolese official I talked to wanted to deal directly with the United States and not the United Nations.

Mr. CLEVELAND. When they are talking to the United States, yes.

Mr. CONTE. Is that right?

Mr. CLEVELAND. Yes.

Mr. CONTE. Thank you.

Mr. FORD. Mr. Chairman, I would request that this statement provided by the Department of Defense be put in the record. I suggest that Mr. Ziehl take this and add any footnotes that will be beneficial for the record to explain any contributions made by AID in one form or another.

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

(The information follows:)

NOTE SUPPLIED BY THE DEPARTMENT OF STATE AT THE REQUEST OF THE COMMITTEE

The information contained in the following "Statement of costs incurred by the Department of Defense" has been checked against the United Nations statement as of June 30, 1962, for supplies and services furnished to the United Nations in connection with the Congo operation.

Both parties to the transaction agree to the amounts involved. The United Nations statement, fully footnoted, is contained on page 1081 of these hearings. In addition, a statement showing the source of U.S. funding—including AID funding—for U.S. contributions to United Nations operation in the Congo is contained on pages 1092–3 of these hearings.

Statement of costs incurred by the Department of Defense as of June 30, 1962, in support of United Nations operations in the Congo

[In thousands of dollars]

	Air Force	Army	Navy	Total
Costs billed:				
MATS	21,596.9			21,596.9
Other airlift	6,763.7			6,763.7
Material and services	4,077.0	5,293.2	4,176.8	13,547.0
Total	32,437.6	5,293.2	4,176.8	41,907.6
Unbilled costs	2,788.4	520.8	256.2	3,565.4
Total costs	35,226.0	5,814.0	4,433.0	45,473.0

	State Department	United Nations	Total
Billed to	11,579.9	30,327.8	41,907.7
Paid	11,018.3	5,824.8	16,843.1
Balance owing of billed costs	561.6	24,503.0	25,064.6
Unbilled		3,565.4	3,565.4
Total	561.6	28,068.4	28,630.0

Mr. PASSMAN. Off the record.

(Discussion off the record.)

TRANSFER FROM MILITARY ASSISTANCE

Mr. PASSMAN. Let the record show also how the $9.5 million blended in with the different programs.

Mr. FORD. That may not be reflected in that because that is the amount billed to State and paid and the amount billed to State unpaid.

Mr. PASSMAN. Would you request that they reconcile the discrepancies between this and the amount we discussed in the Congo this morning?

Mr. FORD. I do.

(The information follows:)

RELATION OF MAP TRANSFER TO ECONOMIC PROGRAMS FUNDED UNDER CHAPTER III

The Department of State increased its contribution to the U.N. Congo economic program from the original $35 million requested for fiscal year 1962 to $43 million. This increase was made when it became known that there had developed in the Congo an extremely serious economic crisis which it was believed would jeopardize the maintenance of a moderate regime in the Congo. The United States determined that an immediate contribution of $10 million in economic assistance designated for the procurement of U.S. commodities would relieve the emergency and thereby insure the stability of the Central Government.

The additional $10 mililon was derived from $500,000 in savings from other programs for which funds had been requested under Chapter III—International Organizations and Programs of the AID appropriation and $9.5 million transferred to chapter III from the military assistance program under authority of section 610.

The determination authorizing the transfer of the $9.5 million from the military assistance program was signed by the President on June 6, 1962. The decision to transfer funds from the military assistance program was taken only after all savings had been utilized within the economic assistance chapters of the appropriation act, by a careful review of program and funding needs, and was taken toward the end of the fiscal year when the latest estimate of the highly volatile Congo situation could be made.

There is no relation between this transfer and the payment by the United Nations to the Department of Defense for the cost of services provided by the U.S. military forces, including the airlift. These costs are billed directly to the United Nations by the Department of Defense and are paid from the United Nations' central accounts for its Congo military operation.

An exception to this procedure occurs only when the President waives the right of the U.S. Government to claim reimbursement from the United Nations, similar to the granting of services of troops by other countries. In these instances the Department of State arranges for direct reimbursement to the Department of Defense, drawing on funds appropriated under chapter III or from the President's contingency fund.

In other parts of the chapter III appropriation, there were savings which were utilized to meet increased callups against the U.S. pledge on the Indus waters project. The increase for this project in fiscal year 1962 over the original estimate of the World Bank included in the presentation request amounted to $17.6 million. Part of this increase was funded from savings within chapter III derived from the U.N. Congo military operation; $27 million was originally requested for the latter program to cover the U.S. pledge for voluntary contributions for the period November 1961 through September 1962 and to complete payment on the U.S. pledge for the period January through October 1961. Since the 16th session of the General Assembly decided to appropriate funds for the Congo military operation only through June 30, 1962, and subsequent fiancing was planned to be met from the proceeds of the U.N. bond issue, it was possible to effect savings of $6,744,000 from the $27 million originally programed by the United States for this purpose. By the beginning of 1962, it was decided this amount could be reprogramed to help meet the urgent needs of other programs within chapter III, the most immediate of which was the Indus waters project. The specific sources of funding for the increased cost of the Indus waters project callups were:

Fiscal year 1962 contingency fund	$3,382,000
Prior year development grants	7,264,000
Prior year contingency fund deobligation-reobligation	282,000
Reprograming of savings within chapter III	6,672,000
Total	17,600,000

Mr. FORD. May I suggest also that this chart, which is in the hearings for the United Nations bond program, be included but supplemented. If properly supplemented, it would show the $9.5 million to which you refer.

Mr. PASSMAN. I think it should be there because you have two instances of transferring military assistance funds into the economic program. One of them was directly, the other indirectly.

(The material referred to follows:)

CHART OF U.S. CONTRIBUTIONS TO UNITED NATIONS OPERATIONS IN THE CONGO THROUGH JUNE 30, 1962

The chart which follows provides a detailed breakdown of U.S. contributions. It should be noted that specific moneys derived from transfers between appropriations and savings within any single appropriation such as contributions to international organizations and programs go into a pool, available for reprograming, and lose their identity once deposited to the pool. The moneys are, in this sense, fungible and may be used to fund urgent program needs in accordance with a reassessment of priorities determined by the Administrator of the Agency for International Development.

U.S. contributions to United Nations operations in the Congo through June 30, 1962 [1]

	U.S. contributions		Total U.N.	Other nations	
	Amount	Percent		Total amount	Amount paid
Military:					
Congo military budget for July to December 1960			$60,000,000		
U.S. assessed contribution (fiscal year 1961 MSA)	$15,745,211				
U.S. voluntary cash contribution (fiscal year 1961 MSA)	3,900,000				
U.S. waiver of initial airlift (fiscal year 1961 MSA)	10,317,622				
Total	29,962,833	49.94		$30,037,167	$11,237,930
Congo military budget for January to October 1961			100,000,000		
U.S. assessed contribution (fiscal year 1961 State supplemental)	32,204,061				
U.S. voluntary contribution (cash) ($6,450,000 fiscal year 1961 MSA; $8,855,596 fiscal year AID)	15,305,596				
Total	47,509,657	47.51		52,490,343	19,808,971
Congo military budget for November 1961 to June 1962			80,000,000		
U.S. assessed contribution (fiscal year 1962 State supplemental) [2]	25,616,000				
U.S. voluntary contribution (cash) (fiscal year 1962 AID)	11,400,800				
Total	37,016,800	46.27		42,983,000	9,141,440
Total, Congo military [3]	[3] 114,489,290	47.70	[3] 240,000,000	125,510,710	40,188,341
Economic:					
U.N. Fund for the Congo:					
U.S. cash contribution ($22,950,000 fiscal year 1961 MSA; $15,000,000 fiscal year 1962 AID)	37,950,000	77.15	49,188,607	11,238,607	11,238,607
Other U.N. economic programs:					
U.N. contribution for import financing (fiscal year 1961 MSA)	5,000,000				
U.S. contribution for U.S. commodity import financing (fiscal year 1962 AID)	[4] 28,000,000				
U.S. Food for Peace contributions, Public Law 480:					
Title I (fiscal year 1962) [5]	$12,200,000				
Title II:					
Fiscal year 1961	10,100,000				
Fiscal year 1962 [5]	4,300,000				
Total	14,400,000				
	26,600,000				
U.S. airlift of flour and food	[6] 721,953				
Total, other U.N. economic programs	[7] 60,321,953	100.00			
Total, Congo economic	98,271,953				
Other: U.S. air evacuation of troops and civilians	[8] 540,331				

See footnotes on p. 1090.

[1] This table deals with Congo operations conducted multilaterally through the United Nations. In addition to contributing to the programs shown on this table, the United States conducts the following programs for the Congo outside the framework of the United Nations:

	Fiscal year 1961	Fiscal year 1962	Fiscal year 1963
U.S. food for peace, Public Law 480, title III, through which U.S. foodstuffs are distributed in the Congo by private voluntary agencies	$600,000	$2,400,000	$3,000,000
Development grant projects, conducted directly by or for the United States in the Congo	2,575,000	3,736,000	3,500,000
Total, nonmultilateral programs	3,175,000	6,136,000	6,500,000

[2] As of June 30, 1962, $78,555,668 had been paid to U.N.; the remainder of $25,616,000 was appropriated July 25, 1962 (Public Law 87-545) and paid to the U.N. Aug. 2, 1962. The balance of $10,317,622 represents a contribution in kind to the United Nations (waiver of the initial airlift).

[3] From July 1, 1962, the U.N. proposes to fund Congo and the Middle East military costs from the proceeds of its $200,000,000 bond issue, which is repayable in 25 years at 2 percent interest. The U.S. share is 32.02 percent, or about $3.2 million annually.

[4] Includes $9,500,000 transferred from military assistance program to ch. III, "International Organizations and Programs" under authority of sec. 610.

[5] Estimated total through June 30, 1962.

[6] Reimbursed to Department of Defense by Department of State.

[7] Estimated U.S. contribution for fiscal year 1963 is $54,300,000. Of this amount, $20,000,000 is estimated for U.S. food-for-peace contributions, Public Law 480.

[8] Of which $139,265 has been reimbursed to Department of Defense by Department of State as of July 9, 1962.

SUPPLEMENTAL DATA ON TRANSFER OF MAP FUNDS TO U.N.

Mr. PASSMAN. I would like to have it shown that the $9.5 million came out of the military assistance program to the United Nations and from the United Nations to the economic program for the Congo. Is that a statement of fact?

Mr. CLEVELAND. The $9.5 million came entirely from the military assistance program.

Mr. PASSMAN. Later you had about $6,744,000 that went from military to the Congo. It came back into the United Nations. From that point on we identified it as going into the Indus Basin.

We wish to have an explanation on those transactions, two rather significant transfers out of military into economic aid.

Mr. ANDREWS. Will the gentleman yield?

Mr. FORD. Yes.

Mr. ANDREWS. If that money had not been transferred out of military assistance program for United Nations into the economic account for the Indus project, would it have been available to pay that bill they owed the Defense Department?

Mr. FORD. Yes, the transfer, I believe, could have been handled in the same way, but the payment made by an interagency transfer to the Defense Department.

Mr. CLEVELAND. That would have involved increasing the U.S. share of the Congo military program, which we thought was already high enough at 47.7 percent. That would have made it about 54 or 55 percent.

Mr. ANDREWS. Was that one of the reasons you took it from the United Nations fund and put it into the Indus fund?

Mr. CLEVELAND. Because we wanted to do only that share of the thing and no more. If we had given them all the way up to the figure in the report last year, it would have run our share up too high.

Mr. ANDREWS. What percentage of the Congo expense are we bearing?

Mr. CLEVELAND. Of the Congo expense?

Mr. ANDREWS. Through the United Nations.

Mr. CLEVELAND. On the military side about 47.7 percent up to June 30. After that, assuming the bond money, 32 percent. As you know, one of the advantages of the bond system is it reduces our percentage to 32 percent for the Congo.

Mr. ANDREWS. But as of March of this year we were picking up 47.7 percent of the check of the expenses incurred by the United Nations in the Congo operation?

Mr. CLEVELAND. Yes, partly out of assessed funds and partly out of voluntary contributions.

Mr. FORD. Mr. Cleveland, that rationale would appear to make sense if you limit your observations and comments to the United Nations Congo military operation.

Mr. CLEVELAND. Yes.

Mr. FORD. Where you went from a request for fiscal 1962 of $27 million, you actually contributed $20,256,000. But if you turn the page and give the full picture, including the United Nations fund for the Congo, which is the economic side, the situation is quite different.

Mr. CLEVELAND. I understood the gentleman's question to relate to the Congo military. As I indicated before, our actual percentage on the various voluntary contributions for economic assistance to the Congo through the United Nations is somewhere around 86 percent.

Mr. FORD. Why do you make one rationalization when you talk about the military fund and then rationalize it differently in talking about the United Nations fund for the Congo on the economic side? Let me indicate the figures and then you make a comment.

Last year you requested $35 million for the United Nations fund for the Congo, which is economic assistance, and actually you obligated $43 million, an increase of $8 million.

Mr. CLEVELAND. That is correct.

Mr. FORD. How do you rationalize one way in one instance and rationalize another way in the other instance?

Mr. CLEVELAND. In the case of the United Nations fund for the Congo and the whole economic operation there, what we have in effect is a program which is like a bilateral program. This is true in the sense that we are not measuring it against what other people are doing, in quite the same way, because we want to keep it under the United Nations umbrella in order to prevent the Soviets from coming in with a bilateral program into the Congo without so much as a by-your-leave to the United Nations.

So we have an arrangement now whereby everybody who puts in bilateral money makes his arrangements through the United Nations because we want to make sure some other people make their arrangements through the United Nations if they want to come in.

So that this is a different kind of United Nations program. This is not a program that is "divvied up" among all members of the United Nations on assessments and percentage scales by the usual method.

Mr. FORD. Why do you have assessments in the case of the military and not assessments in the case of the economic?

Mr. CLEVELAND. In the case of the military, this was agreed by all the countries to be "divvied up" among all the member nations on the formula we have discussed before, to finance the peace and security operation.

Mr. FORD. If that is good for that, why is it not good for the economic?

Mr. CLEVELAND. There is no similar agreement that every country in the world should be giving economic and development and technical assistance. Most of the countries in the world do not give economic and technical assistance to anybody. They are mostly receiving countries. You could not make the same kind of arrangement. You really had to make a deal among the developed countries.

In the emergency of the last year or year and a half we have had to do the lion's share of that part of the job in order to keep the Congo economy and the Adoula government's nose above water at all.

Mr. FORD. I would like to have the following information put in the record. I will read the questions and I want full information. I just do not want a sketchy response. Some of it may have already been put in, but let us put it in, in sequence.

TOTAL COST TO UNITED STATES OF CONGO OPERATIONS

What has been the total cost to the United States to date of the Congo operation? I want both the military and economic, and do it by fiscal years.

Mr. CLEVELAND. This is the table, I think, which has just been submitted.

Mr. FORD. Let us be sure that we have all of it.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. FORD. Let us have that from the inception and include what we are forecasting for fiscal 1963 as well.

(The information follows:)

SOURCE OF U.S. FUNDING FOR UNITED NATIONS CONGO OPERATIONS

The table attached provides a detailed breakdown of the source of funds used for U.S. contributions to the United Nations operations in the Congo. Summary figures are recorded below through June 30, 1962, and June 30, 1963.

Estimated U.S. contributions to the U.N. Congo operation (through June 30, 1963)

Total U.N. Congo—military	$114,489,290
Total U.N. Congo—economic	98,271,953
Total	212,761,243

U.S. contributions to the U.N. Congo operation (through June 30, 1963)

Total U.N. Congo—military	$114,489,290
Total U.N. Congo—economic	152,571,953
Total	267,061,243

Source of funds for U.S. contributions to United Nations operations in the Congo, U.S. fiscal years 1961, 1962, 1963

[U.S. dollars]

	1961			1962				1963		
	MSA contingency fund	State Department	Public Law 480	AID contingency fund	AID Chapter 3—International organizations and programs	State Department	Public Law 480 and other	AID contingency fund	AID Chapter 3—International organizations and programs	Public Law 480
I. U.N. military force:										
U.S. assessments	15,745,211	32,204,061				25,616,000				
U.S. voluntary contributions (airlift)	10,317,622									
U.S. voluntary contributions (cash):										
July–December 1960	3,900,000									
January–October 1961	6,450,000				8,855,596					
November 1961–June 1962					11,400,800					
Subtotal	36,412,833	32,204,061			20,256,396	25,616,000				
Total, item I		68,616,894			45,872,396				[1]	
II. U.N. fund for the Congo	22,950,000				15,000,000					
Total, item II		22,950,000			15,000,000					
III. Other U.S. economic programs channeled through the U.N.:										
For import financing	5,000,000				[2] 28,000,000				34,300,000	
Food for peace contributions, Public Law 480:										
Title I			10,100,000				12,200,000			
Title II							4,300,000			20,000,000
U.S. airlift of food and flour	[3] 562,023						[3] [4] 159,930			
Subtotal	5,562,023		10,100,000		28,000,000		16,659,930		34,300,000	20,000,000
Total, item III		15,662,023			44,659,930				54,300,000	
IV. U.S. air evacuation		139,265								
Total, by fiscal years, items I through IV		107,368,182			105,532,326				54,300,000	

[1] From July 1, 1962, the U.N. proposed to fund the Congo and Middle East costs from the proceeds of its $200,000,000 bond issue, which is to be repayable in 25 years at 2 percent interest. The U.S. share is 32.02 percent or about $3.2 million annually. The 1st repayment will be included in the U.N. budget for calendar year 1963, which will be funded from the U.S. fiscal year 1964 budget request for "Contributions to international organizations, State Department."

[2] Includes $9,500,000 transferred from "Military assistance" to "Chapter 3—International organizations and programs" under authority of sec. 610.

[3] Reimbursement to Department of Defense.

[4] Financed from AID "Supporting assistance."

TOTAL COST TO U.N. FOR CONGO OPERATIONS

Mr. FORD. What has been the total United Nations cost to date for this operation? This is the total United Nations cost. I want it by years, including what you are forecasting for the future.

What percent of that has the United States paid?

How much has the United States paid in dollars? That is what I want on that.

How much have the other members paid? I emphasize "paid."

(The information follows:)

SUMMARY OF TOTAL UNITED NATIONS COSTS FOR THE CONGO AND THE U.S. SHARE

1. The total cost of the United Nations military operation in the Congo through June 30, 1962, is $240 million, of which the United States has contributed $114,489,290, or 47.70 percent. The total amount contributed by all countries to the United Nations Economic Fund for the Congo through June 30, 1962, is $49,188,607, of which the United States has contributed $37,950,000 or 77.15 percent. In addition, the United States has channeled $60,321,953 in U.S. economic aid in cash and agricultural commodities to the Congo through United Nations as of June 30, 1962.

2. For these United Nations programs, the United States has paid the United Nations $149,505,668 in dollars as of June 30, 1962.

3. Through June 30, 1962, other governments have paid the United Nations $40,188,341 toward the cost of the Congo military operation and have contributed $11,238,607 to the United Nations Fund for the Congo.

LOCAL CURRENCY CONTRIBUTIONS TO CONGO OPERATION

Mr. FORD. I would like to know the amount of any local currencies owned by the United States and contributed to the United Nations for the same programs and the total, both military and economic, for the Congo operation.

(The information follows:)

USES OF U.S.-OWNED LOCAL CURRENCY IN THE CONGO

U.S. contributions to the U.N. Congo military and economic programs have been made in dollars, in services performed (e.g., initial airlift provided without charge to the United Nations), and in kind (surplus agricultural products).

Dollar contributions have been used in part to finance the import of U.S. commodities into the Congo. The local currency proceeds from the Congo Government's sale of these commodities are deposited in a Congo Government account from which withdrawals may be made with countersignature of the United Nations. A Congo franc equivalent of $7 million of these local currency proceeds has been made available to the United Nations by the Congo Government for local expenses of the United Nations.

Local currency generated by the sale of agricultural commodities contributed to the Government of the Congo under title I, Public Law 480, with the concurrence of the United Nations, is deposited in the first instance in a U.S. account to be disbursed as follows: (*a*) 10 percent of the proceeds are redeposited in a special account for U.S. uses in the Congo, and (*b*) 90 percent of the proceeds are redeposited in a United Nations account for use as grants to the Government of the Congo for priority economic development programs to be decided on by the United Nations and the Government of the Congo, in close cooperation with the U.S. Government. No. U.S.-owned local currency proceeds have been transferred to the United Nations to date.

Local currency generated by the sale in 1961 of agricultural commodities contributed to the United Nations for the Congo under title II, Public Law 480, was deposited in a Congo Government account for use in financing essential public works in the Congo agreed on by the Congo Government and the United Nations, in close cooperation with the U.S. Government.

U.N. Emergency Force

Mr. Ford. On page 28 of the justification book under the heading "United Nations Emergency Force," the last paragraph:

> In fiscal year 1963, contingent on its successful flotation, UNEF will be financed from the $200 million United Nations bond issue. In view of the funding cycle of this operation, it is proposed that the United States contribute $1,320,000 as a voluntary contribution for the period January 1 through June 30, 1962, to help in reducing by 50 percent the assessment of member states least able to pay.

What do you mean by that and what states are you talking about?

Mr. Cleveland. The resolution financing the first half of calendar year 1962 for the United Nations Emergency Force provided that the poorer and weaker countries should not pay the full amount that they would normally be assessed for administrative expenses on the United Nations scale.

Mr. Ford. What was the justification for that?

Mr. Cleveland. On the ground that this is a peace-and-security operation that comes in a somewhat different category, financially speaking, from the regular administrative expenses. The United Nations assessment scale was initially developed for administrative expenses.

The problem is really a political one in the United Nations. Quite a lot of countries in the United Nations think that all peace and security expenses should not be paid on the regular scale, but by the big powers. Indeed, there are some who say that what the charter originally meant was that the five big powers that have the veto should pay all peace and security expenses. We obviously do not want it that way.

This represented a political arrangement within the General Assembly that preserved, as far as we are concerned, the principle that everybody had an obligation to pay something but reduced the amount that the poorer and weaker countries would have to pay.

It was done in two stages: First, the resolution made an absolute reduction in the funds to be paid by most of the countries since most of them are small.

Second, the resolution said that any voluntary contributions that came in would be used to make up the short fall in the total amount of money that those reductions would cost.

Mr. Ford. Did we make any voluntary contribution to make up that short fall?

U.S. voluntary contributions to emergency force

Mr. Cleveland. We have made voluntary contributions of that type to make up that kind of short fall ever since the United Nations Emergency Force started in 1957.

Mr. Ford. How much did we make up in fiscal 1962?

Mr. Cleveland. $1,800,000 funded out of last year's AID appropriation.

Mr. Ford. Will you tell us what account?

Mr. Cleveland. Chapter 3: Contribution to International Organizations.

Mr. FORD. Was that whole $1,800,000 for that purpose, making up the short fall?

Mr. CLEVELAND. Yes, it was in effect an additional contribution beyond our assessment.

Mr. FORD. What was our assessment?

Mr. CLEVELAND. For that period, which was the calendar year 1961, $6,115,519.

Mr. FORD. So we increased by a voluntary contribution our total contribution by a third.

Mr. CLEVELAND. We increased by about a third. That brought our percentage last year up to 41 percent instead of the 32½ percent we had been assessed.

REVISIONS OF ASSESSMENTS BASED ON VOLUNTARY CONTRIBUTIONS

Mr. FORD. Will you show the countries that had their assessments lowered as a result of our voluntary contribution or the total voluntary conributions in fiscal year 1962? List the countries and the amounts of the changes in their assessments. I assume that will be for calendar year 1961.

Mr. CLEVELAND. Yes, we can submit that and also the scale of assessments that would support this item, which would be calendar year 1962.

Mr. FORD. Do the same for calendar year 1962, showing what the assessment would be normally and what they will drop to, based on our proposed voluntary contribution.

Mr. CLEVELAND. Right, sir.

(The information follows:)

Assessments in respect of the United Nations Emergency Force special account for th period Jan. 1 to Dec. 31, 1961

Member states	Percent	Assessments for 1961	Reductions under resolution 1575 (XV)	Credits from tax equalization fund for 1959	Amount received	May 31, 1962 balance due
Afghanistan	0.06	$11,287	$5,643.50	$60		$5,583.50
Albania	.04	7,524		40		7,484.00
Argentina	1.11	208,804	104,402.00	1,111		103,291.00
Australia	1.79	336,721		1,791	$334,930.00	
Austria	.43	80,888		430	80,458.00	
Belgium	1.30	244,546		1,301	200,000.00	43,245.00
Bolivia	.04	7,524		40		7,484.00
Brazil	1.02	191,874	95,937.00	1,021	94,916.00	
Bulgaria	.16	30,098		160		29,938.00
Burma	.08	15,049	7,524.50	80	7,444.50	
Byelorussian S.S.R	.47	88,413		470		87,943.00
Cambodia	.04	7,524	3,762.00	40	3,722.00	
Cameroun	.04	7,524			7,524.00	
Canada	3.11	585,028		3,112	481,916.00	
Central African Republic	.04	7,524	3,762.00		3,762.00	
Ceylon	.10	18,811	9,405.50	100	9,305.50	
Chad	.04	7,524	3,762.00		3,762.00	
Chile	.27	50,790	25,395.00	270		25,125.00
China	5.01	942,441	471,220.50	5,013		466,207.50
Colombia	.31	58,315	29,157.50	310		28,847.50
Congo (Brazzaville)	.04	7,524				7,524.00
Congo (Leopoldville)	.04	7,524	3,762.00		3,762.00	
Costa Rica	.04	7,524	3,762.00	40		3,722.00
Cuba	.25	47,028		250		46,778.00
Cyprus	.04	7,524	3,762.00		3,762.00	
Czechoslovakia	.87	163,658		871		162,787.00
Dahomey	.04	7,524	3,762.00		3,380.07	381.93
Denmark	.60	112,867		601	112,266.00	
Dominican Republic	.05	9,406		50		9,356.00
Ecuador	.06	11,287	5,643.50	60	5,583.50	
El Salvador	.05	9,406	4,703.00	50		4,653.00
Ethiopia	.06	11,287	5,643.50	60		5,583.50
Federation of Malaya	.17	31,979	15,989.50	170	15,819.50	
Finland	.36	67,720		360	67,360.00	
France	6.40	1,203,916		6,404	1,197,512.00	
Gabon	.04	7,524	3,762.00		3,762.00	
Ghana	.07	13,168	6,584.00	70	6,514.00	
Greece	.23	43,266	21,633.00	230		21,403.00
Guatemala	.05	9,406	4,703.00	50		4,653.00
Guinea	.04	7,524		40		7,484.00
Haiti	.04	7,524	3,762.00	40		3,722.00
Honduras	.04	7,524	3,762.00	40		3,722.00
Hungary	.42	79,007		420		78,587.00
Iceland	.04	7,524	3,762.00	40	3,722.00	
India	2.46	462,756	231,378.00	2,462	228,916.00	
Indonesia	.47	88,413	44,206.50	470	43,736.50	
Iran	.21	39,504	19,752.00	210	19,542.00	
Iraq	.09	16,930		90		16,840.00
Ireland	.16	30,098		226	29,872.00	
Israel	.14	26,336		140	26,196.00	
Italy	2.25	423,252		2,251	421,001.00	
Ivory Coast	.06	11,287	5,643.50		5,643.50	
Japan	2.19	411,965	205,982.50	2,257	203,725.50	
Jordan	.04	7,524		40		7,484.00
Laos	.04	7,524	3,762.00	40		3,722.00
Lebanon	.05	9,406	4,703.00	50		4,653.00
Liberia	.04	7,524	3,762.00	40	3,722.00	
Libya	.04	7,524		40		7,484.00
Luxembourg	.06	11,287		60	11,227.00	
Madagascar	.06	11,287	5,643.50		2,488.75	3,154.75
Mali	.04	7,524			7,524.00	
Mexico	.71	133,560		711		132,849.00
Morocco	.14	26,336	13,168.00	140		13,028.00
Nepal	.04	7,524	3,762.00	40		3,722.00
Netherlands	1.01	189,993		1,011	188,982.00	
New Zealand	.42	79,007		420	78,587.00	
Nicaragua	.04	7,524	3,762.00	40		3,722.00
Niger	.04	7,524	3,762.00		19,752.00	3,762.00
Nigeria	.21	39,504	19,752.00			
Norway	.49	92,175		490	91,685.00	
Pakistan	.40	75,245	37,622.50	400	37,222.50	
Panama	.04	7,524	3,762.00	40		3,722.00
Paraguay	.04	7,524	3,762.00	40		3,722.00
Peru	.11	20,692		110		20,582.00

Assessments in respect of the United Nations Emergency Force special account for the period Jan. 1 to Dec. 31, 1961—Continued

Member states	Percent	Assessments for 1961	Reductions under resolution 1575 (XV)	Credits from tax equalization fund for 1959	Amount received	May 31, 1962 balance due
Philippines	0.43	$80,888	$40,444.00	$430		$40,014.00
Poland	1.37	257,714		1,371		256,343.00
Portugal	.20	37,623		200	$37,423.00	
Rumania	.34	63,958		340		63,618.00
Saudi Arabia	.06	11,287		60		11,227.00
Senegal	.06	11,287	5,643.50			5,643.50
Somalia	.04	7,524			7,524.00	
South Africa	.56	105,343		560	104,783.00	
Spain	.93	174,944		931		174,013.00
Sudan	.06	11,287		60		11,227.00
Sweden	1.39	261,476		1,391	260,085.00	
Thailand	.16	30,098	15,049.00	160	14,889.00	
Togo	.04	7,524	3,762.00			3,762.00
Tunisia	.05	9,406	4,703.00	50	4,653.00	
Turkey	.59	110,986	55,493.00	591	54,902.00	
Ukrainian S.S.R	1.80	338,602		1,801		336,801.00
U.S.S.R	13.62	2,562,085		13,628		2,548,457.00
United Arab Republic	.32	60,196		320		59,876.00
United Kingdom	7.78	1,463,511		9,594	1,453,917.00	
United States	32.51	6,115,519			6,115,519.00	
Upper Volta	.04	7,524				7,524.00
Uruguay	.12	22,574	11,287.00	120		11,167.00
Venezuela	.50	94,056	47,028.00	500		46,528.00
Yemen	.04	7,524		40		7,484.00
Yugoslavia	.35	65,839	32,919.50	350	32,569.50	
Subtotal	100.95	18,989,898	1,685,481.50	69,510	12,257,270.32	4,977,636.18
Assessments payable for 1960 by member states admitted at the 15th session of the General Assembly:						
Cameroun		444			444.00	
Central African Republic		444			444.00	
Chad		444			444.00	
Congo (Brazzaville)		444				444.00
Congo (Léopoldville)		444			444.00	
Cyprus		444			444.00	
Dahomey		444			444.00	
Gabon		444			444.00	
Ivory Coast		666			666.00	
Madagascar		666			666.00	
Mali		444			444.00	
Niger		444				444.00
Nigeria		2,332			2,332.00	
Senegal		666			666.00	
Somalia		444			444.00	
Togo		444				444.00
Upper Volta		444				444.00
Total	100.95	19,000,000	1,685,481.50	69,510	12,265,593.32	4,979,412.18

1962 assessments in respect of the United Nations Emergency Force special account for the period Jan. 1 to June 30, 1962, as of May 31, 1962

Member states	Percent	Assessments for 1962	Reductions[1] under resolution 1733 (XVI)	Credits from Tax Equalization Fund for 1960	Amount received	May 31, 1962, balance due
Afghanistan	0.05	$4,875	$3,900	$68	----------	$907
Albania	.04	3,900	3,120	45	----------	735
Argentina	1.01	98,475	78,780	1,253	----------	18,442
Australia	1.66	161,850	----------	2,020	$159,830	----------
Austria	.45	43,875	----------	485	----------	43,390
Belgium	1.20	117,000	----------	1,467	----------	115,533
Bolivia	.04	3,900	3,120	45	----------	735
Brazil	1.03	100,425	80,340	1,151	----------	18,934
Bulgaria	.20	19,500	15,600	180	----------	3,720
Burma	.07	6,825	5,460	90	1,275	----------
Byelorussian S.S.R.	.52	50,700	----------	530	----------	50,170
Cambodia	.04	3,900	3,120	45	----------	735
Cameroon	.04	3,900	3,120	3	777	----------
Canada	3.12	304,200	----------	3,510	300,690	----------
Central African Republic	.04	3,900	3,120	3	777	----------
Ceylon	.09	8,775	7,020	113	----------	1,642
Chad	.04	3,900	3,120	3	----------	777
Chile	.26	25,350	20,280	305	----------	4,765
China	4.57	445,575	222,788	5,654	----------	217,133
Colombia	.26	25,350	20,280	350	----------	4,720
Congo (Brazzaville)	.04	3,900	3,120	3	----------	777
Congo (Léopoldville)	.07	6,825	5,460	3	----------	1,362
Costa Rica	.04	3,900	3,120	45	----------	735
Cuba	.22	21,450	17,160	282	----------	4,008
Cyprus	.04	3,900	3,120	3	777	----------
Czechoslovakia	1.17	114,075	----------	982	----------	113,093
Dahomey	.04	3,900	3,120	3	----------	777
Denmark	.58	56,550	----------	677	55,873	----------
Dominican Republic	.05	4,875	3,900	56	----------	919
Ecuador	.06	5,850	4,680	68	1,102	----------
El Salvador	.04	3,900	3,120	56	----------	724
Ethiopia	.05	4,875	3,900	68	----------	907
Federation of Malaya	.13	12,675	10,140	192	----------	2,343
Finland	.37	36,075	----------	406	35,669	----------
France	5.94	579,150	----------	7,223	571,927	----------
Gabon	.04	3,900	3,120	3	----------	777
Ghana	.09	8,775	7,020	79	----------	1,676
Greece	.23	22,425	17,940	260	----------	4,225
Guatemala	.05	4,875	3,900	56	----------	919
Guinea	.04	3,900	3,120	45	----------	735
Haiti	.04	3,900	3,120	45	----------	735
Honduras	.04	3,900	3,120	45	----------	735
Hungary	.56	54,600	----------	474	----------	54,126
Iceland	.04	3,900	3,120	45	735	----------
India	2.03	197,925	98,963	2,776	96,186	----------
Indonesia	.45	43,875	35,100	530	----------	8,245
Iran	.20	19,500	15,600	237	----------	3,663
Iraq	.09	8,775	7,020	101	----------	1,654
Ireland	.14	13,650	10,920	180	----------	2,550
Israel	.15	14,625	11,700	158	----------	2,767
Italy	2.24	218,400	----------	2,539	----------	215,861
Ivory Coast	.04	3,900	3,120	4	----------	776
Japan	2.27	221,325	110,663	2,472	----------	108,190
Jordan	.04	3,900	3,120	45	----------	735
Laos	.04	3,900	3,120	45	----------	735
Lebanon	.05	4,875	3,900	56	----------	919
Liberia	.04	3,900	3,120	45	735	----------
Libya	.04	3,900	3,120	45	----------	735
Luxembourg	.05	4,875	3,900	68	907	----------
Madagascar (Malagasy Republic)	.04	3,900	3,120	4	----------	776
Mali	.04	3,900	3,120	3	----------	777
Mexico	.74	72,150	57,720	801	----------	13,629
Morocco	.14	13,650	10,920	158	----------	2,572
Nepal	.04	3,900	3,120	45	----------	735
Netherlands	1.01	98,475	----------	1,140	97,335	----------
New Zealand	.41	39,975	----------	474	39,501	----------
Nicaragua	.04	3,900	3,120	45	----------	735
Niger	.04	3,900	3,120	3	----------	777
Nigeria	.21	20,475	16,380	13	----------	4,082
Norway	.45	43,875	----------	553	43,322	----------
Pa istan	.42	40,950	32,760	451	----------	7,733
Panama	.04	3,900	3,120	45	----------	735
Paraguay	.04	3,900	3,120	45	----------	795
Peru	.10	9,750	7,800	124	----------	1,826
Philippines	.40	39,000	31,200	485	----------	7,315

1962 assessments in respect of the United Nations Emergency Force special account for the period Jan. 1 to June 30, 1962, as of May 31, 1962—Continued

Member states	Percent	Assessments for 1962	Reductions[1] under resolution 1733 (XVI)	Credits from Tax Equalization Fund for 1960	Amount received	May 31, 1962, balance due
Poland	1.28	$124,800	$62,400	$1,546		$60,854
Portugal	.16	15,600	12,480	226	$2,894	
Rumania	.32	31,200		384		30,816
Saudi Arabia	.07	6,825	5,460	68		1,297
Senegal	.05	4,875	3,900	4		971
Somalia	.04	3,900	3,120	3		777
South Africa	.53	51,675		632		51,043
Spain	.86	83,850	67,080	1,050		15,720
Sudan	.07	6,825	5,460	68		1,297
Sweden	1.30	126,750		1,569	125,181	
Thailand	.16	15,600	12,480	180		2,940
Togo	.04	3,900	3,120	3		777
Tunisia	.05	4,875	3,900	56	919	
Turkey	.40	39,000	31,200	666	7,134	
Ukrainian S.S.R.	1.98	193,050		2,031		191,019
U.S.S.R.	14.97	1,459,575		15,371		1,444,204
United Arab Republic	.30	29,250	23,400	361		5,489
United Kingdom	7.58	739,050		10,333	728,717	
United States	32.02	3,121,950				3,121,950
Upper Volta	.04	3,900	3,120	3		777
Uruguay	.11	10,725	8,580	135		2,010
Venezuela	.52	50,700	40,560	564		9,576
Yemen	.04	3,900	3,120	45		735
Yugoslavia	.38	37,050	29,640	395		7,015
Total	100.00	9,750,000	1,389,474	77,822	2,272,263	6,010,441

[1] Reductions in assessments made possible by voluntary contributions, principally from the United States.

Mr. FORD. Thank you very much, Mr. Chairman.

Mr. PASSMAN. Thank you.

Mr. Natcher?

CONTINUATION OF VOLUNTARY CONTRIBUTIONS TO MULTILATERAL ORGANIZATIONS

Mr. NATCHER. Mr. Cleveland, do you still believe we should continue our voluntary contribution program insofar as the multilateral organizations are concerned?

Mr. CLEVELAND. Insofar as some of them are concerned.

Mr. NATCHER. For instance, name one or two where we should have some changes.

PROPOSED CHANGES FOR WHO AND IAEA

Mr. CLEVELAND. In cases like the World Health Organization and the International Atomic Energy Agency I am trying to work toward a situation where these new activities like medical research and the operational program, technical assistance activities of the IAEA—these fellowships, and so on—are included in the regular budget so we know that all states are sharing the costs on a fair and predetermined basis.

These voluntary contributions have been used really as seed money to start an activity that we wanted to see start, that other countries were somewhat reluctant to pay for. They get used to them and we shove them into the regular budget and after 2 or 3 years the program is regularized.

This happened on the WHO malaria program where you will remember the first year we put up something over 90 percent of the costs of the program, but we are at a point now where we are not asking for any more for malaria this year on a voluntary contribution basis, and by next year we would hope that the program will become part of the regular budget of the World Health Organization. It has been a successful operation in that sense.

Mr. NATCHER. Are you making suggestions and plans whereby there might be changes insofar as some of these programs are concerned?

Mr. CLEVELAND. Yes, sir.

Mr. NATCHER. Within the Department?

Mr. CLEVELAND. Yes, we have actually started quite a process on this whole field, as I indicated in my opening statement, of taking a new and fresh and rather critical view of the financial procedures and also the personnel procedures of all these organizations.

In the International Atomic Energy Agency, for example, our expectation is that we will be able to get the operational program funded as a part of the regular budget in the next year or two, and we will make arrangements whereby we will get a little more ahead of the game in our participation at an early stage in their budgetary processes so that we come out with more influence.

We are a little in the same position with relation to international organizations as this committee is with relation to the executive branch. The thing has become very complicated. It is difficult to review every detail. We are part of the legislature of each of these organizations. We are members of their appropriations committees, if you will. We are going to tackle it very much from that point of view and very much with that attitude in these next couple of years.

As I say, I am a manager by profession, and this management business is going to get a lot of attention.

ADVANTAGES OF INTERNATIONAL ORGANIZATIONS PROGRAMS

Mr. NATCHER. Mr. Cleveland, are you as well sold on this program as you were when you first appeared before us?

Mr. CLEVELAND. Yes, sir, I think that the advantage to the United States in certain situations of using our power indirectly rather than directly is repeatedly demonstrated in the experience of these organizations. I have no compunction about saying that from my point of view these organizations are instruments of American foreign policy. What makes it a little complicated is they are instruments of everybody else's foreign policy, too. It requires a lot of politics, but we are not so bad at politics, we Americans; so I think we can hold our own in this international negotiations involved.

Mr. NATCHER. That is all, Mr. Chairman.

Mr. PASSMAN. Mr. Andrews?

Mr. ANDREWS. I notice on page 25 the total amount given to these international organizations through the United Nations, seven of them, the total amount of our contribution is $116,570,000. Is that correct?

Mr. CLEVELAND. That is the proposal under this bill.

POSSIBLE SOURCES OF U.N. ASSISTANCE TO CUBA

Mr. ANDREWS. Does the Castro government of Cuba get any funds from any of these seven listed funds?

Mr. CLEVELAND. Not in the case of any of these, with the exception of a single project under the Special Fund, which has been approved but not yet started; and about $83,000 worth of public health projects under U.N. technical assistance.

Mr. ANDREWS. Is that the fund listed as No. 1?

Mr. CLEVELAND. That is one of the two funds in No. 1.

Mr. ANDREWS. UNTA, what does that mean? That is, UNTA and Special Fund.

Mr. CLEVELAND. U.N. technical assistance program is for small technical assistance programs. The Special Fund, so-called, is the program which Paul Hoffman runs for somewhat larger preinvestment surveys and training schools, and that sort of thing.

Mr. ANDREWS. Are these two separate funds listed as one, the UNTA and the Special Fund?

Mr. CLEVELAND. Yes, we make the funds available to the two U.N. programs jointly.

Mr. ANDREWS. You have them listed here as one, however.

Mr. CLEVELAND. They are listed in a single category here, yes.

Mr. ANDREWS. All right. Our contribution to that fund is the largest, $50 million.

Mr. CLEVELAND. Yes, sir.

Mr. ANDREWS. Is that the one or are they the two funds from which the Cuban Government might receive assistance?

Mr. CLEVELAND. There is this one project which has been the source of a good deal of discussion and which we have heartily opposed but, at I said before, you cannot be in an international organization and take the position that none of the Communist countries are going to get anything out of it or then it is not an international organization.

TOTAL CONTRIBUTIONS TO UNTA AND THE SPECIAL FUND

Mr. ANDREWS. What is the total amount of the Special Fund? Our contribution to the Special Fund and UNTA fund amounts to $50 million.

Mr. CLEVELAND. The total amount that we propose here is $50 million.

Mr. ANDREWS. That is our contribution?

Mr. CLEVELAND. Yes.

Mr. ANDREWS. I am speaking of the total amount of the fund that will be handled by the United Nations.

Mr. CLEVELAND. It would be $125 million for the same period.

Mr. ANDREWS. In addition to the $50 million, or is the $50 million a part of the $125 million?

Mr. CLEVELAND. The $50 million is our part of the $125 million. We manage our contribution so that it does not exceed 40 percent.

Mr. ANDREWS. So the total fund handled by the United Nations would be $125 million?

Mr. CLEVELAND. Yes, sir.

Mr. ANDREWS. For 1963?

Mr. CLEVELAND. Yes.

Mr. ANDREWS. Does that include both the UNTA and the Special Fund?

Mr. CLEVELAND. That includes both.

BREAKDOWN BETWEEN SPECIAL FUND AND UNTA

Mr. ANDREWS. Can you give me a breakdown as to how much will be in the Special Fund and how much in the UNTA Fund out of the $125 million?

Mrs. TRENARY. It will probably be about $65 million for the Special Fund and around $60 million for technical assistance.

Mr. CLEVELAND. The precise amount for each depends on the contributions by other countries to the two Funds.

Mr. ANDREWS. Is this a firm figure for us, $50 million for the two Funds, regardless of what other nations contribute?

Mrs. TRENARY. We expect total contributions to be about $125 million, so on the basis of 40 percent matching, it would be $50 million for us. Our pledge is up to $60 million maximum.

Mr. ANDREWS. Could you give us the figures for 1962, the total, and break down the UNTA and the Special Fund?

TOTAL PLEDGES AS OF MAY 1962

Mrs. TRENARY. Total pledges as of May 1962, for the Special Fund are $62.2 million, and for UNTA are $48.3 million. That comes to about $110.5 million that has actually been pledged through this May.

Mr. PASSMAN. Will the gentleman yield?

Mr. ANDREWS. Yes.

Mr. PASSMAN. You are speaking of pledges now, not the amount that has been paid in; is that right?

Mrs. TRENARY. These are pledges.

Mr. PASSMAN. It may be 2 years before some are paid in?

Mrs. TRENARY. Yes, it could be.

Mr. PASSMAN. Uncle Sam has already put up the money.

Mr. ANDREWS. It is cash with us.

Mr. PASSMAN. Cash with us. So far as this committee is concerned and so far as the Congress is concerned, you have already allocated the appropriation, have you not? It is out of control of this committee and the Congress?

Mr. CLEVELAND. We have obligated the funds under authority——

Mr. ANDREWS. $110 million for 1962.

Mr. CLEVELAND. $45 million under the authority Congress gave us last year.

Mr. PASSMAN. We are not arguing that you did not have the authority. We want the record to show that where others have made pledges, you do not know whether it is going to be forthcoming or not in its entirety because you have a 2-year spread; but, so far as we are concerned, the Congress has appropriated the money, the money has been transferred or allocated?

Mr. CLEVELAND. Most of it has not been transferred to the U.N. That is the point.

Mr. PASSMAN. It is obligated.

Mr. CLEVELAND. But, not paid to the U.N. It has been obligated on the books of the Treasury, but we do not transfer the cash until——

Mr. PASSMAN. You never transfer the cash, it is a paper transaction. How is it obligated on the books of the U.S. Treasury?

Mr. CLEVELAND. By an action by——

Mr. PASSMAN. And to whom?

Mr. CLEVELAND. It is recorded as a transfer from AID to the State Department for a contribution to the U.N. and we use that obligation to make good our pledge.

Mr. PASSMAN. It is deleted from any funds you may have on hand obligated for future years?

Mr. CLEVELAND. Those are the obligations that we have for expenditure against prior year pledges.

Mr. PASSMAN. But, so far as this committee is concerned and so far as the Congress is concerned, the money has been appropriated, it has been allocated, it is out from under our reach; is that correct?

Mr. CLEVELAND. That is correct, but it is not from under the reach of the U.S. Government until we see their cash deposited. Until then we do not put our matching cash in.

Mr. PASSMAN. Why did you not withhold this $5 million out of the contingency fund until you could determine what percentage was coming in?

Mr. CLEVELAND. We know pretty well what is coming in based on previous experience. We wanted to be able to meet payments against those pledges.

Mr. PASSMAN. We hope to take care of that matter in the language of the bill this year. As far as this committee is concerned, you have already testified it is out from under reach of the Congress; it is something now that is past history, and you are in for a new request—not a pledge, not the right to pledge—but you are in for money, the same as we appropriated last year, the same thing you transferred out of the President's contingency fund. We have to appropriate for fiscal 1963 another new batch of cash; is that right?

Mr. CLEVELAND. Yes, but presumably the committee wants to be ahead of the game on this business, not simply for us to come up here after we have made a semicommitment already, but to come up ahead of time, make our commitments based on what the Appropriations Committee has sanctioned.

Mr. PASSMAN. This is what the committee has tried to do, keep ahead, but it seems you people have moved ahead of us, and we are going to try to get the Congress back ahead of you. I did not want to interrupt, but these other people make pledges that may or may not be forthcoming, while we have passed both stages as it would apply to this committee and the Congress. You have had the authorization and you have had the appropriation, and you have made the allocation?

Mr. CLEVELAND. Yes.

Mr. PASSMAN. Am I correct in that sequence of statements?

Mr. CLEVELAND. Yes, sir. You have to depend on us for the prudent management of the expenditure stage of the transaction.

Mr. PASSMAN. I think this is the most mismanaged thing, the most shuffling that ever took place in any part of the aid program that I have had anything to do with—and let me tell you some of the others are hardly believable.

Thank you, Mr. Andrews.

TOTAL PLEDGES TO UNTA AND SPECIAL FUND

Mr. ANDREWS. I want to find out this if I can. We appropriated $110 million for fiscal 1962 for these two Special Funds to the United Nations; is that correct? $60 million for UNTA and $65 million——

Mrs. TRENARY. No, sir.

Mr. ANDREWS. It is $48 million in 1962 for UNTA, $62.2 million——

Mrs. TRENARY. No, sir, those are pledges that include our amount as well as other governments. The $48 million is the total amount which all governments, including the United States, pledged to UNTA.

Mr. TENNANT. Our obligation, I believe, was $45 million, against $110 million total.

Mr. CLEVELAND. The U.S. share of those two figures, Mr. Andrews, was $19.3 million as our share of the $48.3 million, for UNTA based on June 30 pledges, and $24.9 million as our share of the $62.2 million for the Special Fund based on May 31 pledges. In both cases that is 40 percent of the total.

Mr. ANDREWS. Give me the figures for 1962 for the Special Fund.

Mr. CLEVELAND. For 1962 the Special Fund total is $62.2 million.

Mr. ANDREWS. Our share?

Mr. CLEVELAND. No, the total from all governments. Twenty-four million nine hundred thousand dollars is our share. In the case of the expanded technical assistance program the total from all governments, including ours, is $48.3 million and the U.S. share is $19.3 million.

Mr. ANDREWS. Our total share for 1962 for the two funds was $44.2 million?

Mr. CLEVELAND. Yes, sir, as of the date indicated.

Mr. ANDREWS. How much of that has been spent or turned over to the United Nations?

Mrs. TRENARY. Both of them together, only $10.5 million. Six million dollars for the Special Fund and $4.5 million for the technical assistance.

Mr. ANDREWS. Then we have unexpended $34 million out of the 1962 funds?

Mrs. TRENARY. Yes, sir.

Mr. ANDREWS. That is the amount appropriated for these two funds for 1962?

Mrs. TRENARY. No, sir. The figures we were giving you are the pledges so far in this calendar year, and the U.S. share of these pledges.

Mr. ANDREWS. Our share was $24.9 million for one?

Mrs. TRENARY. Yes.

Mr. ANDREWS. $19.3 million for the other.

Mrs. TRENARY. That comes to a little over $44 million.

Mr. ANDREWS. $44.2 million?

Mrs. TRENARY. There will be a few more pledges, and by the end of the calendar year we would expect the total to be about $45 million. That is why in addition to the $40 million that was appropriated as a part of this appropriation last year, we transferred $5 million from contingency to cover our pledge of 40 percent and obligated it but did not transfer it all to the United Nations.

Mr. ANDREWS. Do you handle this fund on a fiscal or a calendar year basis?

Mr. PASSMAN. That is the best thing that has been cleared up today. You obligated $45 million but actually so far as the amount of receipts, it should have been $42 million; is that correct? That is, $42 million-plus.

Mrs. TRENARY. No, sir; the total pledged by others so far would justify obligating $44.2 million on our pledge.

Mr. ANDREWS. But you have only obligated as of a very recent date $10.2 million.

Mrs. TRENARY. No, sir. We have expended $10.2 million.

Mr. ANDREWS. You mean by that you gave it to the United Nations?

Mr. CLEVELAND. Signed checks for that amount.

Mr. TENNANT. Actually disbursed it.

Mr. ANDREWS. Right. You still have unexpended in this fund $34 million?

Mr. CLEVELAND. Obligated but unexpended, $34 million.

Mr. ANDREWS. Obligated on the assumption that other countries put their share into the fund?

Mr. CLEVELAND. That is right, and if they do not, we do not disburse the money.

Mr. ANDREWS. I asked if you operate this fund on a calendar or on a fiscal year basis.

Mr. CLEVELAND. For the U.N. on a calendar year basis.

Mr. ANDREWS. You have from now until the 1st of January to learn whether or not you should expend or give to the United Nations the additional $34 million balance you have in this fund out of the 1962 appropriation?

Mr. CLEVELAND. It will run beyond that because some of the expenditures do not happen until next year, on this year's pledges.

Mr. ANDREWS. You are asking for calendar 1963 $50 million for these two funds.

Mr. CLEVELAND. On an estimate that in this fiscal year, in this calendar year of 1963, the total pledges from other countries will amount to about $75 million and that our 40 percent would, therefore, be $50 million. The fund is going up partly as a result of this incentive arrangement that the Congress very wisely built into the program as a 40-percent limitation matching provision.

Mr. ANDREWS. But you still have unexpended from the 1962 appropriation $34 million.

Mr. CLEVELAND. Yes, sir; $34.5 million actually.

SOURCE OF FUNDS FOR CUBAN PROJECTS

Mr. ANDREWS. Is this the fund you say Castro might get some money from, either of these?

Mr. CLEVELAND. If he got anything, he would get stuff that came out of Russian and other contributions.

Mr. ANDREWS. It all goes into a common pot for the United Nations, does it not?

Mr. CLEVELAND. Yes, but as the chairman indicated earlier, the pot has a lot of restrictions on it by individual countries. In all probability, the Cuban project would be funded out of rubles and other local currencies from elsewhere.

Mr. ANDREWS. But out of these two funds, UNTA and Special Fund?

Mr. CLEVELAND. Special Fund. Yes, sir.

Mr. ANDREWS. Can you tell me how much the Cuban Government got in calendar year 1961?

Mr. CLEVELAND. $140,000, mostly for health projects, in 1961.

Mr. ANDREWS. Did they get any in 1960?

Mr. PASSMAN. Let us see if they did.

Mr. ANDREWS. Either of these funds.

Mr. CLEVELAND. There are two or three items also on other programs that do not relate to the Special Fund.

Mr. ANDREWS. Do you have any money in 1962 out of these funds, UNTA and the Special Fund?

Mr. CLEVELAND. Out of UNTA, $83,000. In addition, from the World Health Organization, and this is for malaria mostly, $93,120; Pan-American Health Organization, which is the regional element——

Mr. ANDREWS. Where is it listed?

Mr. CLEVELAND. It is not part of this appropriation, and neither is the world health program for this particular purpose.

Mr. ANDREWS. What is this WHO special program?

Mr. CLEVELAND. That is a medical research program. Out of that, there is nothing for Cuba at all.

Mr. ANDREWS. Where did he get the $93,120?

Mr. CLEVELAND. That is out of the regular worldwide program for malaria.

Mr. ANDREWS. Where is it listed in the green book?

Mr. CLEVELAND. It is not listed because we are not asking for any funds for that under the AID appropriation.

Mr. HILLS. That amount that you just noted sounds very much like the voluntary contribution of Russian vehicles which was channeled through WHO directly to Cuba. Again, that has the nature of a voluntary contribution.

Mr. ANDREWS. We have no control over what Russia voluntarily gives Cuba.

My question is, from what funds, if any, of the U.N., to which we make contributions, has Castro been receiving aid?

Mr. PASSMAN. Off the record.

Mr. CLEVELAND. Only the $83,000 is relevant to this appropriation.

Mr. ANDREWS. That comes from this fund designated UNTA?

Mr. CLEVELAND. Yes.

Mr. ANDREWS. To which in 1962 we contributed $19.3 million?

Mr. CLEVELAND. Yes, sir.

1962 ESTIMATED CEILING FOR UNTA AND SPECIAL FUND

Mr. PASSMAN. Is it not $45 million? You do not know if there are not other allocations.

Mr. CLEVELAND. We know for calendar year 1962 we have now set an estimate of $45 million on how much we will put up.

Mr. PASSMAN. It could be less than that, depending on how much the others put up?

Mr. CLEVELAND. The expenditures might be less than that if they do not put up their share.

Mr. ANDREWS. As of recent date, we had only expended from our obligation for 1962, $10.2 million?

Mr. CLEVELAND. We have expended only $10.2 million.

Mr. PASSMAN. You have obligated $45 million?

Mr. CLEVELAND. We have obligated $45 million. But no money has changed hands yet and will not until their money has been put up, and they certify that to us from the U.N.

Mr. PASSMAN. We have put ours up, so far as the Congress is concerned. You asked for an appropriation and you received it.

Mr. CLEVELAND. Yes.

Mr. PASSMAN. You obligated it?

Mr. CLEVELAND. We manage it prudently to stay within the strictures of this committee and the Congress.

Mr. PASSMAN. The Congress appropriated the money, and you put it all together and then you obligated $45 million out of fiscal year 1962 funds?

Mr. CLEVELAND. Yes, sir.

Mr. PASSMAN. We are considering funds on the basis that this account is zero, that you have nothing unobligated; is that correct?

Mr. CLEVELAND. Nothing unobligated.

Mr. PASSMAN. It could be that you have obligated in excess of what the demand will be by, say, $800,000?

Mr. CLEVELAND. We do not think so. We think it will be the other way.

Mr. PASSMAN. But, it could be the other way. It could be that you will obligate $800,000 more than you have need for if the pledges are not paid in?

Mr. CLEVELAND. We think it will probably come out the other way.

Mr. PASSMAN. I should like to see this program contained before it finally breaks America. The only thing I am trying to do is to help make a record to show how it looks and how unmanageable it is under the flexibility that you have.

We thank you very much for the information you have given to us. I am sorry, however, you did not manage it better this year, as we did cut it loose so we would not have line-item appropriations. I rather think, though, that the committee will recommend going back to a line-item system of appropriations.

We shall now go into consideration of the Cuban refugee program, and after our present witnesses have packed and departed, we shall call the new group in.

Thank you very much, Mr. Cleveland.

Mr. CLEVELAND. Thank you very much.

Mr. PASSMAN. A lot of good luck to each and every one of you.

WEDNESDAY, AUGUST 15, 1962.

ASSISTANCE TO CUBAN REFUGEES IN THE UNITED STATES

WITNESSES

ROBERT M. BALL, COMMISSIONER OF SOCIAL SECURITY
JOSEPH H. MEYERS, DEPUTY COMMISSIONER, SOCIAL SECURITY ADMINISTRATION
ROY L. WYNKOOP, ADMINISTRATIVE OFFICER, SOCIAL SECURITY ADMINISTRATION
ANTONIO A. MICOCCI, STAFF ADVISER, CUBAN REFUGEE PROGRAM, SOCIAL SECURITY ADMINISTRATION
JAMES F. KELLY, BUDGET OFFICER, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Object classification

[In thousands of dollars]

		1963 presently available	1963 revised estimate	Increase
11	Personnel compensation		595	595
12	Personnel benefits		18	18
21	Travel and transportation of persons		15	15
22	Transportation of things		2	2
23	Rent, communications, and utilities		175	175
24	Printing and reproduction		45	45
25	Other services		115	115
	Services of other agencies		8,990	8,990
26	Supplies and materials		20	20
31	Equipment		15	15
33	Investments and loans		1,348	1,348
41	Grants, subsidies, and contributions		58,772	58,772
	Total obligations		70,110	70,110

Personnel summary

	1961 actual [1]	1962 estimate [2]	1963 estimate
Total number of positions	45	98	132
Average number of all employees	13	61	119
Number of employees at end of year	39	82	132
Average GS grade	5	5	5
Average GS salary	$4,972	$4,982	$4,999

[1] Mutual Security Act of 1954, as amended.
[2] Foreign Assistance Act of 1961, as amended.

Program and financing

[In thousands of dollars]

	1963 presently available	1963 revised estimate	Increase
Program by activities:			
1. Reception, registration, and classification of refugees		1,000	1,000
2. Welfare assistance and services		51,030	51,030
3. Resettlement and employment opportunities		8,000	8,000
4. Education		9,090	9,090
5. Health services		990	990
Total program costs (obligations)—New obligational authority		70,110	70,110

Mr. PASSMAN. The committee will come to order.

The next item for consideration will be the budget request for assistance to the refugees in the United States and Cuba.

You are here to justify the estimate for the Cuban refugees in the amount of $70,110,000 for fiscal year 1963; is that correct?

Mr. BALL. Yes.

Mr. PASSMAN. We have present the Honorable Robert M. Ball, Commissioner of Social Security; Mr. Joseph H. Meyers, Deputy Commissioner, Social Security Administration; Mr. Roy L. Wynkoop, administrative officer; Mr. Antonio A. Miccoci, staff adviser, Cuban refugee program, and Mr. James F. Kelly, budget officer, Department of Health, Education, and Welfare.

Commissioner Ball, we shall be pleased to hear from you.

STATEMENT BY COMMISSIONER OF SOCIAL SECURITY

Mr. BALL. After Castro's rise to power and his open acceptance of communism, thousands of Cubans who tried to express their democratic feelings were imprisoned. Thousands of others, in protest against the betrayal of their revolution and to avoid actual oppression, took refuge abroad—in the United States and other countries in North and South America and in Europe. Within a matter of months, approximately 40,000 Cuban refugees had sought and been given asylum in the United States, and they were then arriving at the rate of about 1,000 a week.

The principal port of entry for these refugees was, and continues to be, Miami, and the ever-increasing Cuban population in that city soon exceeded the community's ability to cope with it. Because of this and because the problem was a national one, President Eisenhower, in December 1960, and President Kennedy, soon after taking office in January 1961, made Federal funds available to cope with the problem. On January 27, 1961, the Department of Health, Education, and Welfare was directed by the President to develop and administer a program of assistance designed to deal with the Cuban refugee problem. A total allocation of $5 million from mutual security funds was made to cover costs of operation during the fiscal year 1961.

The program as it emerged specifically provides—

(1) Financial assistance to supply essential basic needs of the refugees for food, clothing, and shelter.

(2) Financial assistance in relocating refugees to home and jobs elsewhere in the country and overseas.

(3) Health services and long-term hospitalization.

(4) Assistance to the public schools of Dade County in providing instruction to the refugee children as well as English instruction and vocational training to adults.

(5) Loans to refugee students in college and funds for English and refresher courses for lawyers, doctors, and other professional persons.

(6) Care of minors unaccompanied by relatives.

Administration of the program has been delegated to the Commissioner of the Social Security Administration. In operating the program, the Commissioner makes full use of agencies and resources, public and private, already in existence; as for example, the Office of Education, the Public Health Service, the Bureau of Employment Security of the Department of Labor, and the Children's Bureau and the Bureau of Family Services within the Social Security Administration. State and local welfare agencies (particularly the Florida Department of Public Welfare, the Dade County Board of Education, and the Dade County Health Department) and the facilities of a number of private welfare agencies are also being utilized.

In order to relieve pressure upon the health, education, housing, and other facilities of Miami, and to reduce the need for continuing financial aid, we have placed emphasis upon the resettlement of the refugees to other sections of the country. This emphasis will be intensified this fiscal year. In carrying out the program, insofar as it is possible, adequate sponsorship and employment plans will be provided the refugees in their new locations prior to resettlement. This may mean a somewhat heavier temporary financial assistance load in Miami than if such services were not provided. However, it will, we are convinced, result in savings over a period of time.

SIZE OF THE REFUGEE PROGRAM

About 1,600 to 1,800 Cuban refugees are now arriving at Miami weekly, and it is estimated that there are now about 94,000 refugees in the Miami area. Over 30,000 have been resettled under Government auspices to other locations throughout the country.

BUDGET REQUEST AND EXPLANATION OF REQUIREMENTS

For fiscal year 1962, $38,557,000 was obligated for the Cuban refugee program from the contingency fund of the Foreign Assistance Act of 1961, as amended. On June 28, 1962, Public Law 87–510 was enacted which now provides the basic authority for assistance to Cuban and other refugees. Section 7 of Public Law 87–510 provides that the program may continue to be financed from the contingency fund of the Foreign Assistance Act of 1961, as amended, until such time as a budget request is acted upon by the Congress. The budget estimate contained herein for fiscal year 1963 is $70,110,000. The appropriation language requests authority to reimburse the contingency fund for expenditures made from that fund during fiscal year 1963.

The increase in the amount requested in 1963 over the amount allocated in fiscal year 1962 is primarily due to the increase in the number

of refugees that need to be assisted. The nature of the program remains substantially the same, although increasing emphasis is being put upon relocation. The budget request is presented under five activity headings: (1) "Reception, Registration, and Classification of Refugees"; (2) "Welfare Assistance and Services"; (3) "Resettlement and Employment Opportunities"; (4) "Education"; and (5) "Health Services." A description of the program and the basis for our estimate follows:

RECEPTION, REGISTRATION, AND CLASSIFICATION OF REFUGEES

A Cuban Refugee Center has been established in Miami, Fla. This Center serves as a focal point for Cuban refugee registration and resettlement activities and coordinates the local aspects of the Federal Government's general program of aid to Cuban refugees. Cuban refugees register at the Center where they are interviewed and classified as to job skills, number of employables in the family, friends or relatives in the United States and desired voluntary agency assistance, particularly with respect to resettlement. As of June 30, 1962, a total of 125,000 refugees had registered at the Center. For fiscal year 1963, it is estimated that registrations will continue at the current rate of 7,400 a month and that 213,800 refugees will be registered by June 30, 1963.

During 1963, the Center will direct increased emphasis to job placement, educational counseling activities, and negotiations with public and private agencies regarding job placement opportunities for those refugees newly entering the country as well as those previously registered. At the present time, the Center is staffed with 98 Federal employees. For fiscal year 1963, it is estimated that 132 Federal employees will be required. This staff will be used primarily for job counseling and referral purposes and for additional interviewers, file clerks, and clerical personnel required as a result of a higher number of refugees registered at the Center. As previously stated, primary emphasis will be devoted to resettlement of refugees outside of the Miami area, including employment for them at their new locations. During fiscal year 1962, $732,000 was expended for the operation of the Center. It is estimated that $1 million will be required for this purpose during fiscal year 1963, an increase of $268,000.

WELFARE ASSISTANCE AND SERVICES

Most of the refugees entering this country have no possessions except the clothes they are wearing and have no funds or resources for providing the daily necessities of life. Many of them cannot speak English. Many are unaccompanied children. To cope with the problems this situation creates, the Federal Government, with the cooperation of State and local governments and private agencies, has developed a welfare and assistance program which is estimated to require $51,030,000 during the fiscal year 1963. This would include (1) financial assistance to needy refugees in the Miami area, $31,715,000; (2) transitional resettlement allowances, $2,240,000; (3) assistance to resettled Cuban refugees who become needy after resettlement, $900,000; (4) care of unaccompanied children in foster homes or institutions, $13,800,000; (5) distribution of surplus commodities,

$215,000; and (6) hospitalization up to 30 days, $1,020,000. Provision has also been made in the budget estimate for $1,140,000 to reimburse the State of Florida for the cost of administering the assistance and short-term hospitalization programs.

The number of cases receiving financial assistance at the beginning of the current fiscal year was 28,100. The budget estimate of $31,715,000 contemplates that the net monthly increase in the financial assistance rolls for the fiscal year 1963 will average about 975 cases a month. The estimate contemplates continuation of the current average payment of $75 per assistance case per month. Maximum assistance payments of $100 per month per family and $60 per month for a single person have been established.

As a part of the concerted effort to increase the number of resettlements of refugees from the Miami area, the policy was adopted about the end of May 1962 to provide that each refugee person or family on financial assistance in Dade County being relocated would receive an extra months's assistance check. During the time this portion of the program has been in operation, the average check issued for the extra month's assistance has been $80, and this has been projected for fiscal year 1963. Because even those persons being resettled who are not on the assistance rolls are virtually all without resources of any kind, it is planned, effective September 1, 1962, to make resettlement grants to all persons being resettled. For fiscal year 1963, it is estimated that 28,000 cases will receive a resettlement grant at an estimated cost of $2,240,000.

The budget estimate for fiscal year 1963 contains $900,000 to cover the cost of assistance to resettled Cuban refugees who become needy. This estimate contemplates that about 30,000 families will be resettled during 1963 and that about 6,000 such families will need assistance during the fiscal year for a period of 1 month at an average payment of $150 a month.

The estimate for the cost of the care of unaccompanied children—$13,800,000—contemplates a net increase of 64 children each week who will require care. This is the same average that has prevailed over the past year. The cost of care for these children has been computed at $5.50 a day in foster homes and $6.50 per day in institutions. The number of children receiving care at the end of the fiscal year is estimated to be approximately 7,300.

The estimate of $215,000 to cover the cost of the distribution of surplus commodities is based upon current experience that 62 percent of the cases receiving financial assistance are receiving surplus commodities each month. Costs of administration are calculated at 82 cents per recipient per month.

The cost of hospitalization up to 30 days is estimated to be $1,020,000. This is based on an average of about 340 cases a month at $248 a case. Finally, the estimate of $1,140,000 for State costs of administration of the assistance and hospitalization program is based on an average expenditure of $95,000 a month. This represents an increase of $15,000 per month over June expenditures, such increase being based on the estimated increased number of cases to be handled.

RESETTLEMENT AND EMPLOYMENT OPPORTUNITIES

Resettlement of the Cuban refugees to areas other than Miami, Fla., and employment for them is an objective to which increasing emphasis is being given. It is the true key to any real solution of the refugee problem in Miami. As the Cuban population in Miami increases, it is of course more difficult for the Cubans to obtain jobs in that city. Accordingly, the combined efforts of the four private agencies acting as our agents in resettlement effort, the Cuban Refugee Center, and the U.S. Employment Service will be directed toward informing the country of the skills that the refugees have to offer, in obtaining community support for resettlement, and in working out individual and group resettlement plans.

The four voluntary agencies under contract to the Federal Government are the National Catholic Welfare Conference, United HIAS Service (Jewish), Church World Service (Protestant), and the International Rescue Committee (Nonsectarian). These agencies have a long history of service in the refugee field.

A total of $8 million is estimated to be required for the fiscal year 1963 for the resettlement of Cuban refugees to points outside of the Miami area. The estimate contemplates an increase in the average number of persons resettled a week from 720 in the last quarter of fiscal year 1962 to about 1,450 a week at the end of fiscal year 1963. The cost estimate for 1963 is based on the total resettlement of 59,800 persons at an average cost of $135 per person resettled.

EDUCATION

The heavy influx of Cuban refugees into the Miami area has created serious educational problems. For example, the Dade County public school system for the second semester of the 1961–62 school year had to provide facilities for over 13,000 Cuban children. Practically all adults require language, orientation, and vocational training before they can obtain jobs. The total cost of the educational program for 1963 is estimated at $9,090,000. A brief description of each part of the program and the budget estimate follows.

The sum of $6,085,000 has been provided in the estimate for aid to the Dade County public school system. This includes $5,563,000 to cover 60 percent of the daily cost of the enrollment of Cuban refugee children in the elementary and secondary schools. The 1963 estimate provides for 17,000 Cuban refugee children in average daily attendance for the first semester of the school year and 19,000 for the second semester. The total cost to Dade County per child for the school year is estimated at $515, and the Federal share based on 60 percent would be $309 a child for the school year. In addition, $522,000 is budgeted to provide for extra identifiable expenses associated exclusively with the Cuban children. This estimate includes special training materials such as special English textbooks, bilingual instructions, and so forth; a special summer school for Cuban children oriented to teaching conversational English; and the cost of the salaries of the equivalent of 75 Cuban teacher aides who are utilized in the program.

There is provided $1,490,000 in the estimate for vocational training of Cuban youth and adults in order to provide the kinds of train-

ing and experience which will facilitate the refugees in adjustment and employment. Many of them have a technical or professional skill which would provide them with employment if they had a command of the English language. Others have no skill which could give them gainful employment, but with vocational training can develop such skills. The estimate provides for 200,000 hours of English training per month at a cost of 48 cents per hour, and 40,000 hours of vocational and shop training per month at a cost of 60 cents per hour.

There is provided $1,348,000 in the estimate for approximately 3,000 loans to Cuban refugee college students. Criteria for granting loans in this program are the same as for U.S. students, and the maximum loan to a student is $1,000 per academic year.

For professional training and placement, $167,000 is included in the estimate. A large number of Cuban refugees have professional or technical backgrounds that can be used to advantage in economic pursuits in this country. Special illustrations of the problems that exist are in the teaching profession where there are some 500 Cuban refugees who with special courses could bring their qualifications up to a standard of acceptance by American schools. To date, 900 physicians have attended training classes and 675 have been qualified for nonprivate medical practice in the United States. About 470 lawyers have enrolled for classes, and 200 of them have been placed by a special committee of the American Bar Association. The budget request for professional training for fiscal year 1963 is the same as that expended in fiscal year 1962.

HEALTH SERVICES

The total estimate for health services for fiscal year 1963 is $990,000.

Two hundred and five thousand dollars is for a refugee clinic which is operated in the refugee Center by the Dade County Health Department for health screening and immunization purposes. It is also contemplated during 1963 that this clinic will administer medications for minor illnesses and thus eliminate the referral of a large number of patients to hospital outpatient clinics.

Three hundred thousand dollars is for outpatient medical clinical services for needy Cuban refugees who are ill or injured or need minor surgery or treatment that can be done on an outpatient basis. Arrangements have been made to reimburse local hospitals at the rate of $7 per visit. The budget estimate for 1963 is based on 43,000 outpatient hospital visits.

Included in the estimate is $179,000 for the cost of additional staff required by Dade County to provide dental, maternal and child health, and school health clinical services to the Cuban refugee population. For fiscal year 1961, $100,000 was provided to the county for this purpose. Because of the larger refugee population, it is estimated that $179,000 will be required in fiscal year 1963.

Three hundred and six thousand dollars is included in the estimate to finance the cost of hospitalization of individuals with active tuberculosis or acute psychosis and hospitalization needs beyond 30 days that may be required for other conditions. For fiscal year 1963, it is estimated that 22,600 days of care at a total cost of $215,000 will be required for TB patients. It is further estimated that 6,600 patient

days of care at a cost of $43,000 will be needed for the care of mental patients. Finally, $48,000 is provided for about 2,200 days of care for general hospitalization over 30 days.

Mr. Chairman, that concludes my general statement. If you have any questions, I will be very glad to try to answer them.

Mr. PASSMAN. Thank you, Mr. Commissioner.

I am sure we are all in accord that this is a humanitarian program. It is one the American people endorse because some very unfortunate individuals will be the recipients. They were driven out of a country, our neighbor and former friend, which is now under Communist domination.

I do not think there is going to be any quarrel about the desirability of this program. Being a Christian Nation and desiring to share our fortunes with our unfortunate friends as long as it is sound procedure, the people would want the committee to give sympathetic consideration to this request.

We shall insert in the record the appropriate portion of H. Doc. 514, and pages 5, 6, 9, and 10 of the tabulations.

(The material referred to follows:)

DETAIL OF PROPOSED SUPPLEMENTAL APPROPRIATIONS FOR FISCAL YEARS 1962, 1963, AND FOR OTHER PURPOSES

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the following sums are appropriated, out of any money in the Treasury not otherwise appropriated, to supply supplemental appropriations for the fiscal year ending June 30, 1963, and for other purposes, namely:

"ASSISTANCE TO REFUGEES IN THE UNITED STATES

"For expenses necessary to carry out the provisions of the Migration and Refugee Assistance Act of 1962 (Public Law 87–510), relating to aid to refugees within the United States, including hire of passenger motor vehicles, and services as authorized by section 15 of the Act of August 2, 1946 (5 U.S.C. 55a), $70,110,000, to remain available until expended: Provided, That this appropriation shall reimburse other current applicable appropriations for activities conducted after June 30, 1962, pursuant to section 7 of the Migration and Refugee Assistance Act of 1962."

This proposed supplemental appropriation provides funds for assistance to or on behalf of Cuban refugees in the United States, as authorized by the "Migration and Refugee Assistance Act of 1962," Public Law 87–510, approved June 28, 1962. The assistance includes program activities such as: financial aid to needy refugees, assistance to State or local public agencies providing health, educational and training services to Cuban refugees, cost of transportation and resettlement in other areas of the United States, and projects for refresher professional training or employment of these refugees.

Pending the enactment of this proposed appropriation, foreign assistance funds advanced under the Foreign Assistance Act of 1961, as amended, are being used to finance the costs of these operations in the fiscal year 1963. This proposed appropriation includes funds to reimburse current applicable appropriations for advances made in fiscal year 1963.

Program and financing

[In thousands of dollars]

	1961 actual [1]	1962 estimate [2]	1963 estimate
Program by activities:			
1. Reception, registration, and classification of refugees	$220	$732	$1,000
2. Welfare assistance and services	2,254	28,065	51,030
3. Resettlement and employment opportunities	518	3,797	8,000
4. Education	1,011	5,466	9,090
5. Health services	86	497	990
Total program costs (obligations)	4,089	38,557	70,110
Financing: Unobligated balance lapsing	411	240	
New obligational authority	4,500	38,797	70,110
New obligational authority:			
Appropriation			70,110
Transferred from Agency for International Development, contingency fund	4,500	38,797	

[1] Mutual Security Act of 1954, as amended.
[2] Foreign Assistance Act of 1961, as amended.

Object classification

[In thousands of dollars]

	1961 actual [1]	1962 estimate [2]	1963 estimate
11 Personnel compensation	$65	$304	$595
12 Personnel benefits	2	10	18
21 Travel and transportation of persons	12	9	15
22 Transportation of things		5	2
23 Rent, communications, and utilities	10	62	175
24 Printing and reproduction	5	13	45
25 Other services	110	268	115
Services of other agencies	604	4,294	8,990
26 Supplies and materials	5	16	20
31 Equipment	11	45	15
33 Investments and loans	260	957	1,348
41 Grants, subsidies and contributions	3,005	32,574	58,772
Total obligations	4,089	38,557	70,110

[1] Mutual Security Act of 1954, as amended.
[2] Foreign Assistance Act of 1961, as amended.

Summary, 1963 budget request

[In thousands of dollars]

	1961	1962	1963
1. Reception, registration, and classification of refugees	220	732	1,000
2. Welfare assistance and services			
(a) Financial assistance to needy refugees in the Miami area	1,637	19,831	31,715
(b) Transitional resettlement allowances		103	2,240
(c) Assistance to resettled Cuban refugees who become needy	4	390	900
(d) Unaccompanied children	456	6,270	13,800
(e) Distribution of surplus commodities	15	123	215
(f) Hospitalization up to 30 days	56	658	1,020
(g) State administration of assistance and hospital program	86	690	1,140
Total welfare assistance and services	2,254	28,065	51,030
3. Resettlement and employment opportunities	518	3,797	8,000
4. Education:			
(a) Assistance to Dade County public schools	631	3,196	6,085
(b) Vocational training for youth and adults	50	1,146	1,490
(c) Assistance to college students	260	957	1,348
(d) Professional training and placement	70	167	167
Total, education	1,011	5,466	9,090
5. Health services:			
(a) Refugee health clinic	24	138	205
(b) Outpatient medical clinic services	34	128	300
(c) Dental, maternal and child health, and school health services	20	100	179
(d) Hospitalization for long-term illness	8	131	306
Total, health services	86	497	990
Total, assistance to refugees in the United States	4,089	38,557	70,110

COST OF CUBAN REFUGEE PROGRAM

Mr. PASSMAN. What was the cost of this program in fiscal year 1961 and 1962, and how was it financed? You may submit the answer for the record.

(The information requested follows:)

The cost of this program in fiscal year 1961 (from February 1961, through June 30, 1961) was $4,089,000. The program was carried out under authorities contained in the Mutual Security Act of 1954, as amended, and was financed from the contingency fund of this act, through Presidential direction. The cost of the program in fiscal year 1962 was $38,557,000. The program was carried out under authorities contained in the Foreign Assistance Act of 1961, as amended, and was financed from the contingency fund of this act, through Presidential authority.

Mr. PASSMAN. The authorization for the program may be inserted in the record at this point.

(The information follows:)

Authorization for the program in 1963 is contained in the Migration and Refugee Assistance Act of 1962, Public Law 87-510.

REFUGEE RECEPTION, REGISTRATION, AND CLASSIFICATION

Mr. PASSMAN. For activity 1, reception, registration, and classification of refugees, the estimate is $1 million?

Mr. KELLY. That is correct.

Mr. PASSMAN. Which is an increase of $268,000 above the 1962 program?

Mr. KELLY. Correct, sir.

Mr. PASSMAN. Could you give us a brief explanation as to why you would need an increase of 34 positions for this one activity?

Mr. BALL. Yes. It is related to the workload principally in the Center. This workload really has two parts to it. One part will be about the same in the next year as in this year, and that is the registration of new people. But the existence of a larger number of Cubans in Miami means you have to service a larger pending load there.

To take one example, when some of the new registrants came through in the early days of the program, not a very thorough job was done on checking out their skills, their employment skills. We need to go back in that pending load and do that.

Mr. PASSMAN. Is that why you need an additional GS–13 informational specialist?

Mr. BALL. I would say the key to this whole program is the resettlement part, getting the people to leave Miami and go elsewhere. The information specialist down there is principally directed at conditioning the Cuban community as to what the United States is like and urging them to join the resettlement program. We do not like to use force in this situation. We like to persuade them in the resettlement; that is what that information specialist is for.

Mr. PASSMAN. What does the GS–15 staff adviser do in this activity?

Mr. BALL. That is in Miami?

Mr. PASSMAN. If that is where he is.

Mr. BALL. He is really the Deputy Director of the Center. There are two grade 15's.

Mr. PASSMAN. This is an additional one, is it not?

Mr. BALL. I am sorry. In the whole program, we have three grade 15's. They are already on duty. These are not new jobs. One is Mr. Micocci in our Washington office as adviser to the Commissioner on overall policy.

Mr. PASSMAN. The staff adviser is in Washington and not in Miami?

Mr. BALL. Yes. There are two 15's in Miami, a director and deputy.

RENTAL COSTS

Mr. PASSMAN. What is the rental cost of the Center?

Mr. BALL. We just moved into new expanded space there in Miami. The cost of that new space——

Mr. WYNKOOP. In 1963 it will be $153,000. The space that we had in 1962 was in a dilapidated old building which forced us to keep Cuban refugees waiting outside in the rain and in the 100° temperature. It was completely inadequate.

SIZE AND CONDITIONING OF RECEPTION CENTER

Mr. PASSMAN. What is the size of the Center that you are speaking of for $153,000?

Mr. WYNKOOP. We have 51,900 square feet of space.

Mr. PASSMAN. Roofed space?

Mr. WYNKOOP. All roofed space; this is the gross.

Mr. PASSMAN. Is it a new structure?

Mr. WYNKOOP. No, sir; a very, very old structure.

Mr. PASSMAN. On the waterfront?

Mr. WYNKOOP. Yes, on Biscayne Boulevard. You can see what type of space it is. We are paying slightly less than $3 a square foot, including utilities, janitor services, and supplies.

Mr. PASSMAN. You can build a reasonably good building for $2.75 per square foot; It would not be of brick construction, however.

So far as I am concerned, $153,000 rent for an old building with 51,000 square feet is excessive.

Mr. WYNKOOP. May I make a comment?

This building required very extensive alterations before we could move into it. For example, we have X-ray equipment in connection with our clinic. We have a number of particular facilities which require water in connection with the clinic.

Mr. PASSMAN. I should think you would have water.

Mr. WYNKOOP. Yes. In each one of the treatment rooms, they require water and a number of things.

Mr. PASSMAN. Were those improvements made before the lease contract?

Mr. WYNKOOP. This was a part of the lease, sir. They made these improvements and this was——

Mr. PASSMAN. What is the total expenditure?

Mr. WYNKOOP. The total expenditure on our part is the figure of $153,000 a year. There is a 5-year lease.

Mr. PASSMAN. What expenditure did they make?

Mr. WYNKOOP. I do not know, but it was very extensive.

Mr. PASSMAN. The building has how many floors?

Mr. WYNKOOP. Probably 11 or 12 stories. It is large at the bottom and goes to sort of a peak.

Mr. PASSMAN. What is the age of the building?

Mr. WYNKOOP. This would have to be a guess. I would guess 30 years old.

Mr. PASSMAN. Is it air conditioned?

Mr. WYNKOOP. They had to put in the air conditioning.

Mr. PASSMAN. Did you air-condition the entire building?

Mr. WYNKOOP. All but the part of the building we use for storing food.

Mr. PASSMAN. For all practical purposes, it is an air-conditioned building?

Mr. WYNKOOP. An air-conditioned building.

Mr. PASSMAN. Who is domiciled there?

Mr. BALL. One of the most important functions is the interviewing of the refugees by the four voluntary agencies who are housed in that building. One reason we wanted to move was so that they could put in more staff and we could get this resettlement thing going better.

Mr. KELLY. This is an office and processing center and not a place where any live.

ESTIMATE FOR FINANCIAL ASSISTANCE

Mr. PASSMAN. How did you arrive at your estimate of $31,715,000 for financial assistance? What was the formula?

Mr. BALL. Mr. Chairman, the experience has been that about 70 percent of the new registrants who come from Cuba are without anything and have to go immediately on assistance. So we took 70 per-

cent of the estimated number of new arrivals and added that on an average per-month basis to the pending number we already have. Then we took away from that our estimated number of resettlements based on a stepped-up schedule. The average caseload over the year would be an increase of about 1,000 a month.

(The following was supplied for the record:)

Cuban refugee program—Computation of cost of financial assistance, Florida, fiscal year 1963

Month	Caseload, start of month	Net increase in caseload for the month	Total caseload for month	Payments for the month at an average of $75 per case
July 1962	28,108	1,200	29,308	$2,198,100
August 1962	29,308	1,500	30,808	2,310,600
September 1962	30,808	1,200	32,008	2,400,600
October 1962	32,008	950	32,958	2,471,850
November 1962	32,958	1,190	34,148	2,561,100
December 1962	34,148	950	35,098	2,632,350
January 1963	35,098	1,065	36,163	2,712,225
February 1963	36,163	850	37,013	2,775,975
March 1963	37,013	850	37,863	2,839,725
April 1963	37,863	600	38,463	2,884,725
May 1963	38,463	750	39,213	2,940,975
June 1963	39,213	600	39,813	2,985,975
Total		11,705		31,714,200

Mr. PASSMAN. What has been the average length of time that a refugee receives assistance, Mr. Commissioner?

Mr. BALL. About 8 months has been the average so far. Of course, on these resettlements, our object is to get them out of Miami, even before they stay there long enough to get assistance.

BASIS FOR RESETTLEMENT GRANT ESTIMATE

Mr. PASSMAN. Why are you budgeting the resettlement grant at $80 per case?

Mr. BALL. The resettlement grant at $80 a case is a maximum of $60 for the single person and $100 for the family, and at the time the person leaves he has no income or resources. He has quit the job he has, so that really is a transition allowance budgeted at the maximum for 1 month.

Mr. PASSMAN. The average assistance payment is only $75?

Mr. BALL. The average assistance payment. That is the distinction I am making. We budgeted for the maximum, $60 for single and $100 for the family for the transitional allowance because the person does not have any resources in that month he leaves, and the actual payment is on a maximum basis, and $80 is the actual experience.

I should have said also we drop out of that in the estimate of the number on assistance the number taking employment each month in addition to the resettlements, and we have about 725 a month on that.

Mr. PASSMAN. If we move to the experience factor for 1962 on resettlement, is the payment then $150 a month?

Mr. BALL. $135, Mr. Chairman. A combination of the transportation allowances and payment to the private agency is $135, I believe.

I am sorry, Mr. Chairman. The $150 a month perhaps refers to the amount we pay in assistance to people living outside of Florida.

A few people, after they resettle——

Mr. PASSMAN. After they leave Florida, they get $150 a month?

Mr. BALL. Only the very few who do not stay on the job.

Mr. PASSMAN. If they go elsewhere, the individual is paid $150 a month subsistence?

Mr. BALL. He is paid whatever the individual State he is located in would pay to their own assistance cases.

Mr. PASSMAN. You are doing this on a per-person basis.

Mr. BALL. There is a transition allowance we were talking about earlier. That is the $80.

If a person ordinarily goes to another place, he goes to a job and does not have to take assistance at all.

A tiny percentage of them lose their jobs, and we then agree to pick up the assistance according to rates in that locality. This is averaged out to be $150 per case in the new locality. The reason for that is that most of them have settled in States which have higher assistance standards than Florida—New York, Pennsylvania, New Jersey.

Mr. PASSMAN. You are stating an average payment of $150 a month. Where would you get a formula for this amount?

Mr. BALL. Several States have no maximum. They meet needs.

If there are 5 or 6 children in the family, they budget the actual need of that family and pay the entire amount—that is, in New York, New Jersey, Pennsylvania, and so on.

Mr. PASSMAN. If too much is said about this, there would be a lot of dissatisfaction.

If you make a spread, especially in the Southern States, with the exception of Louisiana, in all probability it is about one-third of $150.

I handle an average of 5 to 10 letters a day from people saying they do not have sufficient money on which to live. I think it is up to $78 in Louisiana.

I think some of the States are below $50.

Mr. KELLY. The $150 is per family.

Mr. PASSMAN. I refer to the family.

Mr. KELLY. It is related to what families would get in the particular State in which the family broke down.

Mr. PASSMAN. You used a high figure. When these people start drawing social security benefits—you know this better than I do, Mr. Ball—they automatically lose a substantial part of the State's assistance. We get a lot of letters on that matter.

Mr. BALL. That is right.

Mr. PASSMAN. You may have gone far above the average per capita income of the mother country.

Mr. BALL. We tried to follow the State's practice. If a person moves to a State where it is lower, it then would be lower.

RELOCATION OF REFUGEES

Mr. PASSMAN. Where did you relocate the refugees in 1962?

I think this amount is high. Many of the people in my district live entirely on their pensions under the Old-Age Assistance Act. I think the average per family would break out around $112.

Mr. BALL. We can insert this list in the record for you.

Mr. PASSMAN. That is all right.

Mr. BALL. What this shows are the States which have higher standards.

Mr. PASSMAN. You are basing yours on the States which have higher standards?

Mr. BALL. This is the actual experience average from the few which broke down.

Very few of these people ever need assistance in the place they go to. The whole plan is to place them where there is a job for them and where they are self-supporting.

(The information requested follows:)

States to Which Cuban Refugees Have Been Resettled From Miami, Fla., Under Government Auspices, February 1961 Through July 1962

Location:	Persons resettled
Alabama	109
Arizona	22
Arkansas	17
California	2,181
Colorado	261
Connecticut	255
Delaware	38
District of Columbia	621
Florida	549
Georgia	245
Hawaii	15
Idaho	1
Illinois	1,974
Indiana	153
Iowa	67
Kansas	118
Kentucky	95
Louisiana	657
Maine	8
Maryland	328
Massachusetts	1,101
Michigan	245
Minnesota	107
Mississippi	52
Missouri	158
Montana	19
Nebraska	130
Nevada	177
New Hampshire	19
New Jersey	5,284
New Mexico	133
New York:	
Metropolitan	12,496
Upstate	259
North Carolina	160
North Dakota	27
Ohio	612
Oklahoma	62
Oregon	100
Pennsylvania	678
Rhode Island	121
South Carolina	66
South Dakota	20
Tennessee	140
Texas	897
Utah	1
Vermont	1
Virginia	193
Washington	53
West Virginia	17
Wisconsin	156
Wyoming	3
Total	31,201

The above table reflects the number of Cuban refugees resettled under Government auspices to each of the States.

A relatively small number of refugees require financial assistance after they are resettled, usually because they become unemployed. In such cases, the policy has been to follow the standards of the regular aid to dependent children program applicable in the State where the refugee resides to determine the amount of financial assistance to be given the refugee. The standards of this program were selected because most of the refugees have children.

The budget estimate for fiscal year 1963 assumes that, on the average for the country, assistance payments for resettled refugees who become needy after they are resettled will average $150 for one month's assistance. While it is impossible to predict in which States refugees will require assistance, experience to date in the resettlement program has been that the majority of resettlements (69 percent) have been made to States that pay above $150 a month for the regular ADC program. The following table shows the States to which it has been possible to resettle 77 percent of the refugees and the average ADC payment in the regular public assistance program for these States. The remainder of the States are not included in the tabulation because resettlements to these States have been less than 1 percent of total resettlements per State.

State	Number of units resettled to State	Percent of total units resettled	Average monthly payment per family, aid to dependent children program
New York	7,331	36.8	$180.49
New Jersey	3,037	15.3	171.41
California	1,254	6.3	171.43
Illinois	1,135	5.7	200.17
Massachusetts	633	3.2	163.04
Texas	516	2.6	78.81
Pennsylvania	390	2.0	132.50
Louisiana	378	1.9	100.40
District of Columbia	357	1.8	150.48
Ohio	352	1.8	117.02

CASES OF FINANCIAL ASSISTANCE TO RESETTLED REFUGEES

Mr. PASSMAN. You are to be commended for looking after their interests. This figure indicates that they need not go hungry.

Mr. WYNKOOP. Mr. Ball said although we have resettled about 30,000 persons, as of June 1962 there were only 383 cases throughout the country which were getting financial assistance in other States.

Mr. PASSMAN. That is an excellent record. However, if there were only 5, I would ask the same question.

Mr. WYNKOOP. I am sure you would, sir.

Mr. PASSMAN. Please repeat that information.

Mr. WYNKOOP. For the month of June 1962, there were 383 cases.

Mr. PASSMAN. Your estimates are based on 6,000 such families, however?

Mr. KELLY. For 1 month.

Mr. BALL. That is correct, Mr. Chairman, As we resettle more and more people around the country, the absolute number which have to turn to assistance in that locality will increase. This average was that at least 6,000 would need 1 month's assistance in 1963.

Mr. PASSMAN. It could be half that amount, depending upon the success you had in relocating them?

Mr. BALL. In the success we had in holding their jobs in the new place; yes, sir.

COST OF FOSTER HOME CARE

Mr. PASSMAN. Would you furnish the committee with the data you obtained on the average cost of foster home care, institutional day care, and so on, to determine the $5.50 foster home care and $6.50 for institutions?

Mr. BALL. For the record?

Mr. PASSMAN. That is right. Again, that cost seems to be high.

(The information requested follows:)

Since the beginning of the Federal Government's program under Presidential directive of February 3, 1961, for the care of unaccompanied Cuban refugee children, the rate of reimbursement to the four voluntary child placing agencies in Miami having contracts with the Florida Department of Public Welfare, acting as agent for the DHEW, has been $5.50 per day for children placed in foster family homes and $6.50 per day for children in group care. The four voluntary child placing agencies retain 50 cents per day per child to defray administrative expenses, provide for special care for some children, and to develop emergency facilities; they forward $5 and $6 per diem respectively for foster family care and group care to their cooperating agencies outside of Miami area.

These rates were agreed upon on the basis of information supplied by the Florida Department of Public Welfare from its own cost figures for foster family care, and on an average of per diem costs reported by children's institutions in the Miami area, information secured from the Child Welfare League of America and reports readily available from some States and communities. Information subsequently collected by the Children's Bureau from public and private agencies throughout the United States indicated that these rates represented reasonable flat rates.

Agencies in some urban centers reported that the rates paid for Cuban children were considerably lower than the rates paid by their public agencies in purchasing institutional and foster family care. For example, in New York State it was reported that public welfare agencies from which information was available, were paying to voluntary institutions for children for whom the public agency was responsible $5.50 to $8.04 per diem for group care and for foster family care $5 to $7.50 per day for normal children with up to $15 for children needing special treatment. These rates did not include the full cost of care. Public institutions in New York State report per diem costs for care of a child from $12.96 to $17.68.

In some parts of the country the rates paid to the voluntary agencies caring for Cuban children are considerably higher than rates paid by public welfare agencies to voluntary institutions for the care of local children. For example, in New Orleans, where 71 Cuban children were placed as of June 30, 1962, the public agencies pay for institutional care of local children from $3.30 to $5 per day and for foster family care about $1.70 per day. However, the payment by the public agency for institutional care does not include administrative and service costs or special medical care and initial clothing allowance. The payment by the public agency for foster family care covers board and room only and does not include clothing, medical and dental care, school expenses, allowance incidentals, and the cost of supervision of the child and the home by the agency. To cover all of the excluded items would add considerably to the total costs of care of a child.

Usually the local agencies placing Cuban children pay their established board rates (the amount they pay for American children) and in addition, pay for clothing, school expenses, medical and dental care, allowances, and incidental expenses. Clothing expenses for Cuban children are usually higher than for American children because the majority are teenage boys who have come with little clothing, and that frequently unsuitable for the climate in which they are to live. School expenses are higher for them because often tutoring in English is needed. Special schools or special treatment are required for some physically and mentally handicapped children and for the emotionally disturbed. Medical and dental costs are higher because Cuban children are often ineligible for public services or private clinic services because of residence requirements. Transportation expenses, including replacement if indicated and the administrative expenses of the agency providing direct care also have to be covered by the per diem.

The rates paid for the Cuban children may appear out of line with the rates paid for local children in a specific community, but usually the rates quoted for the local situation very seldom include all of the actual costs. A voluntary agency or institution usually receives additional funds from voluntary contributions, United Givers or Community Chest Funds. Parents, friends, or relatives frequently provide clothing and incidental expenses. The Cuban children have no parents, relatives, or friends nearby to supplement payments of the voluntary agencies.

Mr. PASSMAN. There are many such homes in my district. In the District of Columbia the cost might be around $53 a month.

Mr. BALL. There are a couple of distinctions. This is not just custodial care. There is included in this cost in the institutions of $6.50, some other types of costs, such as educational costs and general administration.

Mr. WYNKOOP. And medical care.

Mr. PASSMAN. How about the foster homes?

Mr. BALL. That is for the individuals.

Mr. PASSMAN. I think we can locate some homes in my district and give them a semiprivate room with plenty of practical nurses and three good meals a day and a room where they can have hot coffee any time they want, and the cost would be $112 monthly.

Mr. BALL. On the institutional cost——

Mr. PASSMAN. I am referring to the foster home.

BASIS OF HOSPITALIZATION ESTIMATE

On what basis are you increasing the hospitalization estimate by $362,000?

Mr. BALL. That is entirely a matter of the larger populations in Miami, Mr. Chairman.

There is one change in program I should point out which reduces the cost over what it would be at present. We have been paying the hospitals on an outpatient basis. You speak of the inpatient?

Mr. PASSMAN. Yes.

Mr. BALL. There is an outpatient part of the program where we have been sending people to the hospital for $7 a day. We are now equipped in our new center to handle the less difficult types of outpatients right there with our own physicians, and it will be less expensive. We are counting on about 18,000 cases that otherwise would have gone to the hospital, being treated in our hospital.

EXPENSES INCURRED BY FLORIDA

Mr. PASSMAN. The State of Florida spent $1,140,000 in fiscal 1963 for the administration of the assistance and short-term hospitalization program?

Mr. BALL. That is right.

Mr. PASSMAN. Is the State reimbursed?

Mr. BALL. Yes, both for the cash grants and administration. That administration is about 3 percent of the cash grants. That is considerably less than usual in the assistance programs.

Mr. PASSMAN. Are you watching this so it will not become a subsidy to certain institutions?

Submit for the record the detail of the June costs of $80,000.

(The information requested follows:)

Administrative costs, Florida State Welfare Department, June 1962

Salaries	$60,371
Travel and transportation of personnel	3,300
Transportation of things	190
Rent, communications, and utilities	7,260
Printing and reproduction	1,040
Other services	2,334
Supplies and materials	1,670
Equipment	4,100
Total	80,265

Mr. PASSMAN. Are you increasing this cost to an average of $15,000 per month?

Mr. BALL. Yes. That again is related to the increased load which you asked about earlier. There are many more cases.

Frankly, I am a little concerned about the relatively small amount we are spending on administration in the assistance program. I think this is absolutely the minimum.

NUMBER OF EMPLOYEES

Mr. PASSMAN. How many people do you have employed in this refugee program?

Mr. BALL. Federal employees total 90-plus.

Mr. PASSMAN. All together.

Mr. WYNKOOP. Ninety-seven.

Mr. PASSMAN. That is the total number?

Mr. BALL. Operating in Federal functions.

Mr. PASSMAN. Those are the personnel to whom I refer.

Mr. BALL. In the assistance part.

Mr. PASSMAN. Reimbursable to the State of Florida?

Mr. BALL. There are several more.

Mr. PASSMAN. Federal?

Mr. BALL. No.

That is total Federal.

Mr. WYNKOOP. 132 for fiscal year 1963 is the total, an increase of 34 positions over 1962.

Mr. PASSMAN. Are they recruits or career people?

Mr. BALL. Schedule A people, which is the exception. Quite a high proportion of them down there working in Miami are among the Cuban refugees themselves, people we have put on to do some of the registration work.

Mr. PASSMAN. What happens in the event this situation does not adjust itself?

Mr. WYNKOOP. They will all be back in Cuba as soon as they can get there.

Mr. PASSMAN. Not all of them.

Mr. WYNKOOP. Yes, sir.

Mr. PASSMAN. All the civil service people?

Mr. WYNKOOP. We probably do not have more than 18 American citizens employed in this.

Mr. PASSMAN. Are they career people or temporary employees?

Mr. KELLY. Some have been borrowed from the other programs.

Mr. PASSMAN. That is what we want to find out, whether you are building up to where we will have a lot of people for whom you will have to find other jobs.

Mr. KELLY. I think it will be an easy transition to close this out if the program were not needed.

Mr. BALL. I already know where I can put those people.

RESETTLEMENT AND EMPLOYMENT OPPORTUNITIES

Mr. PASSMAN. Resettlement and employment opportunities: $8 million. Is that correct?

Mr. BALL. Yes.

Mr. PASSMAN. What was the amount of this account in fiscal 1962?

Mr. BALL. $3,797,000.

Mr. PASSMAN. What is the cost of the contract with each of the four voluntary agencies?

Mr. BALL. The way that contract works with the voluntary agencies is that we pay them on a per capita basis for the successful resettlement of individuals. That is at $60 per person.

The $135 per person includes transportation costs that the Federal Government pays directly. They get $60 per person for resettlement, and the increased amount is related to our stepping up this resettlement part of the program and pushing ahead with what we think is the most important thing.

Mr. PASSMAN. Does this item work out of the $70,110,000?

Mr. BALL. $70,100,000 in the appropriation includes the $8 million for the four voluntary agencies.

Mr. PASSMAN. There is no expense, direct or indirect, involved in this refugee program, other than what is shown here?

Mr. BALL. This is the total.

EDUCATION COSTS

Mr. PASSMAN. Activity 4, "Education," $9,090,000.

Mr. BALL. There is one change in that I want to be sure to point out to you.

We have been paying in the past the Dade County public school system at the rate of 50 percent of the per capita cost of educating children there, plus special identifiable costs which go only to the Cuban children.

Mr. PASSMAN. You are going to increase that rate to 60 percent for fiscal 1963?

Mr. BALL. Yes. We have had several conferences with them, and they have convinced us that the actual cost of educating these Cuban children to them is about 20 percent higher than it is to educate a native-born American child.

Mr. PASSMAN. What was the cost of this activity in 1962?

Mr. BALL. $3,196,000.

Mr. KELLY. To the Dade County system. As compared with the $9.9 million which you asked about, we spent $5,466,000 in 1962.

Mr. PASSMAN. At what level of education do you have this? Grammar school, secondary——

Mr. BALL. Elementary and secondary.

Mr. PASSMAN. There is nothing here for colleges or universities?

STUDENT LOANS

Mr. BALL. A separate program of student loans.

Mr. PASSMAN. In that program in the amount of $9,090,000?

Mr. KELLY. $9,090,000 includes assistance to Dade County for elementary and secondary.

It includes vocational education and language instruction. It includes the assistance to college students in terms of loans, and it includes——

Mr. PASSMAN. What kind of loans?

Mr. KELLY. Loans patterned after the National Defense Education Act, not to exceed $1,000 per student in 1 year, and they are repayable after they have completed their education.

Mr. PASSMAN. What are the terms?

Mr. KELLY. They have to repay in 5 years following the time they complete their education.

Mr. PASSMAN. At what rate of interest?

Mr. BALL. A no-interest loan.

Mr. KELLY. There was one item in the $9,090,000 I did not mention. This is the expenditure made in training and placement of professional people, specialized training being given to doctors, lawyers, and teachers so they can undertake jobs in their chosen professions and be acclimated to its application in this country.

Mr. PASSMAN. In connection with vocational training, the estimate is $1,490,000?

Mr. BALL. That is right.

ENGLISH LANGUAGE TRAINING COURSE

Mr. PASSMAN. I see a statement, "It is difficult to get Cuban families to leave the Miami area." Is that correct?

Mr. BALL. I think—yes, it is difficult, but the relevance of that point was that if they cannot speak English, there is a tendency for them to stay in a place where there are a lot of other Spanish-speaking people.

One of our big drives has been to get them to take these English courses, and that is in this vocational item.

Mr. PASSMAN. It is a deterrent to your resettlement efforts, then?

Mr. BALL. Yes, so we have been pushing the English course.

The Dade County public school system has done a really excellent job on this program. They have cooperated tremendously and they have very fine facilities. They are giving English-speaking courses to about 25,000 Cubans a year.

Mr. PASSMAN. You are supposed to provide about 200,000 hours of English training a month. How many students would be taking this training a day?

Mr. WYNKOOP. Total of the vocational training plus the English training amounts to about 25,000.

Mr. KELLY. This is over and above children regularly enrolled in class.

Mr. PASSMAN. We are a little mixed up in the mathematics. You have 200,000 hours of English training per month. Let us divide that by the number of days——

Mr. WYNKOOP. A month, sir.

Mr. KELLY. Two hundred thousand hours of English training per month.

Mr. PASSMAN. Let us break it down. It would be 6,660 hours per day. Is that correct?

Mr. BALL. That sounds right.

Mr. KELLY. For 25,000 people, it is about 8 hours a month.

Mr. BALL. We feel this is a terribly important thing.

Mr. PASSMAN. Is this classwork?

Mr. BALL. Large classes.

Mr. PASSMAN. Again, you can take 50 of them, and you can multiply that 50 by the hours, and that would be——

Mr. KELLY. 200,000 student hours.

Mr. PASSMAN. That clears it up, then.

Mr. BALL. One course is not enough for each student. Sometimes they have to go into elementary and then advanced courses.

HEALTH SERVICE COSTS

Mr. PASSMAN. You have activity 5, "Health service, $990,000." What was the cost of this activity in fiscal 1962?

Mr. KELLY. $497,000, sir.

Mr. PASSMAN. You have had a proportionate increase in the number of refugees?

Mr. BALL. Yes, sir. There is a change in the rate, also, which we paid, mentioned earlier.

Mr. PASSMAN. The cost of the clinic operated by Dade County is increasing to $205,000 in fiscal 1963. Is that correct?

Mr. KELLY. To $205,000.

Mr. WYNKOOP. An increase of $67,000.

Mr. PASSMAN. Why does this clinic need a hospital consultant and an administrator?

Mr. WYNKOOP. The primary reason they need a hospital consultant and administrator, Mr. Chairman, is so that the doctors in this particular clinic can take over some of the functions that have been performed by the hospitals which we have under contract to render outpatient clinical services at $7 a visit.

We feel we can reduce the number of visits to the outpatient clinics at the hospitals by having competent persons in our clinic where we would be able to render much of the more minor care these people need, and handle strep throats, boils, and that sort of thing.

The hospital consultant would continue to work with the hospitals in determining the services they would render and those we would render.

OUTPATIENT COSTS

Mr. PASSMAN. The outpatient rate is $7 per visit. Would it work this way: There are seven members in a Cuban family who decide they would like their throats sprayed. They go down to the clinic. The throats are sprayed and you get a bill for $49. Is that the way it works?

Mr. BALL. If they went to the hospital; yes.

Mr. PASSMAN. Some are going to hospitals?

Mr. BALL. Not under the new plan. They should not.

Mr. PASSMAN. But they have been going?

Mr. BALL. Yes, sir.

Mr. PASSMAN. And you have been paying $7 a visit?

Mr. BALL. We are changing it to make it so we ourselves can handle that much cheaper. The only cases going to the hospital will be much more serious items than throat spraying.

Mr. PASSMAN. You are budgeting $300,000 for outpatient medical clinical service, and so on?

Mr. BALL. That is right.

Mr. PASSMAN. An individual may go there five times. You pay $7 for each visit?

Mr. BALL. That would be correct, if it were that serious a thing. If we can take care of it in our own clinic——

Mr. PASSMAN. If you can, but you are asking for $300,000, Mr. Commissioner.

Mr. BALL. That is for more serious ones.

Mr. PASSMAN. You might employ about 10 good doctors at $30,000 a year and just let them take them as fast as they come.

Mr. KELLY. We operate in the Public Health Service in 12 of our hospitals, large outpatient clinics, and, in addition, 25 outpatient clinics not in hospitals. These provide care to merchant seamen and the Coast Guard; $7 a day is really a good figure for the average cost.

As you indicate, some are reasonable. Some include diagnostic work, X-ray work, and so on.

Mr. PASSMAN. Nobody supervises the kind of work done? They send the bill and you send the check?

Mr. BALL. No.

Mr. PASSMAN. You have somebody supervising the doctors?

Mr. BALL. They have to be referred by our center.

Mr. PASSMAN. The referral is by a doctor or by your center?

Mr. BALL. By the doctors in the center.

Mr. KELLY. In the health clinic.

Mr. BALL. The procedure is this: First they have to have a need. Nobody gets this unless they are on assistance.

Mr. PASSMAN. Who will tell whether they have a need?

Mr. BALL. I meant monetary need.

Then they go to our clinic. If we can handle it, fine. If not, then they are referred.

Mr. PASSMAN. I think these people are getting fine medical treatment.

I do not think the American people will object to a reasonable program.

Mr. KELLY. We think they would rather have a job.

Mr. PASSMAN. We want to provide for reasonable needs.

Thank you, Mr. Commissioner.

RESETTLEMENT PROBLEMS

Mr. CONTE. Is one of the problems in resettlement that these people do not want to leave Miami and get away from closeness to Cuba?

Mr. BALL. That was a condition, Congressman. What we did in that respect was to guarantee them that at the time Cuba was free and if they wanted to return, we would pay their transportation back. That helped a great deal on that.

It is still true that with some of them who, as we were saying, can speak only Spanish, it is hard to get them to move. Mostly I would say the problem is not the Cubans, that is part. The problem is to get sponsors back in the localities throughout the United States who are willing to take the minimum amount of responsibility: sponsors who meet the family, try to get them a job, introduce them to people, help them to adjust to American life. A lot of our program is aimed at getting these additional sponsors throughout the country.

Mr. CONTE. I think it is very commendable. The fact that you have less than 300 unemployed is fantastic.

Mr. BALL. That is among those who have been resettled.

Mr. CONTE. Only among those?

Mr. BALL. Yes.

Mr. PASSMAN. This is a $70 million program.

Mr. BALL. This is the 30,000 resettled because that is a careful job of resettlement. We do this and take longer than perhaps we wish we could, in order to get them to a place to get a job and stay off relief. In Miami itself about 60 percent of the families that are staying in Miami are on relief. That is one of the main reasons we want to do everything we can to push resettlement and to get them to where they can work.

NUMBER OF REFUGEES ARRIVING

Mr. CONTE. Are they still coming in at the same rate?

Mr. BALL. About the same rate, 1,600 to 1,800 a week.

Mr. CONTE. By plane?

Mr. BALL. Yes; two flights a day filled up.

Mr. CONTE. Nobody is going back to Cuba?

Mr. BALL. No.

Mr. WYNKOOP. We had some figures that I think in the last 5 months we had three people who went back to Cuba. We do not know the reason. Three people associated with our program went back.

Mr. CONTE. There are no restrictions on their coming in?

Mr. WYNKOOP. They have to get a visa waiver from the State Department before they can come in. I understand there is a waiting list of about 8 months that they have to go through before they can get a visa waiver.

Mr. BALL. There seems to be nothing in the situation that would lead us to expect any slackening off at least during this next fiscal year. I think we are in for not just a quick emergency situation, but handling this kind of problem for a couple of years or more.

REFUGEE INVASION OF CUBA

Mr. CONTE. Were you there, Mr. Ball, when the refugees attempted to invade Cuba? Were you in charge of the program?

Mr. BALL. No. I took over from Mr. Mitchell as Commissioner of Social Security April 17 this year. Some of this is fairly new to me.

Mr. CONTE. There was a lot of talk and stories in newspapers that the U.S. Government had supported them to a certain extent on that invasion. I was wondering whether that money came out of——

Mr. WYNKOOP. Not one penny came out of this.

Mr. CONTE. None at all?

Mr. WYNKOOP. No, sir.
Mr. CONTE. Were you there?
Mr. WYNKOOP. Yes, sir.
Mr. PASSMAN. Off the record.
(Discussion off the record.)

STATES WITH LARGE NUMBERS OF REFUGEES

Mr. CONTE. Mr. Ball, where are most of these refugees going who are being resettled?

Mr. BALL. The State that has the largest number is New York. Then Pennsylvania, New Jersey, California come close behind. Then beyond that there is a pretty good scattering around the country. To some extent they have gone in almost every State, but there is a concentration, first of all, as you would expect. Many went to New York City because there already was a Cuban colony there.

But as we get into this more and more, we are trying to resettle them in the areas where there are shortages of certain types of labor that they can supply and match the people to the jobs they should go into. Our object is to try to spread this around pretty widely throughout the Nation. I think if the country as a whole becomes fully aware of the magnitude of this problem and if we all work on it, Miami could be relieved and these people could be absorbed in the economy and no one place would have too much of a problem.

Mr. MICOCCI. Your own State of Massachusetts is making a very important contribution. For example, some of those shoe people in Lowell and Lawrence are tapping this manpower pool in a very generous way. Your Governor has set up a State commission with some experienced people, and Massachusetts is doing a real fine job.

Incidentally, they have gone now to over 950 different communities in the United States and in every State but Alaska. We still hope to place someone in Alaska.

Mr. PASSMAN. Will the gentleman yield?

Mr. CONTE. Surely.

EMPLOYMENT OF REFUGEES

Mr. PASSMAN. We have about 5½ to 6 percent unemployed in this country. I believe the steel mills are operating at only about 50 percent of actual capacity. Are you receiving many complaints from communities where they are replacing Americans who would normally want those jobs? We do have to face up to it.

Mr. BALL. I have been surprised that there are so few.

Mr. PASSMAN. But you are receiving some complaints?

Mr. BALL. Some, but there is a considerable amount of understanding.

Mr. PASSMAN. Understanding, yes, but with a 5½ to 6 percent unemployment figure, and the fact that we are providing jobs for these refugees, there would have to be understanding; otherwise you would get more complaints.

Mr. BALL. Yes.

Mr. PASSMAN. If the situation should change to the point that we have more unemployed, you would really be dealing with a serious matter?

Mr. BALL. Yes, sir.

Mr. PASSMAN. Thank you.

Mr. CONTE. I think you have a case here where many of these people are working in jobs in which a lot of Americans will not work, for example, in the tobacco fields.

Mr. BALL. The Cuban refugees so far have been a very high proportion of professional people. This was a middle-class movement to a very considerable extent in the beginning. More recently there has been a higher proportion of laborers and people from the farms, and so on, but a very high proportion were doctors, schoolteachers, lawyers, many lawyers, and businessmen at the beginning, and still as a whole I would think probably 30 or 40 percent would be classified as the professional group.

Then there are a large number of skilled workers. So that the matching of what these people can do with the places where they can do it is the key to this resettlement problem.

Mr. WYNKOOP. I might add we have several people who were executives in very large American firms, they are Cubans, now working in our center for about one-fifth or one-sixth of what they were getting while in Cuba.

Mr. BALL. These people have been very realistic about what they can do here and the fact that they were getting along fairly well in Cuba has not prevented them from looking for just any kind of job. We have many waiters who were lawyers, and that sort of thing.

COLLECTION OF UNEMPLOYMENT COMPENSATION

Mr. CONTE. When they go into a State and collect compensation as they are unemployed, some States have a clause that they have to be American citizens.

Mr. BALL. I do not know that we have any experience yet in collecting under the unemployment insurance compensation system. We spoke earlier of the assistance program.

Mr. CONTE. I am talking about assistance. What the chairman was talking about——

Mr. BALL. The Federal Government pays for it. We work through the State assistance programs.

Mr. CONTE. Until a couple of years ago Massachusetts had a clause saying you could not collect without being an American citizen.

Mr. PASSMAN. I think most States average 1 year; that is, they require a person to be a resident of the State for 1 year before being eligible for State benefits.

Mr. CONTE. Besides that, you have to be a citizen of the United States in Massachusetts.

Mr. KELLY. They are not being paid under the regular State assistance program, but we are making a special contract with the State to make the payment on behalf of the Federal Government.

Mr. BALL. Using their standards and that sort of thing.

Mr. CONTE. I would like to commend Mr. Ball and his agency for the fine job they are doing here. This is a very difficult task. I have been to Miami and I have seen these refugees. I think you are doing a very commendable job.

Mr. BALL. Thank you very much.

Mr. PASSMAN. You are doing an excellent job. I think however, you could do it at less cost.

Are these people going to be eligible for American citizenship at some subsequent date? Did they come in with that understanding, that if they qualified under our laws they might become citizens?

Mr. BALL. I do not know that I can answer that completely, Mr. Chairman.

Mr. PASSMAN. Most nations have a quota.

Mr. BALL. As I understand it, their technical position is that of——

Mr. PASSMAN. Political asylum here?

Mr. BALL. They are under an arrangement where they can stay as long as we want them on a kind of parolee basis, but any time we wish we can require any one of them to leave.

Mr. MICOCCI. Their coming here is on these visa waivers. They could stay as long as they want. That does not qualify them to apply for citizenship.

Mr. PASSMAN. It would revert back to the quota basis some day?

Mr. MICOCCI. That would require an act on the part of the Congress.

Mr. PASSMAN. But they would revert back to the quota system under the present laws, if and when Cuba is again a member of the world of free nations?

Mr. MICOCCI. That is right.

Mr. PASSMAN. You do have to take all comers if they have been approved. When they arrive here, you accept them?

Mr. BALL. They go through Immigration and Naturalization before they come to us.

Mr. PASSMAN. I am speaking about when they hit our shores, the United States. We accept all comers?

Mr. BALL. Practically all. What I was going to say is Immigration and Naturalization in their screening has refused some couple of hundred in the whole time.

Mr. PASSMAN. About 200 out of how many?

Mr. BALL. Out of about 125,000.

Mr. PASSMAN. That would be possibly one-tenth of 1 percent?

Mr. BALL. Yes.

Mr. PASSMAN. That percentage would not be in proportion to those who pretend to support Castro, would it? It is certainly to be hoped that those who are here are anti-Castro.

Mr. BALL. My own feeling is that there are hundreds of thousands, if not millions, more in Cuba still who are anti-Castro and who would like to come to this country.

Mr. PASSMAN. I am thinking of the one-tenth of 1 percent who are rejects. It sounds mighty small, as a proportion of the total who are here. Off the record.

(Discussion off the record.)

Mr. WYNKOOP. I think we should bear in mind that all of these people have had a prescreening through the visa waiver process so that it is not a hundred percent of the core that applied that we get here and then we reject one-tenth of 1 percent.

Mr. PASSMAN. It seems obvious that you would get some U.S. enemies in this process. You could not do anything about it, the Congress could not do anything about it. The United States is full of foreign agents, and that is a fact which we know. There is no way

you could be blamed. Let us hope there are very few of them among the Cuban refugees and that we do not place them in positions where they can betray us.

OBLIGATION RATE

Now, would you give us the amount of your obligations for July?

Mr. WYNKOOP. $4,091,370.

Mr. PASSMAN. Now give us the obligations to date in August.

Mr. WYNKOOP. Our obligations to date in August are $5,162,000.

Mr. PASSMAN. That is through what date in August?

Mr. WYNKOOP. This is practically through the end of August.

Mr. KELLY. Estimated through August.

Mr. WYNKOOP. We have projected our current staff and that sort of thing.

Mr. PASSMAN. This last figure of $5,162,000 is for August, projecting it?

Mr. KELLY. Estimated for August.

Mr. PASSMAN. That would bring it up to approximately a $60 million requirement.

Mr. WYNKOOP. Yes, sir; but you should recognize that neither during the month of July nor August have we included any sizable amount of money at all for education because we will not give them their money for education in Dade County until September.

Mr. PASSMAN. What was the number of refugees registered by weeks from July 1 through the last date of record?

Mr. WYNKOOP. The week of June 28 we had 754 cases. A case is approximately 2 persons. A case consists of a family.

Mr. PASSMAN. It would be preferable if you would break it down for the record into the number of individuals.

(The information follows:)

Number of registrations at the Cuban Refugee Center

	Cases	Persons
Week ending—		
June 28, 1962	754	1,508
July 6, 1962	724	1,448
July 13, 1962	1,113	2,226
July 20, 1962	1,117	2,234
July 27, 1962	969	1,938
Aug. 3, 1962	973	1,946
Aug. 10, 1962	1,134	2,068

Mr. PASSMAN. Taking your largest figure of $5,162,000, and multiplying it by 12, you come up with about $62 million. Add to that amount your educational cost of $1,090,000. Unless this program increases, you would need about $62 million to maintain them at the present level; is that right?

Mr. BALL. The estimate for education is $9,090,000, not $1,090,000. The thing also left out of that is that as more refugees come in, more will be on assistance.

Mr. PASSMAN. This cost could go down as well as up?

Mr. BALL. We are a long way from resettling as many as come in.

RELIABILITY OF ESTIMATE

Mr. PASSMAN. Gentlemen, I think you have asked for adequate funds.

Mr. KELLY. May I speak to that?

Mr. PASSMAN. Yes.

Mr. KELLY. You did ask about the reliability of the estimate, and I think some of the work you did there was testing it. However, you should understand we have given to you the best estimate we know how to prepare.

Mr. PASSMAN. I understand that fact.

Mr. KELLY. You should also understand, I think, that it is an estimate which is subject to wide fluctuations. If we underestimated the number of refugees that will come into this country or if we have overestimated what we and the voluntary agencies can do in resettlement, then the estimate we have before you is an underestimate and we will be in trouble before the fiscal year is over.

On the other hand, if the number of refugees to arrive on these shores were to be less than we have been experiencing in the past, we have an overestimate before you and we would be more than glad to return to the Treasury the moneys. But by and large the amount of money you are going to spend is going to be the product of how many people you bring into this country and how many people you resettle.

Mr. PASSMAN. The Congress will be back in session in January, if we are not called back earlier. At least, we will be back in January. That is only a little over 4 months off.

Mr. CONTE. We may still be here.

Mr. PASSMAN. That could be. In addition, if you had a list of all the different accounts from which you can find money, from which things like this might be financed, you would have a hard time getting it on one page. I am familiar with the different funds.

FUNDING OF REFUGEE PROGRAM

Mr. KELLY. I know of no place we could get it unless you gave us special authorization.

Mr. PASSMAN. You might get it out of the military assistance program.

Mr. KELLY. I am not aware of that.

Mr. PASSMAN. The President can transfer out of military assistance into the President's contingency fund.

Mr. KELLY. But the contingency fund is not available for our use once you have made appropriations for the Cuban refugee program.

Mr. PASSMAN. We do not know how broad the interpretation is. You financed this program last year in good part out of the contingency fund, did you not?

Mr. KELLY. Entirely; yes, sir.

Mr. PASSMAN. I quote:

> Whenever the President determines it to be important to the national interest, not exceeding $10 million in any fiscal year of the funds made available for use under the Foreign Aid Act of 1961, as amended, may be transferred to and consolidated with funds made available by this act in order to meet unexpected, urgent refugee and migration needs.

Do you have the authority?

Mr. KELLY. Up to $10 million for all refugees.

Mr. WYNKOOP. We are very familiar with this. May I make one comment off the record?

Mr. PASSMAN. Yes, sir.

(Discussion off the record.)

Mr. PASSMAN. I will tell you of another fund. The President has a special fund in a very substantial amount. He can use that money for whatever purpose he sees fit. The Congress never ties strings to it.

Mr. WYNKOOP. Not the contingency fund that I am familiar with.

Mr. PASSMAN. No; the President has a special fund.

Mr. KELLY. Very limited.

Mr. PASSMAN. Possibly a hundred million. It is rather substantial. I am familiar with those funds. The President can get just about all the money he needs for a program.

You asked for $70,110,000. The committee will give this project special consideration, because we understand and are in sympathy with the purpose. We should take care of them the best we can within the bounds of reason until settlement of the situation.

COMMISSIONER'S ASSESSMENT OF REFUGEE PROGRAM

Mr. BALL. May I make a statement about the need? I think I can speak perhaps with some objectivity because many of these policies were developed before I took office.

In my judgment, the program has been set up and operated not at all on a luxurious or fat basis but, on the contrary, in a way that is appropriate for a refugee program. That is, with the use to a very considerable extent of volunteers, for example. There are about 50 volunteers working in the refugee center down there. The amount of assistance paid leaves unmet need of very high proportion. What you budget in the State of Florida as being people's needs and what they get leaves a large gap which is not being met. The amounts that are paid for these children in institutions which we were speaking about earlier, I think, Mr. Chairman, is less than it is costing these people to take care of the children. I think they have given us a good figure.

Mr. PASSMAN. It is $165 a month, I believe.

Mr. BALL. $6.50 a day.

Mr. PASSMAN. Are you not talking about the foster home cost?

Mr. BALL. Education, medical care——

Mr. PASSMAN. You have the foster home and institutional home?

Mr. BALL. Yes.

Mr. PASSMAN. You pay $5.50 in the foster home, which is about $165 a month, is it not, per child?

Mr. BALL. Per child.

Mr. PASSMAN. There is a profit in that payment for the foster home.

Good luck to each of you, and our best wishes for the successful operation of this program.

MONDAY, JULY 2, 1962.

LOANS TO THE INTERNATIONAL MONETARY FUND

WITNESSES

HON. DOUGLAS DILLON, SECRETARY OF THE TREASURY
JOHN M. LEDDY, ASSISTANT SECRETARY OF THE TREASURY
FRANK A. SOUTHARD, JR., SPECIAL ASSISTANT TO THE SECRETARY
FRED B. SMITH, DEPUTY GENERAL COUNSEL
GEORGE H. WILLIS, DIRECTOR, OFFICE OF INTERNATIONAL FINANCE
W. L. JOHNSON, DEPARTMENTAL BUDGET OFFICER

Mr. PASSMAN. We have before the committee this afternoon the Honorable Douglas Dillon, Secretary of the Treasury. He is accompanied by Mr. John M. Leddy, Assistant Secretary of the Treasury; Mr. Frank A. Southard, Jr., Special Assistant to the Secretary; Mr. Fred B. Smith, Deputy General Counsel; Mr. George H. Willis, Director, Office of International Finance; and our old friend, Col. W. L. Johnson, Departmental Budget Officer.

We shall insert in the record at this point House Document 446, dated June 25, 1962; also, a copy of Public Law 87–490, dated June 19, 1962, which authorizes a $2 billion appropriation to the International Monetary Fund; and, in addition, the justifications for the appropriation.

(The information referred to follows:)

[H. Doc. 446, 87th Cong., 2d sess.]

PROPOSED SUPPLEMENTAL APPROPRIATION FOR LOANS TO THE INTERNATIONAL MONETARY FUND

Communication from the President of the United States transmitting a proposed supplemental appropriation for the fiscal year 1963 in the amount of $2 billion for loans to the International Monetary Fund

THE WHITE HOUSE,
Washington, June 25, 1962.

THE SPEAKER OF THE HOUSE OF REPRESENTATIVES.

SIR: I have the honor to transmit herewith for the consideration of the Congress a proposed supplemental appropriation for the fiscal year 1963 in the amount of $2 billion for loans to the International Monetary Fund.

The details of this proposed appropriation, the necessity therefor, and the reasons for its submission at this time are set forth in the attached letter from the Director of the Bureau of the Budget, with whose comments and observations thereon I concur.

Respectfully yours,

JOHN F. KENNEDY.

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C., June 22, 1962.

THE PRESIDENT,
The White House.

SIR: I have the honor to submit herewith for your consideration a proposed supplemental appropriation for the fiscal year 1963 in the amount of $2 billion for loans to the International Monetary Fund, as follows:

"FUNDS APPROPRIATED TO THE PRESIDENT

"LOANS TO THE INTERNATIONAL MONETARY FUND

"For loans to the International Monetary Fund, as authorized by the Act of June 19, 1962 (Public Law 87——), $2,000,000,000, to remain available until expended. The indefinite appropriation for the payment of interest on the public debt (31 U.S.C. 711), shall be available for the payment of charges in connection with any purchases of currencies or gold by the United States from the International Monetary Fund."

This proposed supplemental appropriation is to allow the United States to adhere to the decision of the Executive Directors of the International Monetary Fund of January 5, 1962, to establish a special standby borrowing arrangement for industrialized countries with balance-of-payments problems. The special fund will have 10 contributors and will provide loans in foreign currencies to member countries with balance-of-payments difficulties. No expenditure is foreseen from this account as there is an ample supply of dollars presently in the general fund and because, under the new arrangement, no country with balance-of-payments problems of its own could be required to make a loan. The special fund is primarily designed to increase the IMF's supply of the currencies of Western Europe, Japan, and Canada.

This amount was included in the 1963 budget as a 1962 item for separate transmittal on the assumption that the authorizing legislation would have become law earlier in the year. It now seems apparent that the appropriation will be enacted in the fiscal year 1963 and the request is being shifted to that year.

I recommend that the foregoing proposed supplemental appropriation be transmitted to the Congress.

Respectfully yours,

DAVID E. BELL,
Director of the Bureau of the Budget.

PUBLIC LAW 87-490

87TH CONGRESS, H.R. 10162

June 19, 1962

AN ACT To amend the Bretton Woods Agreements Act to authorize the United States to participate in loans to the International Monetary Fund to strengthen the international monetary system

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Bretton Woods Agreements Act, as amended (22 U.S.C. 286–286k–1), is amended by adding at the end thereof the following new sections:

"SEC. 17. (a) In order to carry out the purposes of the decision of January 5, 1962, of the Executive Directors of the International Monetary Fund, the Secretary of the Treasury is authorized to make loans, not to exceed $2,000,000,000 outstanding at any one time, to the Fund under article VII, section 2(i), of the Articles of Agreement of the Fund. Any loan under the authority granted in this subsection shall be made with due regard to the present and prospective balance of payments and reserve position of the United States.

"(b) For the purpose of making loans to the International Monetary Fund pursuant to this section, there is hereby authorized to be appropriated $2,000,000,000, to remain available until expended to meet calls by the International Monetary Fund. Any payments made to the United States by the International Monetary Fund as a repayment on account of the principal of a loan made under

this section shall continue to be available for loans to the International Monetary Fund.

"(c) Payments of interest and charges to the United States on account of any loan to the International Monetary Fund shall be covered into the Treasury as miscellaneous receipts. In addition to the amount authorized in subsection (b), there is hereby authorized to be appropriated such amounts as may be necessary for the payment of charges in connection with any purchases of currencies or gold by the United States from the International Monetary Fund.

"SEC. 18. Any purchases of currencies or gold by the United States from the International Monetary Fund may be transferred to and administered by the fund established by section 10 of the Gold Reserve Act of 1934, as amended (31 U.S.C. 822a), for use in accordance with the provisions of that section. The Secretary of the Treasury is authorized to utilize the resources of that fund for the purpose of any repayments in connection with such transactions."

SEC. 2. The last sentence of section 7(c) of the Bretton Woods Agreements Act (22 U.S.C. 286e) is amended to read as follows: "The face amount of special notes issued to the Fund under the authority of this subsection and outstanding at any one time shall not exceed in the aggregate the amount of the subscription of the United States actually paid to the Fund and the dollar equivalent of currencies and gold which the United States shall have purchased from the Fund in accordance with the Articles of Agreement, and the face amount of such notes issued to the Bank and outstanding at any one time shall not exceed in the aggregate the amount of the subscription of the United States actually paid to the Bank under article II, section 7(i), of the Articles of Agreement of the Bank."

Approved June 19, 1962.

TREASURY DEPARTMENT JUSTIFICATION FOR SUPPLEMENTAL APPROPRIATIONS

"FUNDS APPROPRIATED TO THE PRESIDENT

"LOANS TO INTERNATIONAL MONETARY FUND

"For loans to the International Monetary Fund, as authorized by the Act of June 19, 1962 (Public Law 87–490), $2,000,000,000, to remain available until expended. The indefinite appropriation for the payment of interest on the public debt (31 U.S.C. 711) shall be available for the payment of charges in connection with any purchases of currencies or gold by the United States from the International Monetary Fund."

LOANS TO INTERNATIONAL MONETARY FUND

JUSTIFICATION

This appropriation is authorized by Public Law 87–490, which became law on June 19, 1962. An appropriation of $2 billion is required in order to complete action requisite for the United States to adhere to a decision of the Executive Directors of the International Monetary Fund of January 5, 1962. In adhering to the decision of the Fund, the United States must deposit an instrument "setting forth that it has adhered in accordance with its law and has taken all steps necessary to enable it to carry out the terms and conditions" of that decision. The United States must, accordingly, be in a position to lend up to $2 billion to the Fund. The United States would be not expected to lend to the Fund in the absence of a substantial improvement in its balance-of-payments position. No loan is presently contemplated, nor is such a loan likely under present conditions. Nonetheless, the appropriation must be in the full amount of $2 billion in order to bring into effect our agreement with the other participants under which they will commit $4 billion to the International Monetary Fund; we must have the full authority to provide the necessary financing if we should be called upon. The decision will not become effective unless the United States adheres to it.

Public Law 87–490 provides that the $2 billion authorized to be appropriated shall remain available until expended to meet calls by the International Monetary Fund. In addition, any payments made to the United States by the International Monetary Fund as a repayment on account of the principal of such a loan shall continue to be available for loans to the International Monetary Fund.

Public Law 87-490 contains an authorization to appropriate such amounts as may be necessary for the payment of charges in connection with any purchases of currencies or gold by the United States from the International Monetary Fund. In the event that the United States were to utilize the resources of the International Monetary Fund, it would do so by purchasing foreign currencies from the Fund for dollars. Instead of delivering dollars, however, to cover such a purchase, the United States would deliver non-interest-bearing notes, as permitted by the Bretton Woods Agreements Act, as amended, and the Fund articles of agreement. Such notes are issued under the authority of the Second Liberty Bond Act, as amended. Article V, section 8 of the Fund articles sets forth the charges for such a transaction. These charges include a service charge, and a continuing charge the amount of which depends on the average daily balances of the U.S. currency held by the Fund in excess of the U.S. quota. While, because of the nature of the Fund's operations, such transactions are described in the articles as purchases or exchanges of currencies with charges thereon, in effect the transaction is identical with a borrowing of money and the payment of interest thereon. The charges are the price paid for the use of the currencies borrowed. Inasmuch as a drawing by the United States from the International Monetary Fund would be virtually identical in nature with and serve similar purposes as public debt borrowings of the United States, the permanent indefinite appropriation for the payment of interest on the public debt (31 U.S.C. 711(2) and 732) should be available for the payment of charges in connection with any such drawing. A table showing the current levels of International Monetary Fund charges is attached.

CHARGES ON INTERNATIONAL MONETARY FUND TRANSACTIONS

Charges: The following charges are made by the Fund: a service charge of one-half of 1 percent for the purchase of a currency from the Fund, a charge of one-fourth of 1 percent per annum for standby arrangements,[1] and a charge payable on the Fund's holdings of a currency that exceed the member's quota. The rate of charge on balances in excess of quota rises in two dimensions: the larger the member's drawings relative to its quota, and the longer the period during which the Fund holds the member's currency.

Charges on transactions effected in 1954 or later are: [2]

Charges in percent per annum [1] for period stated and for portion of holdings in excess of quota by percent

More than But not more than	0 50	50 75	75 100
Service charge	0.5	0.5	0.5
0 to 3 months	0	0	0
3 to 6 months	2.0	2.0	2.0
½ to 1 year	2.0	2.0	2.5
1 to 1½ years	2.0	2.5	3.0
1½ to 2 years	2.5	3.0	3.5
2 to 2½ years	3.0	3.5	[3] 4.0
2½ to 3 years	3.5	[3] 4.0	4.5
3 to 3½ years	[3] 4.0	4.5	5.0
3½ to 4 years	4.5	5.0	
4 to 4½ years	5.0		

[1] Except for service charge which is payable once per transaction and stated as percent of amount of transaction.

[3] Point at which the Fund and the member consult.

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[1] Credited against the service charge if the member makes a purchase during the period of the standby.

[2] For charges on earlier transactions, see January 1957 IFS.

Average effective rates [1] *in percent per annum for portion of holdings in excess of quota by percent*

More than But not more than	0 50	50 75	75 100
3 months	2.00	2.00	2.00
6 months	2.00	2.00	2.00
1 year	2.00	2.00	2.25
1½ years	2.00	2.17	2.50
2 years	2.12	2.38	2.75
2½ years	2.30	2.60	3.00
3 years	2.50	2.83	3.25
3½ years	2.71	3.07	3.50
4 years	2.94	3.31	----------
4½ years	3.17	----------	----------

[1] Total charges payable by the member over the stated period, expressed as a percent and divided by the number of years of the period. Includes service charge.

When a charge reaches 4 percent per annum, the Fund and the member must consult on means to reduce the Fund's holding of the member's currency. The charge continues to increase by an additional one-half percent per annum each 6 months, subject to the following provisions. If agreement is reached for full repurchase within 5 years from the date of the drawing, the maximum rate is 5 percent per annum; but a higher maximum may be fixed by the Fund in the case of an agreement for repurchase running beyond 5 years. Failing agreement, the Fund may impose such charges as it deems appropriate after the rate of 5 percent per annum is reached.

Charges are normally paid in gold, but when a member's monetary reserves are below half its quota charges may be paid partly or wholly in the member's currency.

Mr. PASSMAN. Secretary Dillon will testify for the appropriation to carry out this authority.

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

Secretary DILLON. Yes, Mr. Chairman, I do.

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

GENERAL STATEMENT

Secretary DILLON. Thank you, Mr. Chairman.

Mr. Chairman and committee members, I am glad to appear before the committee today in support of an appropriation to enable the United States, in cooperation with nine other industrial countries of the free world, to take a major step in support of a strong international monetary system. Congress has enacted Public Law 87–490, which amends the Bretton Woods Agreements Act to authorize the United States to lend up to $2 billion to the International Monetary Fund as part of the U.S. participation in proposed arrangements which will make $6 billion of additional resources available to the Fund.

The special borrowing arrangement of the Fund has been devised as a means of providing the Fund with additional resources of up to $6 billion to be used "if necessary to forestall or cope with an impairment of the international monetary system." Five members of the European Common Market are participating in the special arrangements with an aggregate lending commitment of $2.45 billion. Germany's commitment is $1 billion; France and Italy have agreed to lend up to $550 million each; while the Netherlands is participating with $200 million, and Belguim with $150 million. The United Kingdom is to lend up to $1 billion. Other participants are

Japan, which is to lend up to $250 million, Canada, participating with $200 million, and Sweden, with $100 million. In all, the nine participating countries other than the United States will stand ready to lend their currencies to the Fund up to a total of $4 billion.

The borrowing arrangement is to become effective when at least 7 of the 10 participating countries have signified their agreement and the commitments aggregate $5½ billion of the total amount of $6 billion. The arrangement cannot come into effect, therefore, until the United States participates. The arrangement also requires the participation of the Federal Republic of Germany, France, Italy, and the United Kingdom, since the commitment of each of these countries exceeds $500 million. All of these countries have already taken the necessary steps to participate. Japan has also completed its action. It is expected that Sweden's adherence, in the form of authority for the central bank to loan to the Fund, will be announced in the near future, and that Belgium will complete parliamentary action during the summer. Thus arrangements can become effective this summer, if the United States and Belgium signify their adherence. It is anticipated that the other two countries, Canada and the Netherlands, will also take favorable action in the relatively near future.

IMPORTANCE OF ADDITIONAL RESOURCES TO UNITED STATES

These additional resources have potentially great importance for the United States. The Fund has on hand today only a limited supply of currencies that could be used if the need for a drawing by the United States should ever arise. The lending commitments of the major countries other than the United States and the United Kingdom—which amount to $3 billion—substantially exceed the Fund's current holdings of their currencies. These supplementary resources would greatly enhance the Fund's ability to assist us should it ever become necessary.

As you know, the International Monetary Fund was established in 1945, at the same time as the World Bank. U.S. membership in the Fund was authorized by the Bretton Woods Agreements Act. The Fund's purpose is to promote exchange and monetary stability among its 76 member nations. It does so principally by providing short-term assistance to deal with temporary balance-of-payments difficulties, pending the results of longer range corrective measures.

With the growth of world trade and the increase in the size of monetary reserves, the resources of the Fund have been called upon to a greater and greater extent. To keep pace with these requirements, the quotas of the Fund's members, including the United States, were increased in 1959.

Since that time new problems have arisen, largely as a result of the recent heavy strains placed upon the two principal world reserve currencies—the dollar and the pound sterling. The new Fund borrowing arrangements are designed to help deal with these problems, which arose partly as a result of the restoration of currency convertibility among the industrialized countries.

As a result of the improvement in the payments positions of other industrial countries, chiefly in Western Europe, they were able to make their currencies freely convertible, with the consequence that

movements of short-term capital from country to country were greatly increased. Wider investment opportunities, the attraction of interest rate differentials and, to some extent, speculation, all contributed to these movements of capital.

Increases in foreign monetary reserves were largely the counterpart of overall deficits in the balance of payments of the United States. Our deficits totaled approximately $13.5 billion during the 4-year period, 1958–61, and reduced our gold reserves by almost $6 billion.

The stability of the dollar is essential not only to the economy of the United States but to that of the entire free world. The dollar is the major reserve currency of the free world. Much of world trade and other transactions are carried out in dollars, and settlements of payments surpluses or deficits between foreign countries to a large extent are made in dollars. It is for these reasons that other nations have a vital interest in these new Fund arrangements which will be so important as an added resource to deal with stresses in the international payments system.

DRAWING RIGHTS ON IMF A LINE OF RESERVES

In his message of February 6, 1961, President Kennedy referred to the drawing rights of the United States on the International Monetary Fund as a secondary line of reserves which we could call upon to maintain the strength of the dollar, in addition to our own holdings of gold and foreign currencies.

The U.S. quota in the Fund is $4,125 million, one-quarter of which the United States has paid to the Fund in gold and three-quarters in dollars. A member country is normally entitled to draw currencies freely from the Fund up to the amount of its gold payment, plus an amount equal to the outstanding amounts of the member's currency which have been drawn by other countries. As of April 30, 1962, these virtually automatic drawing rights of the United States amounted to $1.4 billion. In addition, the Fund treats liberally requests for additional drawings up to 25 percent of a member's quota, if the member itself is making reasonable efforts to solve its balance-of-payments problems. In the case of the United States, this would be the equivalent of another $1 billion. Larger drawings are permitted by the Fund if a member is undertaking programs of monetary stabilization and measures for rectifying balance-of-payments deficits.

The total amount, therefore, that the United States would have the right to draw from the Fund almost automatically would be $1.4 billion; another $1 billion could be drawn with relative ease; and additional amounts could be drawn depending upon the seriousness of the situation and the measures which the United States was taking to cope with it.

However, the resources of the Fund to meet a U.S. request for a large drawing are not at present adequate. On April 30, 1962, the Fund had available to it $2.1 billion in gold and $11.5 billion in member currencies. But a large part of these currencies consisted of currencies of the less developed countries which are not suitable for use by the Fund. The Fund's holdings of the currencies of the major industrial countries amounted on that date to the equivalent of about $6.8 billion; however, of this amount $4.9 billion was in dollars and

sterling and only $1.9 billion was in currencies of the other industrial countries. The currencies of the member countries of the European Economic Community accounted for $1.1 billion of this $1.9 billion. On the same date, the Fund's outstanding commitments under existing standby arrangements, with the United Kingdom and other members, amounted to the equivalent of $2 billion.

It is clear, therefore, that the Fund now lacks the resources in gold and the currencies of industrial countries other than dollars and sterling which would be needed to meet a large drawing such as the United States would be entitled to request.

ARRANGEMENTS FOR INCREASING IMF RESOURCES

At their Vienna meeting last September, there was general agreement among Fund Governors that ways should be found to increase the resources available to the Fund. The special borrowing arrangements are embodied in the Fund decision of January 5, 1962, and in the exchange of letters initiated in Paris in December 1961 at the conclusion of discussions among the 10 governments concerned. The Fund decision and the related Paris arrangements are reproduced in the "Report of the National Advisory Council" which is now before you.

The proposed new arrangements can be described very simply. The 10 participating countries would lend stated amounts of their currencies to the Fund if required to permit drawings from the Fund by any one of the participant countries in order to "forestall or cope with an impairment of the international monetary system." These commitments to lend would be invoked only if and when the Fund needs the additional resources.

The participating European Common Market countries—Belgium, France, Germany, Italy, and the Netherlands—would commit an amount of their currencies almost equal to their present quotas in the Fund, while the commitments of the United States and the United Kingdom would be only about half of their present quotas. The effect of the new arrangement would be to increase by about 218 percent the present availability to the Fund of the currencies of the surplus countries of the European Economic Community.

The proposed arrangement is designed so that countries which are in a surplus position and which are gaining reserves may lend their own currencies to the Fund which in turn can supply them to other participating countries which might need additional resources. Thus, if the United States were to draw on the Fund, the Fund would be able to obtain the currencies which we could use. On the other hand, a country which itself faces serious balance-of-payments problems and whose reserves are declining would not be expected to lend to the Fund. This would mean that the United States, for example, would not be expected to lend dollars to the Fund under the present circumstances. In any event, since the Fund still has available in dollars $2.7 billion from the regular U.S. quota, it is highly unlikely that a need for borrowing from the United States will arise.

TERMS OF LOANS TO IMF

The agreement set forth in the Paris letters establishes the international machinery necessary for the 10 participating countries to meet and act upon requests for loans to the Fund.

Loans to the Fund by participating countries would carry a transfer charge of one-half of 1 percent, plus an annual interest of 1½ percent. Loans to the Fund would mature in 5 years, but would be repaid sooner if the drawing country repaid the Fund sooner. Also, if a lending country should itself encounter balance-of-payments difficulties, it may obtain prompt repayment from the Fund.

Drawings of the additional resources from the Fund would conform to the Fund's normal procedures. The whole arrangement would be effective for an initial period of 4 years, subject to renewal by the Fund, but it could not be modified within that period except with the consent of all the participants.

As set forth in the justification, the appropriation of $2 billion authorized by Public Law 87–490, would make available that sum for loans to the International Monetary Fund. The $2 billion authorized to be appropriated would remain available until expended to meet calls by the International Monetary Fund. In addition, any payments made to the United States by the International Monetary Fund as a repayment on account of the principal of such a loan would continue to be available for later loans provided that the amount outstanding at no time exceeds $2 billion.

In adhering to the arrangement with the Fund, the United States must deposit with the Fund an instrument setting forth that it has adhered in accordance with its law, and has taken all steps necessary to enable it to carry out the terms and conditions of the Fund decision. When it adheres, the United States must, accordingly, be in a position to lend up to $2 billion to the Fund. The authorizing legislation provides that any loan under the authority therein granted shall be made with due regard to the present and prospective balance of payments and reserve position of the United States. The United States would not be expected to lend to the Fund in the absence of a substantial improvement in its balance-of-payments position.

The appropriation proposal also provides, pursuant to authorization contained in Public Law 87–490, that the indefinite appropriation for the payment of interest on the public debt shall be available for the payment of charges in connection with any purchases of currencies or gold by the United States from the International Monetary Fund. If the United States were to utilize the resources of the IMF, it would do so by purchasing foreign currencies from the Fund for dollars. Article V, section 8 of the Fund articles governs the charges for such a transaction. While because of the nature of the Fund's operations such transactions are described in the articles as purchases or exchanges of currencies with charges thereon, in effect the transaction is equivalent to a borrowing of money and the payment of interest thereon. The charges are the price paid for the use of the currencies borrowed.

In fact, instead of delivering dollars to cover a purchase from the Fund, the United States would deliver non-interest-bearing notes, as provided by the Bretton Woods Agreements Act, as amended, and the

Fund's articles of agreement. Such notes are issued under the authority of the Second Liberty Bond Act, as amended. Inasmuch as a drawing by the United States from the IMF would be virtually identical in nature with and serve similar purposes as public debt borrowings of the United States, the permanent indefinite appropriation for the payment of interest on the public debt should be available for the payment of charges in connection with any such drawing.

ADVANTAGES TO UNITED STATES OFFERED BY BORROWING ARRANGEMENTS

I wish to emphasize the great advantage to the United States of these borrowing arrangements. It may be that the Fund will never need to borrow. We hope this will be the case. But the commitments will stand as a reserve to be used if and when necessary, and they will provide the Fund with the currencies which would be needed by the United States if it were ever to draw on the Fund. Thus the very existence of this large supplementary pool of usable resources should act as a strong deterrent to speculation against the dollar or other currencies, since it will be well known that there are ample resources available to counteract serious disturbances of the international monetary system. The arrangements will benefit not only the participating countries, but all countries of the free world. The stability of the dollar and of the other major currencies are of vital importance to the smooth functioning of the international trade and payments system.

As I have pointed out, we will not be called upon to make a loan to the Fund under present conditions and, in any event, the question of a loan would not arise until the Fund's resources in dollars—currently about $2.7 billion—had been utilized. This is to be a standby commitment to the Fund. There would not be any expenditure of funds until such time as we might actually make a loan to the Fund. In considering any request to lend under the commitment, we would of course take into consideration our balance-of-payments position at the time and the level of our reserves, as well as the special circumstances which led to the request to lend.

I should like to emphasize that the amount of the appropriation must be in the full amount of $2 billion, in order to bring into effect our agreement with the other nine participants. The entire arrangement is contingent upon the participating countries having authority to take action promptly. The amount of each country's commitment is part of the arrangement, and any change in this amount would require a renegotiation. It is thus necessary to have the full authority to provide the necessary financing if we should be called upon, even though in practice we do not expect to have to use this authority in the foreseeable future.

In conclusion, Mr. Chairman, I should like to say that the present proposal is one which is in the best interests of the United States and of the free world as a whole. It is essential to us and to other countries that the dollar be maintained as a sound and reliable currency at its present parity. If necessary to defend the dollar, as President Kennedy said in his balance-of-payments message, we will use our drawing rights in the International Monetary Fund as a supplementary form of reserves. The appropriation being requested will enable the United States to participate in arrangements which will provide the Interna-

tional Monetary Fund with an adequate supply of the currencies which we ourselves might someday need. It will provide significant assistance to the United States in dealing with the balance-of-payments problem.

The arrangement can be used by the Fund to assist any other participating countries as well. The other nine countries also have a stake in the maintenance of a stable international monetary structure in the free world, and this is why they are all now cooperating in this new arrangement. We should join with them in strengthening the International Monetary Fund by giving it authority to borrow, if needed, the currencies which are most essential to cope with an impairment of the monetary system of the free world.

Mr. PASSMAN. Thank you very much, Mr. Secretary.

Off the record.

(Discussion held off the record.)

AFTERNOON SESSION

Mr. PASSMAN. The committee will come to order.

JUSTIFICATION FOR APPROPRIATING ENTIRE AMOUNT REQUESTED

Referring to the date that the authorizing legislation passed the House of Representatives, April 2, 1962, the vote result was 255 yeas and only 94 nays. Subsequently, the bill passed the Senate unanimously.

What we are doing today is considering the appropriation request to carry out the legal authorization.

I believe you stated, Mr. Secretary, that under the legislation, for it to be effective, we must when called upon, make the entire contribution—it is not to be piecemeal, it is all or nothing?

Secretary DILLON. We must be in a position to lend the whole amount.

Mr. PASSMAN. The committee must recommend the entire amount, or not recommend anything, for it to be fully effective?

Secretary DILLON. The only reason I hesitated a moment was because of the word "contribution." It is not a contribution.

Mr. PASSMAN. Let us find another word. For our commitment to the International Monetary Fund, it is necessary to have the appropriation to be able to carry out the authority granted in the authorizing legislation, if we are called upon to do so.

Secretary DILLON. That is entirely correct.

Mr. PASSMAN. Anything short of that would be very complicated, and in all probability unsuccessful, because you would have to renegotiate the agreement with all the participants?

Secretary DILLON. That is correct.

Mr. PASSMAN. You stated that many of the countries had already implemented the agreement with legislation?

Secretary DILLON. Yes, the major countries have already done so.

Mr. PASSMAN. And in some countries when they implement the agreement with legislation, that means the funds will be forthcoming?

Secretary DILLON. Yes.

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CREATION OF IMF

Mr. PASSMAN. As this is the first time this subcommittee has had the opportunity to consider a request for funds to be provided to the International Monetary Fund, it might be well if you will give us, Mr. Secretary, a brief résumé as to the creation of the IMF, when it came into being, and information relating to the original capital structure.

Secretary DILLON. Yes.

The International Monetary Fund was created during the closing year, or months, of World War II at a time when it became obvious that some method would be needed to strengthen the world's monetary systems after the strains they had been through during the war, and looking back on the not very successful experiences of the thirties when many currencies collapsed and went off the former gold standard which had worked successfully up to that time.

Now, the International Monetary Fund Agreement was signed after an international meeting at Bretton Woods, N.H., at the same time the World Bank was created. They are called sister institutions partly because a country cannot be a member of the World Bank unless it also joins the International Monetary Fund.

Quotas are subscribed to by the various countries in the Monetary Fund, and they are required to pay under their quotas one-quarter in gold and three-quarters in their own currency. The United States was the largest member at the time it was started.

I can furnish you for the record the initial quotas at that time, which would probably be helpful.

I think the United States had more than a third of the quotas at that time. Since then, because of increases in quotas by some countries, and new members, our quota has dropped to about 27½ percent of the total.

The Monetary Fund was intended to be available to make short-term loans to countries who were in short-term balance of payments problems. They might be in serious balance of payments problems, but the idea was the Monetary Fund would make short-term loans, for not more than 5 years, and usually shorter, and the countries receiving the loans are required to take appropriate steps to make sure their balance of payments will improve so that they can repay these funds and so that it will be a revolving fund.

The experience of the Monetary Fund so far has been good. So far as I know, all of their loans have been fully repaid.

INCREASE IN IMF QUOTAS

In 1959, it was felt world trade had increased so much there was a need to have a larger Monetary Fund and there was a general 50-percent increase in quotas which were handled the same way as the original contribution, a quarter paid in gold and the rest in their own currencies. At the same time, certain countries such as Germany had their quotas enlarged to be somewhat more appropriate. I think it is fair to say since one of the problems we are faced with today, and one of the reasons for this particular piece of legislation and this agreement, is that when the Monetary Fund was set up in 1944 and Europe was pretty well destroyed and the European countries were

very weak, no one could quite foresee their resurgence. As a result, the quotas they now have in the Fund are smaller by far than their importance in world trade or their financial strength today. Therefore, the amounts of the currencies—which are now very useful currencies—that are available in the Monetary Fund are smaller than they should be in the light of their strength. That is the reason why in this arrangement the Common Market countries as a whole have agreed to put up funds which are almost equivalent to a 100-percent increase in quotas. I think they are putting up $2,450 million, and their combined quotas are about $2.6 billion.

One might have asked why there was not another reevaluation of quotas and a strengthening of their quotas instead of this procedure. I think there are two good reasons for that.

One is that getting into a general revision of quotas leads to a lot of prestige problems. There are the five largest countries that have an automatic right to elect a governor and India is one of those. There are questions of the relative quotas between the different countries of Europe.

The other problem is equally, or probably more, important. That is, that while the European countries felt, and we felt, the only need was for extra funds to meet a crisis that would impair the world's monetary systems, there was no need for increasing the ordinary resources available to all members when they get into balance-of-payments problems, specifically, the less-developed countries. The countries of Europe did not feel there was any need, and neither did we, to put up more resources to take care of these countries because the available resources of the Fund are adequate for this purpose. The new resources are strictly limited so as to be available only for assistance in situations which may threaten the world monetary situation, which meant they would have to threaten the major currencies, including specifically the dollar.

What the borrowing arrangement does is to provide the Fund with resources and other usable currencies that will enable it to meet a drawing from the United States if we ever ask for one, a large drawing. Unfortunately, the situation is such today that the Monetary Fund's resources, leaving aside sterling, are not adequate to meet a drawing which we would have the right to request.

ORIGINAL CONTRIBUTIONS TO IMF

Mr. PASSMAN. If we go back to the original charter of the International Monetary Fund, how many member nations were there at that time?

Secretary DILLON. There are 76 members now. I do not know how many there were originally. We will file that for the record.

Mr. PASSMAN. Could we get the original number of countries and the amounts they actually paid into the Fund to give it its original capital structure, opening the balance sheet?

Secretary DILLON. Yes.

Mr. PASSMAN. And, if you would, please supplement that information with data concerning subsequent contributions by the additional members that have been added to bring the total to 76 countries now.

Secretary DILLON. Yes.

(The information appears on p. 1152.)

U.S. PAYMENTS TO IMF

Secretary DILLON. I might say at this point that Mr. Southard, whom you identified as a special assistant to the Secretary, is also the U.S. Executive Director on the International Monetary Fund and has been for over 13 years.

Mr. PASSMAN. Could you tell us how much we have paid into the Fund since its inception?

Secretary DILLON. We have paid in $4,125 million.

Mr. PASSMAN. How much have we drawn out?

Secretary DILLON. As a borrowing?

Mr. PASSMAN. Yes.

Secretary DILLON. Nothing.

Mr. PASSMAN. We paid that in, and under the present conditions if we should request a loan, would the Fund be in a position to accommodate us?

Secretary DILLON. Not a full-sized loan. We paid a quarter of our quota in gold, and the rest of our payment, which is in dollars, takes the form of non-interest-bearing notes that we give them, and if they need any of these notes to lend dollars to someone else, then we cash them and they lend the dollars to the other country.

Mr. PASSMAN. Is that carried as a contingent obligation, or a direct obligation on the Treasury's statement?

Secretary DILLON. It is part of the public debt.

Mr. PASSMAN. The notes?

Secretary DILLON. The notes that are issued. I think it is carried as a regular obligation as a part of the debt.

MEMBERSHIP AND CONTRIBUTIONS TO INTERNATIONAL MONETARY FUND

Mr. PASSMAN. Please provide for the record the original members and the members that came in at subsequent dates, making the total 76, and their total contributions to make up the aggregate capital structure as of today.

Also, if you will, please indicate the percentage of the total amount of the U.S. contribution.

(The information requested follows:)

INTERNATIONAL MONETARY FUND—MEMBERSHIP, QUOTAS, AND GOLD HOLDINGS, OCTOBER 1946 AND APRIL 1962

As of October 3, 1946, which was the time of the first annual meeting of the Board of Governors, the Fund had 39 members, with total quotas of $7,472.5 million. The attached table 1 gives the list of members and for each member the quota and the percent of quota to total quotas. Gold was not yet payable to the Fund as of that date. Gold holdings as of March 31, 1947, after initial gold payments had been completed, amounted to $1,304.3 million. As of that date total quotas amounted to $7,710.5 million. Of the list of members in table 1, Czechoslovakia and Poland have ceased to be members. Egypt has become the United Arab Republic.

As of April 30, 1962, as shown in table 2, the Fund membership had increased to a total of 76. Total quotas amounted to $15,056.9 million. As of that same date, the Fund's gold holdings amounted to $2,100 million. The doubling of quotas between the two dates reflects the near-doubling of members and also the general increase in quotas in 1959–60 which amounted to 50 percent with larger increases in some instances. One consequence of these two causes of quota increases has been the decrease in the U.S. percent in total quotas. As of October 3, 1946, as shown in table 1, the U.S. quota was 36.80 percent of total quotas, while in April 1962 the percent was 27.40.

TABLE 1.—*International Monetary Fund—Membership and quotas as of Oct. 3, 1946*

[In millions of U.S. dollars]

Country	Quota	Percent of total	Country	Quota	Percent of total
Belgium	225.0	3.01	India	400.0	5.35
Bolivia	10.0	.13	Iran	25.0	.33
Brazil	150.0	2.01	Iraq	8.0	.11
Canada	300.0	4.01	Luxembourg	10.0	.13
Chile	50.0	.67	Mexico	90.0	1.20
China	550.0	7.36	Netherlands	275.0	3.68
Colombia	50.0	.67	Nicaragua	2.0	.03
Costa Rica	5.0	.07	Norway	50.0	.67
Cuba	50.0	.67	Panama	.5	.01
Czechoslovakia	125.0	1.67	Paraguay	2.0	.03
Denmark	68.0	.91	Peru	25.0	.33
Dominican Republic	5.0	.07	Philippine Republic	15.0	.20
Ecuador	5.0	.07	Poland	125.0.0	1.67
Egypt	45.0	.60	Union of South Africa	100.0	1.34
El Salvador	2.5	.03	United Kingdom	1,300.0	17.40
Ethiopia	6.0	.08	United States	2,750.0	36.80
France	525.0	7.02	Uruguay	15.0	.20
Greece	40.0	.54	Yugoslavia	60.0	.80
Guatemala	5.0	.07			
Honduras	2.5	.03	Total	7,472.5	[1] 100.00
Iceland	1.0	.01			

[1] The figures shown in the table do not add to 100 because of rounding.

TABLE 2.—*International Monetary Fund—Members and quotas, through Apr. 30, 1962*

[Quotas in millions of dollars]

Member	Quota	Subscription [1]	
		Gold	Currency
	(1)	(2)	(3)
Afghanistan	22.5	5.6	9.4
Argentina	280.0	70.0	210.0
Australia	400.0	58.4	341.6
Austria	75.0	11.2	63.8
Belgium	337.5	84.4	253.1
Bolivia	22.5	5.6	16.9
Brazil	280.0	70.0	210.0
Burma	30.0	4.3	25.7
Canada	550.0	137.5	412.5
Ceylon	45.0	8.3	36.7
Chile	100.0	21.3	78.7
China	550.0	.1	----------
Colombia	100.0	25.0	75.0
Costa Rica	15.0	2.9	12.1
Cuba	50.0	12.5	37.5
Cyprus	11.2	2.0	----------
Denmark	130.0	21.4	108.6
Dominican Republic	15.0	3.8	11.2
Ecuador	15.0	3.8	11.2
El Salvador	11.2	2.8	8.4
Ethiopia	11.4	1.4	10.0
Finland	57.0	5.5	51.5
France	787.5	173.7	613.8
Germany (Federal Republic)	787.5	147.4	640.1
Ghana	35.0	5.5	29.5
Greece	60.0	15.0	45.0
Guatemala	15.0	3.8	11.2
Haiti	11.2	2.8	8.4
Honduras	11.2	2.8	8.4
Iceland	11.2	2.8	8.4
India	600.0	77.5	522.5
Indonesia	165.0	29.2	135.8
Iran	70.0	17.5	52.5
Iraq	15.0	1.8	13.2
Ireland	45.0	8.3	36.7
Israel	25.0	6.2	18.8
Italy	270.0	67.5	202.5
Japan	500.0	125.0	375.0
Jordan	6.3	.9	5.4

See footnote at end of table, p. 1154.

TABLE 2.—*International Monetary Fund—Members and quotas, through Apr. 30, 1962*—Continued

[Quotas in millions of dollars]

Member	Quota (1)	Subscription [1]	
		Gold (2)	Currency (3)
Korea, Republic of	18.8	4.7	4.7
Laos	7.5	1.9	
Lebanon	6.8	.8	5.9
Liberia	11.2	.2	
Libya	11.0	1.7	9.3
Luxembourg	12.0	1.0	11.0
Malaya	32.5	2.8	5.6
Mexico	180.0	45.0	135.0
Morocco	52.5	5.6	46.9
Nepal	7.5	.3	
Netherlands	412.5	103.1	309.4
New Zealand	125.0	31.2	93.8
Nicaragua	11.2	2.8	8.4
Nigeria	50.0	5.0	
Norway	100.0	25.0	75.0
Pakistan	150.0	16.0	134.0
Panama	.5	.1	.4
Paraguay	11.2	2.8	8.4
Peru	32.5	5.0	27.5
Philippines	75.0	18.8	56.2
Portugal	60.0	15.0	
Saudi Arabia	55.0	13.8	41.2
South Africa	150.0	37.5	112.5
Spain	150.0	22.5	127.5
Sudan	15.0	1.6	13.4
Sweden	150.0	29.5	120.5
Syria	15.0	2.3	12.7
Thailand	45.0	11.2	24.4
Tunisia	16.2	1.5	3.2
Turkey	86.0	21.5	64.5
United Arab Republic	90.0	17.0	73.0
United Kingdom	1,950.0	398.8	1,551.2
United States	4,125.0	1,031.2	3,093.8
Uruguay	30.0	7.5	22.5
Venezuela	150.0	37.5	112.5
Vietnam	18.5	4.6	4.5
Yugoslavia	120.0	22.9	97.1
Currency			11,117.3
Gold account: Investments, gold [1]		3,195.1	
Subscriptions receivable		744.5	
Total	15,056.9	15,056.9	

[1] Includes U.S. Government securities and funds awaiting investment obtained from proceeds of sale of gold. Upon termination of investment, the same quantity of gold can be reacquired.

RATIO OF U.S. CONTRIBUTIONS TO TOTAL

Mr. PASSMAN. Under the authorization we would be required, upon request, to furnish $2 billion, as compared to a total of $4 billion that the other nine would make available if called upon? We are committing ourselves to one-third of the total?

Secretary DILLON. That is correct.

Mr. PASSMAN. Somewhere you mentioned 28 percent.

Secretary DILLON. I said our total contribution to the Monetary Fund as a whole at this moment is about 27.5 percent of the whole $15 billion of the International Monetary Fund.

Mr. PASSMAN. This action would not actually increase the original capital structure?

Secretary DILLON. No.

EMERGENCY NATURE OF LOAN

Mr. PASSMAN. This would be money available, and if we should be called upon to advance $2 billion, it might be that in a few years this would be paid back to the Treasury?

It is not an indefinite addition to our quota?

Secretary DILLON. That is correct.

Mr. PASSMAN. It is of an emergency nature; and, if it should be paid in, you would have good reason to believe, if the situation should change, the $2 billion would be returned to the U.S. Treasury?

Secretary DILLON. That is correct.

I would like to say one other thing. There can be no call on the United States as long as our balance-of-payments situation is in difficulty.

Mr. PASSMAN. If and when you are called upon to put up $2 billion, at least you could look forward to it coming back to the U.S. Treasury within 5 years?

Secretary DILLON. Yes.

IMF PAYMENTS BY MEMBER COUNTRIES

Mr. PASSMAN. Has each member paid in its full quota against the original pledge to the Charter?

Secretary DILLON. China has not.

Mr. PASSMAN. That is understandable.

Secretary DILLON. With the exception of China, I think they all have except possibly some of the very new ones.

Mr. SOUTHARD. We can file a list.

(The information follows:)

Balances not due of subscriptions to capital (as of Apr. 30, 1962) (Members whose par values have not yet been established)

[In thousands of dollars]

Afghanistan	7,500	Nigeria	45,000
China	549,945	Portugal	45,000
Cyprus	9,297	Thailand	9,374
Korea	9,375	Tunisia	11,580
Laos	5,625	Vietnam	9,375
Liberia	11,092		
Malaya	24,125	Total	744,527
Nepal	7,238		

All of the above members except China have made the required gold payment to the Fund. Their subscriptions in the form of non-interest-bearing notes in their own currencies are not payable until par values have been established. The par value for the Portuguese escudo was recently established and that currency payment will shortly be made.

POSITION OF SWITZERLAND ON INTERNATIONAL MONETARY FUND

Mr. PASSMAN. Is Switzerland a member of the International Fund or of the World Bank?

Secretary DILLON. No.

Mr. PASSMAN. Are they making a contribution to the special fund?

Secretary DILLON. No, sir; not as part of this agreement. I understand the Swiss would like to make a parallel arrangement, both

with these countries and with the Monetary Fund, and they are in the process of working on legislation they will have to have to make that possible. They took part as observers in the meetings that led up to this agreement. They are fully familiar with it and they informed Mr. Jacobsson of their intentions.

BREAKDOWN OF U.S. QUOTA TO INTERNATIONAL MONETARY FUND

Mr. PASSMAN. Of the $4 billion plus that we have contributed, what part represents non-interest-bearing notes?

Secretary DILLON. It would be three-quarters of that $4 billion, less the amount that has actually been used, which I think is about $380 million.

Mr. PASSMAN. Would you furnish that information to us for the record?

Secretary DILLON. We will furnish the details for the record.

(The information follows:)

The U.S. quota in the International Monetary Fund is $4,125 million. Of this amount the United States paid in gold $1,031,250,000, and non-interest-bearing notes may be substituted for the balance of $3,093,750,000. As of April 30, 1962, the amount of non-interest-bearing notes outstanding, according to the Treasury daily statement, was $2,620 million; the difference of $474 million between this figure and the theoretical maximum of $3,093,750,000 represents the Fund's net use of dollars for drawings, administrative expenses in dollars, and working balances as of April 30, 1962. At that date, net use of dollars for drawings amounted to $386 million.

CURRENCY SALES AND REPAYMENTS

Mr. PASSMAN. Do you anticipate any of that amount coming back into the U.S. Treasury?

Secretary DILLON. That comes in and out very rapidly.

When we first submitted this some 6 months ago, that figure was over $600 million, and now it is down to about $380 million, which is a result of some repayments by Australia and by the United Kingdom, and there may have been some other smaller ones.

We can furnish the figures of repayments over the last year so you can see how that changes.

(The information referred to follows:)

IMF CURRENCY SALES AND REPAYMENTS

The accompanying table gives the currency sales and repayments of the Fund from the beginning of operations in 1947 through 1961. Total sales have amounted to $6,162 million, of which, $4,024.7 million or approximately 65 percent were in U.S. dollars. Beginning with 1958 the transactions in currencies other than U.S. dollars began to increase. In 1961, the ratios were reversed, with approximately two-thirds of total drawings being made in currencies other than U.S. dollars.

As for repayments, it may be noted that total repayments amounted to $3,586.4 million, which means that approximately 60 percent of all drawings have been repaid. If the large drawings of 1961 were excluded the percentage of repayment would be much higher. The figures emphasize the short-term character of Fund operations. Currencies are bought from the Fund when countries are in balance-of-payments difficulties and repayments are made as soon as those difficulties are surmounted, but in any event not later than 3 to 5 years as an outside limit. As the table shows, in the years 1956, 1957, and 1961, the Fund sales of dollars substantially exceeded repayments. In other years, such as 1958, 1959, and 1960, repayments of dollars to the Fund substantially exceeded the Fund's new sales of dollars.

The largest amount of U.S. dollar sales outstanding at any one time was $2,127 million in September 1958.

International Monetary Fund currency sales and repayments through 1961

[Expressed in millions of U.S. dollars]

Calendar years	Sales			Repayments [1]				
	Total	U.S. dollars	Other currencies	Total	In gold [2]	In U.S. dollars	In other currencies	By other countries' drawings
Total	6,162.0	4,024.7	2,137.3	3,586.4	413.0	2,687.0	185.0	301.4
1961	2,478.5	822.0	1,656.5	769.6	47.4	521.2	185.0	16.0
1960	279.8	148.5	131.3	681.0	32.4	621.7	----------	26.9
1959	179.8	138.5	41.3	607.5	131.2	442.0	----------	34.3
1958	337.9	252.2	85.7	368.9	76.8	270.9	----------	21.2
1957	977.1	977.1	----------	63.8	51.6	12.2	----------	----------
1956	692.5	677.5	15.0	113.3	−4.1	117.4	----------	----------
1955	27.5	27.5	----------	232.5	58.5	174.0	----------	----------
1954	62.5	62.5	----------	209.9	−39.3	249.2	----------	----------
1953	229.5	67.5	162.0	320.5	−8.6	171.4	----------	157.6
1952	85.1	85.1	----------	101.5	48.2	53.3	----------	----------
1951	34.6	6.6	28.0	73.8	14.8	31.0	----------	28.0
1950	----------	----------	----------	23.9	3.0	20.9	----------	----------
1949	101.5	101.5	----------	2.6	1.0	1.6	----------	----------
1948	208.0	196.6	11.4	11.4	----------	----------	----------	11.4
1947	467.7	461.7	6.1	6.1	----------	----------	----------	6.1

[1] Includes approximately $6,000,000 arising from settlement of account with respect to a drawing by Czechoslovakia, a former member, in 1948. Excludes member's repurchases on subscription account.
[2] Negative figures reflect adjustments to earlier repayments. Entries for 1953 and 1960 include the counterparts of those repayments by others' drawings in currencies of members whose net drawings were zero, but for whom (owing to the subscription account) Fund holdings of their currencies were in excess of 75 percent of quota.

Mr. PASSMAN. The only cost to the U.S. taxpayer would be that part which we actually paid in dollars that we had to borrow in order to make them available.

This appropriation shall remain available until expended, and that simply means this is permanent authority?

Secretary DILLON. Yes.

APPEARANCE OF U.S. CONTRIBUTION ON TREASURY STATEMENT

Mr. PASSMAN. And you may or may not issue bonds against the $2 billion.

At what point will it enter on the Treasury statement as an obligation? Will it be when we are called upon to make the contribution?

Secretary DILLON. I would say as soon as this agreement becomes effective, at that point we would have to make some notation on the Treasury statement, and I would like to furnish a legal document on that, exactly what the effect would be at that time. Nothing would happen until such time as this borrowing arrangement became effective, which would be when seven of the members with a total of $5½ billion have approved it; if the United States approves it, all we need is one other, either Belgium, the Netherlands, or Canada, and all of those will come some time in the next few months.

(The information referred to follows:)

The appropriation of $2 billion, if approved by Congress, would appear in the Treasury report entitled, "Budgetary Appropriations and Other Authorizations, Expenditures and Unexpended Balances." This is a cumulative report which is published monthly. The appropriation will appear throughout fiscal year 1963 under the heading, "Funds Appropriated to the President," and an appropriate

subheading describing it as being for purposes of the International Monetary Fund. Thereafter, it will appear in this report under the same heading as an unexpended balance. If and when these funds, or any portion thereof, should be expended, such expenditure would likewise appear under this heading.

At the end of fiscal year 1963, the $2 billion appropriation will be included in the "Combined Statement of Receipts, Expenditures, and Balances of the U.S. Government," under the heading "Funds Appropriated to the President," and an appropriate descriptive subheading. Thereafter it will appear in this report as an unexpended balance. If and when these funds, or any portion thereof, should be expended, such expenditure would likewise appear under this heading.

The $2 billion will also appear, until expended, in a statement compiled at the end of each fiscal and calendar year and entitled "Long-Range Commitments and Contingencies of the U.S. Government." It will be shown in this statement as an undisbursed commitment to make future loans.

If and when these funds, or any portion thereof, should be expended, the expenditures will appear in the "Monthly Statement of Receipts and Expenditures of the U.S. Government," under the classification, "Funds Appropriated to the President," and an appropriate descriptive subheading. The expenditure will also appear under "Withdrawals" in the "Daily Statement of the U.S. Treasury."

The reports of the Treasury Department disclosing the financial operations of the Government are based upon a number of statutes enacted over the years to insure the full and accurate reporting of all data pertaining to the financial operations and condition of the U.S. Government.

Mr. PASSMAN. It would be expected that it should be available in this calendar year?

Secretary DILLON. I think it may well be effective, we would hope, by early fall, since one of these three countries will probably be able to approve it by September.

POSSIBILITY OF USE OF FUND BY UNITED STATES

Mr. PASSMAN. Assuming the committee would approve it, if this appropriation should be made available along with the other money bills, possibly in August or September, do you think that would be in ample time? Would any particular harm result if the money was not forthcoming before that time?

Secretary DILLON. From the point of view of our balance of payments, I would like this to enter into effect as soon as it can, but it will not be able to until one of the other countries of these three act, and I think the earliest time would probably be sometime early in August.

Mr. RHODES. I thought in your statement you said that the chance of using this appropriation would be rather remote.

If that is so, how can this affect the balance of payments?

Secretary DILLON. The chance of our having to put up money would be remote. The chance of our using it, I hope, will be remote, but I would like——

Mr. RHODES. If it is going to have any effect on the balance of payments this fiscal year, then you are going to have to use it right away.

Secretary DILLON. I do not think our balance of payments is in such shape that anything would happen, or we would have to use it right away.

Mr. RHODES. If you have to have this enacted so you can have it affect our balance-of-payments picture by August or September, you are going to use it as soon as the consortium comes into effect.

Secretary DILLON. That is not what I mean at all.

If you will note what I said here, I pointed out quite clearly, and I think this has been the view of Mr. Jacobsson and everyone concerned

with it, in fact, it has been expressed by many other finance ministers, that the mere fact of having these funds available so the speculators know they are available will act as a very substantial deterrent to any speculative attack on the dollar that might conceivably be launched.

Mr. RHODES. Did you not mean to say the outflow of gold rather than the balance of payments?

Secretary DILLON. I would say the outflow of gold as well as the balance-of-payments deficit.

I stand corrected.

They are somewhat similar.

When people move short-term funds abroad, that contributes to our balance-of-payments deficit, and if the foreign countries convert these dollars into gold, that causes an outflow of gold.

Mr. RHODES. The balance of payments is not affected by confidence and the outflow of gold is?

Secretary DILLON. The balance of payments is also affected by confidence, Mr. Rhodes.

Mr. RHODES. I do not see how it can be affected in such a short period of time.

If you recall the original question, whether or not the roof would fall in if we did not pass this bill before August or September, you made the remark it would have an adverse effect on the balance of payments.

Secretary DILLON. No, no; I did not say that.

I just said I would like to have this available as soon as possible as a protection. I did not say it would have an adverse effect if it was not passed.

Mr. RHODES. As a protection on the balance of payments. The words "balance of payments" were used.

Secretary DILLON. But confidence does affect your balance of payments because the fact is, when people lose confidence they withdraw short-term funds from one country to another country, and that is part of our balance of payments, the movement of short-term capital. In fact, that has been one of the major problems of our balance of payments in the last few years.

Mr. RHODES. I understand that is true.

I do not want to belabor this any more than necessary. Did you say that if we do not pass this before September or August, there would be some effect on the balance of payments.

Secretary DILLON. No.

What I said, if I may make myself perfectly clear——

Mr. RHODES. I wonder if we can have the stenographer's notes read.

(Answer read.)

POSITION OF LOAN TO IMF ON TREASURY STATEMENT

Mr. PASSMAN. From the inception of the International Monetary Fund, which dates back some 16 years or more——

Mr. SOUTHARD. 1946 is when it started functioning.

Mr. PASSMAN. Our commitment to the Fund is in excess of $4 billion, and the Fund has never been called upon at any time to advance any more than, I think, about $977 million in any one year.

One year no U.S. dollars were sold by the fund. With these non-interest-bearing notes being held by the organization until such time as we are called upon for additional funds to be made available, and with this kind of a backlog of $3 to $4 billion that we have not been called upon to advance in the past, what, then, would be the need for putting an additional $2 billion on top of the $3 billion that you have not been called upon to utilize, and in all probability you will not be so called upon?

It would appear that when this appropriation is made you will enter it as an obligation on the Treasury statement, and so far as Mr. and Mrs. America is concerned, that will, from then on, until the end of time, remain as an obligation of the U.S. Government through the Treasury.

Secretary DILLON. Either as an obligation or a contingent obligation.

Mr. PASSMAN. Reading the statement, we read it as an obligation.

CONTINGENT LIABILITIES OF THE UNITED STATES

That would prompt me to want to know, how many such transactions do we have on that Treasury statement. It may be just a little encouraging to the American taxpayer to understand there might be several billion dollars listed as obligations which, in reality, may not actually be obligations.

Secretary DILLON. The biggest other ones I would assume are the obligations under the World Bank that we have taken. They can only be called if the World Bank's loans go into default and if the reserves that they have already built up are not large enough to take care of the defaults. Then a part of that could be called.

There are many millions of that. We can give you that figure for the record.

(The information follows:)

The contingent liability of the United States on its subscription to the International Bank for Reconstruction and Development amounted to $5,715 million, as at December 31, 1961. (See also tabulation, p. 1168.)

PURPOSE OF PROPOSED IMF LOAN

Mr. PASSMAN. In this particular case we do have all of the U.S. contribution of gold and dollars of over $4 billion intact, ready to make available if we should be called upon to do so, and in the 16 years' existence of this organization, the largest annual sale of dollars has been $977 million in 1957, and the lowest was in 1950 where no sales of dollars occurred.

Do we have any reason to add to this tremendous fund other than to create confidence in the American dollar?

Secretary DILLON. I think that the real strength here is the fact the European countries and Canada and Japan, who are taking part in this special arrangement, are making available very substantial sums of their currencies of which the Fund now has an inadequate supply, and which could really be used by, and some day might be of very great importance to, the United States.

It is, therefore, important for the United States to be a participant, and I think these countries felt it was incongruous to have an arrangement whereby they put up nearly all the funds and the United States was a participant in only a nominal amount because that would have

the appearance to the world that the United States under no circumstances was willing to do its traditional share.

I think that is the reason the United States is in here for a substantial amount when the chances are, as you have so clearly pointed out and as I have said in my statement, there is no chance in the foreseeable future that we would need to use these funds.

The only time that a situation could arise where these funds of ours would be called upon would be if a situation arose where, at the same time, the United Kingdom and all the countries of continental Europe got into balance-of-payments trouble at once and we were not.

Mr. PASSMAN. Such a situation is both improbable and remote.

Secretary DILLON. That is extremely remote.

Mr. PASSMAN. I am sympathetic to this request, because Mr. Dillon is asking for it, but that statement itself would almost warrant a postponement.

DRAWINGS AGAINST IMF BY PARTICIPATING NATIONS

I would like to ask Mr. Southard, of the total amount of $12 billion, using round figures, originally pledged to the capital, what has been the largest amount that has been outstanding at any one time?

Mr. SOUTHARD. In the aggregate?

Mr. PASSMAN. Yes.

Mr. SOUTHARD. We have had outstanding—and I will clear the figures for the record—we have had outstanding at a given time total drawings of about $3 billion. (The exact figure is $2.9 billion.)

Mr. PASSMAN. Which would be about 25 percent of the total structure?

Mr. SOUTHARD. Yes.

Mr. PASSMAN. Here you are with a fund of over $12 billion, and under the many conditions that have existed in the past 16 years, the largest amount in the aggregate that the fund has ever had out has been some 25 percent, which is about $3 billion.

For you to really need this fund, practically every European country would have to have an unfavorable balance of payments situation at one time.

Secretary DILLON. For this fund to have to be used by other countries, that is correct, but for the United States to make use of it, the situation would be quite different.

I might point out the fact that last year, when the United Kingdom got into balance of payments difficulties, they had to make a substantial drawing to stop it. Their drawing was $1.5 billion plus a $500 million standby, or a total of $2 billion. Their total quota was $1,950 million.

In other words, to staunch this speculative flow against the pound sterling, they had to draw their whole quota.

In a similar situation for the United States, if that should ever occur, and if we had to draw our whole quota, that would be something over $4.1 billion in one transaction that the United States might have to draw. To do that, in funds that would be usable—and it is very difficult under present circumstances to be certain that the pound sterling would be usable in view of last year's problems, and the

strong currencies at the moment are the continental currencies—the fund would have to have adequate resources of continental European currencies which are the strong currencies today. It is to get that $2,450 million from the Common Market countries and the extra $100 million from Sweden, or something over $2.5 billion from Continental Europe, which is, from the U.S. point of view, a primary reason for this arrangement.

Mr. PASSMAN. I can assure you, Mr. Secretary, that I am just trying to understand it.

(Off the record.)

RELATIONSHIP OF IMF TO FOREIGN ASSISTANCE

Mr. PASSMAN. Could it be, Mr. Secretary, that this is another type of foreign aid program?

Secretary DILLON. Not in the slightest. I think that is very clear because there is a provision in here that none of the funds to be obtained by the Monetary Fund under this could be used for any purpose except the purpose of making loans to these 10 participating countries to stabilize their currencies if there is a threat to the monetary system of the world.

Also, there is a provision that the dollars we pay in—if the United States is the country that makes the drawing—these dollars would be frozen so they could not be reloaned by the Monetary Fund to any underdeveloped country, or to any country not a member of this group.

DEBT OF ITALY TO UNITED STATES LIQUIDATED

Mr. PASSMAN. Mr. Secretary, recently you were in Italy, and under an agreement with the Italians they liquidated their indebtedness to the United States, in full, in the amount of about $179 million.

Secretary DILLON. Yes; it is about $179 million.

Mr. PASSMAN. When I referred to the record, I learned that since the end of World War II our foreign assistance to Italy had been $5,641,900,000, so the percentage of the total they returned was exceptionally small.

Mr. CONTE. Mr. Chairman, will you yield?

Mr. PASSMAN. Yes.

Mr. CONTE. Mr. Secretary, the $5,600 million mentioned, is part of that military assistance program to Italy?

Mr. PASSMAN. That is the total of the assistance to Italy since the end of World War II.

Mr. CONTE. What part of that is military assistance?

Mr. PASSMAN. We will break down the $5,641,900,000 that has gone to Italy since the end of World War II and put a complete spread on the record. A great part of it, of course, was indirect. Italy, for example, is one of the countries to which we sent military assistance in excess of their requirements, although the military assistance group in Italy was begging us not to send it. Let the record show that, if you want the record complete.

(The following was submitted for the record:)

ITALIAN DEBT PREPAYMENT

In May 1962 agreement was reached with Italy for the prepayment of the outstanding debt of the Italian Government to the United States on account of loans made under the Marshall plan and loans made from the proceeds of the sale of agricultural products under Public Law 480.

The total payment to be made is $178.6 million, of which $85.6 million represents the still outstanding amount of loans made under the Marshall plan and about $93 million of obligations resulting from Public Law 480 sales. The recent agreement does not cover the indebtedness of about $50 million resulting from the sale of merchant ships and surplus property and other small credits to private enterprises.

In the postwar period through December 31, 1961, total assistance to Italy amounted to $5.5 billion gross and $5.1 billion net after allowance for repayments on credits and for reverse grants received from Italy. Of the net amount, $2.1 billion was in the form of military grant aid, $2.7 billion in the form of grants under the Marshall plan and various other programs, and $0.2 billion in credits under these programs. (Gross credits and other nongrant assistance totaled $0.6 billion but repayments by Italy up to the end of last year brought the net figure to $0.2 billion.)

In the case of Italy, as with the other countries participating in the Marshall plan, the bulk of assistance was on a grant basis. In the immediate postwar period, the Italian economy operated at a low level as the result of military operations and disorganization of production, and Italy had relatively small monetary reserves. With Italian recovery after the war, production increased and Italy has increased its monetary reserves, notably in the last 6 or 7 years.

IMF LOAN PERMANENT CONTINGENT LIABILITY

Mr. PASSMAN. We mentioned awhile ago, Mr. Secretary, about the authorization language making the amount available until expended. When this debit or credit is once entered on the Treasury statement, can it be altered or put back without an amendment of the law?

Secretary DILLON. No. It is a permanent contingent liability.

CANADIAN FINANCIAL TRANSACTIONS

Mr. PASSMAN. I believe I read in the press the other day that Canada borrowed $300 million from the International Monetary Fund. Those funds are made available immediately, are they not?

Secretary DILLON. This is the equivalent of what I described in my statement of about a $2.3 billion drawing for the United States.

Mr. PASSMAN. But it is made available immediately if you are a member nation and have lived up to your commitments?

Secretary DILLON. That is right. This is made available, I think, in a matter of a few days.

Mr. SOUTHARD. It is always made available 3 days after the action of the board. I think the chairman knows none of this Canadian drawing is in U.S. dollars, which I think is of interest.

Mr. PASSMAN. It certainly is.

Did we also make them a loan in U.S. dollars about the same time?

Secretary DILLON. There were two transactions from the United States. One might be called a loan, which was by the Export-Import Bank. The Export-Import Bank gave them a standby credit to buy goods in the United States. The total of this as announced was $400 million, and I would like to go off the record a moment.

Mr. PASSMAN. Certainly.

(Discussion off the record.)

Mr. PASSMAN. They have increased their tariffs substantially, and they say they will cut down on Government expenditures substantially, and it may be that will create an improved situation and they will not have to use this credit at all.

Off the record.

(Discussion off the record.)

Mr. PASSMAN. Would you mind mentioning the terms of that loan, if it is not in violation of policy?

Mr. SOUTHARD. The fund drawings are nearly all standard. We advance with the expectation of repayment in 3 to 5 years, and this was the standard 3- to 5-year advance to the country. It happens all to have been in European currencies, but it is a standard IMF 3- to 5-year advance.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

INTEREST-BEARING NOTES FOR THE CONTRIBUTION

Mr. PASSMAN. I yield to the gentleman from Virginia.

Mr. GARY. I have only one question to ask:

In testifying on the Inter-American Development Bank during the course of our hearings some little while ago, it developed that the capital of the Bank was to be formed by the contributions of various nations and that the contributions were not to be made until they were called for by the Bank. The testimony showed that the U.S. contribution had been made and none of the others had. We were the only ones who had contributed and we were paying interest on the bonds which we had turned over to the Bank although the other nations had not been called on for their contributions. Can you assure us that will not happen in this case?

Secretary DILLON. Absolutely. This is a totally different setup and it would not happen anyway.

Mr. GARY. Very frankly, I was rather shocked to find that situation. I do not know why they called on us for our contribution when they did not call on anybody else and why we had to put up our bonds and pay interest on them and nobody else was called upon to do likewise.

Mr. PASSMAN. We shall take a short recess in order to answer the rollcall.

(Short recess.)

Mr. PASSMAN. The committee will come to order.

OBJECTIVE TO PRESERVE U.S. DOLLAR

A lot of things happen downtown that I do not know about, but I am from a State where we have tornadoes, and it is just by instinct that we detect them when they are coming in. I do not know much more about this subject matter than I do about surgery, and that is nothing at all, but it would appear there are danger signals on the horizon. Surmising that to be true, it seems that this appropriation might be in our own interest—not in our interest so far as giving away our wealth, but it could be in the reverse, that for one time we may benefit by one of these international organizations to which

we have contributed, or pledged contributions, for so long a time for so much.

Therefore, based upon my belief that there are storm signals, and it could be that this might be necessary to build up confidence in the integrity of the American dollar and to check the outflow of gold, or it might be necessary for us to participate as a borrower for one time—with these thoughts in mind—if the committee supports me. I, myself, shall move expeditiously to get this measure by the House in advance of the other money bills. You shall be the judge as to whether the situation is akin to an emergency. If it is necessary to have it immediately, I, personally, shall follow your recommendations and endeavor to move it as rapidly as possible.

POSITION OF CONTRIBUTION ON TREASURY STATEMENT

Prior to the brief recess to answer the rollcall, I asked the distinguished Secretary off the record, I believe, if it would be possible to supply the committee some information as to how we locate these Treasury obligations that are not actually, in reality, a part of the public debt until we have made the contribution or been called upon to advance this money. As nearly as possible, can you give us the total amount? I can read the Treasury statement, and I can see where it says here to deduct debt not subject to statutory limitation, but I do not know if that falls in this category?

Secretary DILLON. No, it does not. This is the monthly statement of May 31, and judging by this, this item will not be carried on the summary of the public debt for guaranteed obligations outstanding, because it will not be outstanding. It will be a contingent item not shown on the monthly statement at all because the guarantee authority is not shown here at all. If it is ever actually drawn it would be shown here because we do have our cash contribution to the International Monetary Fund of $2 billion plus——

Mr. PASSMAN. But the remainder of the $4,125 million is just outstanding. The same as an appropriation to the military, you do not carry it on the Treasury statement, and neither would you carry this $2 billion on the Treasury statement until it is used?

Secretary DILLON. Not until it is used.

Mr. PASSMAN. So it would be the same as drawing a voucher for any other outstanding bill if you were called upon for this money?

Secretary DILLON. That is right.

STATEMENT OF CONTINGENT OBLIGATIONS

Mr. PASSMAN. We would like to have the amount of these contingent obligations.

Secretary DILLON. We make a statement twice a year of the contingent obligations.

Mr. PASSMAN. Would you have it as of June?

Secretary DILLON. As of June 30? We certainly have the one for the end of the year, which is very big. Our contingent obligations run into the billions of dollars for the FDIC. We will be glad to give you that.

(The following was submitted for the record:)

LONG-RANGE COMMITMENTS AND CONTINGENCIES OF THE U.S. GOVERNMENT AS OF DECEMBER 31, 1961

The attached statement covers the major financial commitments of the U.S. Government, except the public debt outstanding and those involving recurring costs for which funds are regularly appropriated by the Congress and are not yet obligated, such as aid to States for welfare programs and participation in employee-retirement systems. The statement is segregated into four categories; namely (*a*) loans guaranteed and insured, etc., by Government agencies; (*b*) insurance in force; (*c*) obligations issued on credit of the United States; and (*d*) undisbursed commitments, etc.

The items appearing in this statement are quite different from the direct debt of the United States. They are programs of a long-range nature that may or may not commit the Government to expend funds at a future time. The extent to which the Government may be called upon to meet these commitments varies widely. The liability of the Government and the ultimate disbursements to be made are of a contingent nature and are dependent upon a variety of factors, including the nature of and value of the assets held as a reserve against the commitments, the trend of prices and employment, and other economic factors.

Caution should be exercised in any attempt to combine the amounts in the statement with the public debt outstanding for that would involve not only duplication but would be combining things which are quite dissimilar. As indicated by the enclosed statement, there are $115.7 billion of public debt securities held by Government and other agencies as part of the assets that would be available to meet future losses. The following examples illustrate the need for extreme caution in using data on the contingencies and other commitments of the U.S. Government.

1. The Federal Deposit Insurance Corporation had insurance outstanding as of December 31, 1961, estimated to be $164.1 billion. The experience of the Federal Deposit Insurance Corporation has been most favorable. During the period this Corporation has been in existence, premiums and other income have substantially exceeded losses which has permitted the retirement of Treasury and Federal Reserve capital amounting to $289.3 million (all repaid to Treasury), and the accumulation of $2.4 billion reserve as of December 31, 1961. The Corporation's holdings of public debt securities as of that date amounted to $2.5 billion which already appears in the public debt total. Out of $314.4 billion of assets in insured banks as of December 31, 1961, $70.8 billion are in public debt securities (also reflected in the public debt). The assets, both of insured banks and the Federal Deposit Insurance Corporation, as well as the continued income of the Corporation from assessments and other sources, stand between insured deposits and the Government's obligation to redeem them.

2. The face value of life insurance policies issued to veterans and in force as of December 31, 1961, amounted to $40.4 billion. This does not represent the Government's potential liabilities under these programs since some of these policies will probably be permitted to lapse and future premiums, interest, and the invested reserves amounting to $6.8 billion of public debt securities should cover the normal mortality risk.

3. Under the Federal Reserve Act of 1913, as amended, Federal Reserve notes are obligations of the United States which, as of December 31, 1961, amounted to $28.1 billion. The full faith and credit of the United States is behind the Federal Reserve currency. These notes are a first lien against the $52.5 billion of assets of the issuing Federal Reserve banks which includes $28.9 billion of Government securities already included in the public debt. These notes are specifically secured by collateral deposited with the Federal Reserve agents which, as of December 31, 1961, amounted to $22.9 billion in Government securities and $8.4 billion in gold certificates.

Long-range commitments and contingencies of the U.S. Government as of Dec. 31, 1961

[In millions of dollars]

Commitment or contingency and agency	Gross amount of commitment or contingency	Public debt securities held by Government and other agencies
Loans guaranteed, insured, etc., by Government agencies:		
Agency for International Development: Development loans	60	
Agriculture Department:		
Commodity Credit Corporation	(1)	
Farmers Home Administration: Agricultural credit insurance fund	217	
Civil Aeronautics Board	24	
Commerce Department: Federal Maritime Board and Maritime Administration, Federal ship mortgage insurance revolving fund	[2] 378	
Export-Import Bank of Washington	[3] 247	
Housing and Home Finance Agency:		
Federal Housing Administration:		
Property improvement loans	[4] 397	105
Mortgage loans	35,986	648
Office of the Administrator: Urban renewal fund	820	
Public Housing Administration: [5]		
Local housing authority bonds and notes (commitments covered by annual contributions)	3,066	
Local housing authority temporary notes	937	
Interstate Commerce Commission	150	
Small Business Administration:		
Revolving fund	[6] 22	
Reconstruction Finance Corporation liquidation fund	(7)	
Treasury Department:		
Reconstruction Finance Corporation liquidation fund	(7 [8])	
Defense Production Act of 1950, as amended	[8] 2	
Federal Civil Defense Act of 1950, as amended	[8] 2	
Veterans' Administration	[9] 16,248	
Defense Production Act of 1950, as amended	115	
Total loans guaranteed, insured, etc., by Government agencies	58,671	753
Insurance and guarantees in force:		
Agency for International Development: Investment guarantees	479	
Agriculture Department Federal Crop Insurance Corporation	[10] 271	
Commerce Department: Federal Maritime Board and Maritime Administration, war-risk insurance revolving fund	126	
Export-Import Bank of Washington: War-risk and expropriation insurance	2	
Federal Deposit Insurance Corporation	[11] 164,071	2,474
Held by insured commercial and mutual savings banks		70,781
Federal Home Loan Bank Board: Federal Savings & Loan Insurance Corporation	[11] 67,438	396
Held by insured institutions		4,954
U.S. Information Agency: Information media guarantees	4	
Veterans' Administration:		
National service life insurance	39,063	5,765
U.S. Government life insurance	1,321	1,025
Total insurance and guarantees in force	272,775	85,395
Obligations issued on the faith of the United States: Postal Savings certificates:		
U.S. Postal Savings System	[12] 642	662
Canal Zone Postal Savings System	[12] 5	5
Total Postal Savings certificates	647	667
Other obligations: Federal Reserve notes (face amount)	28,135	[12] 28,881
Undisbursed commitments, etc.:		
To make future loans:		
Agency for International Development:		
Development loans	1,196	
U.S. dollar and foreign currency loans	1,085	
Agriculture Department:		
Commodity Credit Corporation	6	
Farmers Home Administration:		
Agricultural credit insurance fund	6	
Direct loan account	10	
Emergency credit revolving fund	2	
Other loan programs	8	
Rural Electrification Administration	840	
Export-Import Bank of Washington: Regular lending activities	1,765	

See footnotes at end of table.

Long-range commitments and contingencies of the U.S. Government as of Dec. 31, 1961—Continued

[In millions of dollars]

Commitment or contingency and agency	Gross amount of commitment or contingency	Public debt securities held by Government and other agencies
Undisbursed commitments, etc.—Continued		
Housing and Home Finance Agency:		
Office of the Administrator:		
College housing loans	413	
Public facility loans	35	
Urban renewal fund	596	
Housing for the elderly	15	
Public Housing Administration	159	
Interior Department:		
Bureau of Commercial Fisheries, fisheries loan fund	1	
Defense Minerals Exploration Administration, Defense Production Act of 1950, as amended	(7)	
Small Business Administration (revolving fund)	165	
Veterans' Administration (veterans' direct loan program)	56	
Total undisbursed commitments to make future loans	6,358	
To purchase mortgages: Housing and Home Finance Agency, Federal National Mortgage Association:		
Secondary market operations	212	
Special assistance functions	419	
Total commitments to purchase mortgages	631	
To guarantee and insure loans:		
Agriculture Department, Farmers Home Administration: Agricultural credit insurance fund	12	
Commerce Department: Federal Maritime Board and Maritime Administration: Federal ship mortgage insurance revolving fund	81	
Housing and Home Finance Agency: Federal Housing Administration	6,449	
Defense Production Act of 1950, as amended	33	
Total commitments to guarantee and insure loans	6,575	
To purchase investment company debentures: Small Business Administration (revolving fund)	42	
Unpaid subscriptions, etc.:		
International Bank for Reconstruction and Development	[14] 5,715	
Inter-American Development Bank	260	
International Development Association	185	
Total unpaid subscriptions, etc.	[14] 6,160	

[1] Guaranteed loans and certificates of interest, amounting to $895,000,000 as of Dec. 31, 1961, are included in the Corporation's balance sheet with the direct loans.

[2] Includes accrued interest.

[3] Includes political risk export guarantees amounting to $240,000,000.

[4] Represents the Administration's portion of insurance liability. The estimated amount of insurance in force and loan reports in process, as of Dec. 31, 1961, is $1,637,000,000. Insurance on loans shall not exceed 10 percent of the total amount of such loans.

[5] The full faith and credit of the United States is pledged to the payment of all amounts agreed to be paid as per sec. 302 of Public Law 87-70 approved June 30, 1961.

[6] Excludes approximately $25,000,000 deferred participations (guaranteed loans) representing estimated amount not requiring purchase.

[7] Less than $500,000.

[8] Represents deferred participations.

[9] Represents the Veterans' Administration portion of insurance liability. The total mount of loans in the hands of private lenders is estimated at $29,698,000,000.

[10] Represents estimated insurance coverage for the 1961 crop year.

[11] Estimated insurance liability.

[12] Excludes accrued interest.

[13] Includes public debt securities amounting to $22,925,000,000 that have been deposited by the Federal Reserve bank system with the Federal Reserve agents as specific collateral.

[14] The largest single contingent liability in the international field is the unpaid subscription to the International Bank for Reconstruction and Development. This is entirely "callable capital," which is held in order to permit the IBRD to borrow in the United States and other world capital markets. Since the experience of the IBRD in its lending activities has been excellent, and since it has built up a reserve fund to cover any loans which may be defaulted, the chances of this commitment resulting in actual expenditures are extremely slight. Of the $260,000,000 in contingent liability to the Inter-American Development Bank, $200,000,000 represents the U.S. portion of the "callable capital" of that institution. As in the case of the IBRD, this is not likely to result in actual dollar disbursements. The remaining $60,000,000 of the commitment to the IADB, and the $185,000,000 of subscriptions still to be paid to the International Development Association will result in disbursements of dollars at some period after the subscription payments are made.

NOTE.—The above figures are subject to the limitations and precautionary remarks, as explained in the foreword to this statement.

Mr. PASSMAN. Mr. Gary?

PAST PROCEDURE FOR SECURING IMF RESOURCES

Mr. GARY. Mr. Secretary, this is the type of transaction that in the past has been financed by giving the parties the right to borrow from the Treasury, which has been referred to as back-door spending, rather than by direct appropriation. Is that correct?

Secretary DILLON. Not quite. There is a differentiation here because in the past we did receive authority to borrow from the Treasury by an act of Congress that did not pass through the Appropriations Committee. What is happening here, we are given authority to borrow from the Treasury by an act which does pass through the Appropriations Committee.

Mr. GARY. Transactions of this nature in the past have been handled as strictly borrowing authority without going through the appropriation process?

Secretary DILLON. That is right.

Mr. GARY. Because of the recent attitude of the Congress toward back-door spending, in this instance you are changing that policy and asking for a direct appropriation for the amount even though it is not immediately necessary for expenditure and may not be for sometime and may never be?

Secretary DILLON. That is correct.

Mr. GARY. That is all.

Mr. PASSMAN. In this instance, what if the Congress says, "We will not provide the appropriation," would you have the right then to draw it from the Treasury?

Secretary DILLON. No.

Mr. PASSMAN. Do you have other authority?

Secretary DILLON. There is a lot of authorization in the domestic scene, but I do not think in the foreign scene.

Mr. PASSMAN. This applies to this one appropriation?

Secretary DILLON. Yes. Mr. Gary, I think, had reference to the previous availability of funds for the International Monetary Fund which were not made available through the appropriation process.

Mr. PASSMAN. It stops just on this one bill? There are plenty of withdrawals from the Treasury under previous authorizations?

Secretary DILLON. In the domestic field.

Mr. GARY. But now we hope we are adopting a new policy as to future authorizations?

Secretary DILLON. It appears so.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. Mr. Natcher?

GOLD AND FOREIGN EXCHANGE HOLDINGS, 1951 AND 1958–61

Mr. NATCHER. Mr. Chairman, with your permission I would like to have inserted in the record at this point the table which appears on page 4 of the special report to the President and to the Congress of the National Advisory Council dated January 1962.

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

(The table follows:)

TABLE 1.—*Official gold and foreign exchange holdings, 1951 and 1958–61*

[End of period: millions of U.S. dollars]

Country	1951	1958	1959	1960	1961 [1]
United States	22,873	20,582	19,507	17,804	17,063
United Kingdom	2,374	3,105	2,750	3,239	3,318
Germany	518	5,732	4,533	6,737	6,437
France	616	1,050	1,730	2,070	2,816
Italy	774	2,082	2,953	3,080	3,369
Belgium	1,054	1,497	1,222	1,422	1,552
Netherlands	554	1,470	1,339	1,742	1,723
Canada	1,826	1,948	1,876	1,836	1,933
Sweden	484	473	434	488	662
Japan	[2] 979	861	1,322	1,824	1,611
Total of listed countries [3]	32,052	38,800	37,656	40,242	41,182
World total	49,020	57,285	57,040	59,700	61,060

[1] For United States and United Kingdom, data are for Dec. 31; for other countries, and the totals, data are as of Sept. 30.
[2] Holdings on Dec. 31, 1952.
[3] Participants in the special borrowing arrangements.

Source: International Monetary Fund.

UNDERDEVELOPED COUNTRIES IN IMF

Mr. NATCHER. Mr. Secretary, you have stated to the committee that a large part of the currencies consisted of currencies of the less developed countries which are not suitable for use by the Fund.

Of the 76 member countries, how many are in the category of "less developed countries?"

Secretary DILLON. I think the great majority are. What I was referring to specifically are countries which have currencies which are convertible in international dealings and which could be readily used as convertible currencies. I could readily give you a breakdown for the record of the number of countries whose currencies are readily convertible and those whose currencies are not readily convertible.

Mr. NATCHER. Of the 76 would you say the majority would be classified as less developed countries from the standpoint of economics generally?

Secretary DILLON. I think that is correct.

Mr. NATCHER. When Secretary of State Rusk appeared before our committee we discussed with him generally the question involving the number of underdeveloped countries now represented on the General Assembly of the United Nations organization. As you know, the majority of the countries represented on the General Assembly are in the category of underdeveloped countries. How does this situation appear to you, Mr. Secretary, with the number of underdeveloped countries on the General Assembly and with the majority of the 76 member countries here being in the less developed category from the standpoint of economics generally? Does this make good sense, Mr. Secretary, from the standpoint of our overall program?

Secretary DILLON. From the point of view of the institutions I am connected with, the International Monetary Fund and the World Bank, I think it does, because both of those institutions, which are financial institutions, have taken account in their charters of the financial ability of the member countries to contribute to those or-

ganizations and they have a form of weighted voting which is weighted on the size of the contributions of the individual countries.

When a country asks to become a member of the International Monetary Fund, the board of IMF looks at the size of their foreign trade and so forth and sets their quotas and the quotas determine the amount of voting authority. So this majority of smaller or less developed countries which are members of the International Monetary Fund have a smaller percentage of the voting in the Fund. So I do not think we have a situation that is similar at all to that in the United Nations General Assembly, for instance.

Mr. NATCHER. Thank you, Mr. Chairman.

Mr. PASSMAN. Mr. Rhodes?

U.S. GOLD CONTRIBUTION TO IMF

Mr. RHODES. Thank you, Mr. Chairman.

Mr. Secretary, how much have we put up in dollars and in gold to the International Monetary Fund to date?

Secretary DILLON. Our contribution in gold was one-quarter of the $4,125 million, so it would be $1,031,250,000.

Mr. RHODES. That would be in gold?

Secretary DILLON. In gold. The rest of our contribution was made in the form of non-interest-bearing notes and this amount can be cashed by the International Monetary Fund at the time they need to make use of the funds to lend them to some other member country. The greatest amount we have ever had outstanding was in 1958 ($2,127 million in September 1958). During the Suez crisis a large amount was made available to the United Kingdom in dollars.

Mr. RHODES. This is a Treasury transaction not calling for an appropriation?

Secretary DILLON. Yes. We get these non-interest-bearing notes back from the Fund and provide the dollars to the International Monetary Fund. As the dollars come back to the Fund from repayments to the Fund, they are immediately turned back to the Treasury and we hand the Fund another non-interest-bearing note. So there are constant transactions, usually not very large, but back and forth, with the Monetary Fund, based on repayments and on their need for dollars.

Since other countries' currencies have become convertible—which began, I believe, in 1959 or 1960—the Fund as a matter of policy has been trying to maximize the use of these other currencies in borrowings from the Fund so as to put less strain on the U.S. dollar, and in the last 2 years the amount of dollars used has been only 20 or 25 percent.

Mr. RHODES. When these funds are in the hands of the International Monetary Fund as non-interest-bearing notes, obviously they could not ask for gold for non-interest-bearing notes, but as soon as they cash the notes and get dollars and loan them to a member country, then they could demand gold in exchange for the dollars?

Secretary DILLON. Theoretically, yes. What is more likely is that the drawing country would pay the dollars over to some other country which might be in a surplus position, and then that other country might use those dollars for gold. That is why the International Mone-

tary Fund has been reducing the use of dollars to the minimum in the last 2 years.

Mr. RHODES. If a central bank asks for gold in exchange for dollars can we instead give it its own currency?

Secretary DILLON. I do not think it quite works out "instead" if they actually ask for it, but certainly if we do have its own currency we can buy the dollars back and they then would not have the dollars with which to ask for gold. I think that the use of their own currency to buy back dollars is the equivalent of gold and they would all recognize it as such.

Mr. RHODES. If any country tried to use those dollars for the purchase of gold and we had fairly large supplies of its currencies, could we use their currency to buy gold from them?

Secretary DILLON. Not quite because no other country has the policy of selling gold against their currency. The United States is the only one that has that policy and that is why the U.S. dollar is so widely accepted around the world; but if we had their own currency we could offer it on the exchange market, and if they were substantial offerings they would have to buy it for something and that something would be either the U.S. dollar or gold. But you could not present a claim to the country and say, "Give us gold for your currency." You would have to operate through the exchange market.

DEFINITION OF HARD CURRENCIES

Mr. RHODES. I had assumed the term "hard currency" meant a currency which was redeemable in gold. Is that erroneous?

Secretary DILLON. Yes.

Mr. RHODES. What is the definition of "hard currency"?

Secretary DILLON. A hard currency country is a country whose currency is readily acceptable at a fixed rate of exchange and is usable in world trade and payments on that basis.

Mr. RHODES. In other words, it is an international state of mind?

Secretary DILLON. Member countries that have hard currencies have also accepted certain responsibilities under article VIII of the Fund articles of agreement, which are that they shall not impose exchange controls on foreign holdings of their currency. That is a major differentiation. These European countries I mentioned started to make their currencies convertible in late 1958 or early 1959 and all accepted these conditions by early 1961, so the International Monetary Fund's definition would be those that have accepted this responsibility under article VIII.

Mr. RHODES. So if we take advantage of this new consortium and borrow certain currencies of these countries we cannot directly keep them from using their dollars to buy gold?

Secretary DILLON. No.

One thing I would like to say here as part of this is that there has been and there is, I think, a real community of interest between all these industrialized countries which have relatively stable currencies. They are very much interested in seeing the dollar a stable and strong currency because many of them have reserves in dollars and they do not want anything to happen to them. Therefore, we do have very good cooperation and while the end result might theoretically be such

as you mention, actually we are working in very close cooperation with these countries and have the last 18 months or so.

Mr. RHODES. I think it is obvious that these countries are very much interested in keeping the dollar sound and I think their attitudes are commendable.

Off the record.

(Discussion off the record.)

INTEREST TO BE PAID ON INTERNATIONAL MONETARY FUND BORROWINGS

Mr. RHODES. I assume none of the $2 billion which we are now asked to appropriate would be paid in gold. Is that correct?

Secretary DILLON. That is right; none of it would.

Mr. RHODES. Why is it necessary for us to provide that the payment of interest and charges to the International Monetary Fund, in the event we borrow, be part of the permanent continuing appropriation for interest on the public debt? Is that now the situation so far as our transactions with the International Monetary Fund are concerned?

Secretary DILLON. No; that is why we are requesting it. Apparently when the original legislation for the International Monetary Fund was considered and passed, no one thought of the possible contingency that we might borrow from the Fund, and there is no appropriation and no provision for us to pay the charges that we would have to pay which is the interest on the loan if we should make a borrowing. So, in effect, we cannot borrow from the Fund until we are in a position to pay the ordinary and normal charges. That is why we are asking for this provision.

Mr. RHODES. The charges are paid in gold, are they not? I notice in the blue folder that charges are normally paid in gold but when a member's monetary reserves are below half its quota, charges may be paid partly or wholly in member's currency.

I would imagine we would have to pay our interest in gold.

Secretary DILLON. I would think that is correct, unless the exception applies.

Mr. RHODES. How much would it amount to?

Secretary DILLON. If we borrowed we would be governed by this provision.

If we borrowed an amount equal to our full quota for 3½ years it would average 3½ percent a year for part of the drawing, and would average about 2 percent on the $4,125 million over the period.

Mr. RHODES. And that could be paid in gold?

Secretary DILLON. That is right.

Mr. RHODES. Can we borrow gold from the International Monetary Fund?

Secretary DILLON. Borrow it?

Mr. RHODES. Yes.

Secretary DILLON. No.

IMF NEED FOR GOLD

Mr. RHODES. Why does the International Monetary Fund need gold?

Secretary DILLON. They have held some gold right from the beginning. Occasionally when they need other currencies they have disposed of some of this gold to get the currencies. They have disposed of some of it to the United States in the past. If they didn't have gold I suppose they would have to have their whole reserves in dollars, and I think when this was originally set up it was felt that an international organization should have some of its reserves at least in an international currency, and the only ultimate international currency that existed was gold. That is perhaps the reason.

Mr. RHODES. How much gold does the Fund have now?

Secretary DILLON. About $2.1 billion which it has readily available. There is an additional $800 million which was sold to the United States which the Fund has invested in U.S. Treasury bills, and it does have the right if it should need that to ask to buy that back.

Mr. RHODES. In other words, $1,300 million of free gold?

Secretary DILLON. $2.1 billion plus another $800 million.

Mr. RHODES. Which it could demand?

Secretary DILLON. That is right.

Mr. PASSMAN. That is more or less a form of borrowing. That $800 million is the equivalent of borrowing from the International Monetary Fund. They could at any time, under the charter, if the Board should demand it, request return of the gold. Is that correct?

Secretary DILLON. I would say it is somewhat similar. All of these transactions were entered into before I arrived on the scene. The original one was started in 1956 because the Monetary Fund had not been very active up until then. Large-scale activity did not really start until later, so as a result they had been operating for some years at a deficit. They had not gotten enough payments on the transactions because they hadn't made many transactions. Therefore they decided they needed an additional source of revenue, chiefly to build appropriate reserves.

We were losing gold. They sold us some of the gold and invested the proceeds in 90-day bills. It gave them revenue and it gave us more gold.

Mr. PASSMAN. Still, I think my statement is a correct one, is it not, that really we did not buy that gold. We said merely, "You hold the U.S. bills and we hold the gold." Then, on demand we return the gold and they return the bills?

Secretary DILLON. That is correct.

Mr. PASSMAN. That is a different arrangement from what other countries have.

Secretary DILLON. Slightly different but the effect is the same.

Mr. PASSMAN. This is unusual. Where is the advantage? Here is $800 million of gold which we realize we are just holding. They hold the same number of bills. We reverse this transaction if the demand should be made.

We could not spend that $800 million in gold because we have an obligation to hold it.

Mr. RHODES. How do we carry this item in accounting for our gold supply? Is it carried as free gold?

Secretary DILLON. Just as part of the regular gold stock.

Mr. PASSMAN. Mixed up with the other.

OBLIGATIONS AGAINST U.S. GOLD SUPPLY

Mr. RHODES. Part of the $16 billion of reserves.

Mr. PASSMAN. Which you can be called upon any day to return, and they return the bills.

Mr. RHODES. This is perhaps beyond the scope of the inquiry, but how much more of our supposed free gold supply do we have which is actually earmarked for instant transfer at the demand of the other party?

Secretary DILLON. The key word of what you said is "earmarked." We said our whole gold supply, whatever we have, is available for other central banks to turn dollar balances into gold. It is not earmarked.

Mr. RHODES. Let us confine it to the present case. How many more transactions are there similar to this?

Secretary DILLON. This is the only one.

I would be glad to give the full history. I think there were three such transactions—about $200 million in 1956, $300 million more in 1959, and $300 million more in 1960.

U.S. GOLD HOLDINGS

Mr. PASSMAN. I believe this worksheet is correct.

Secretary DILLON. I would be glad to give you the corrected copy.

Mr. PASSMAN. I am using a particular date.

Foreign "free world" nations had about $13 billion in gold as of 1952, and increased it to $23.6 billion as of December 31, 1961. Under our monetary system we are required by law, are we not, to retain a certain percentage in gold, which amounts to about $11½ billion, to support our own currency?

Secretary DILLON. The amount we are required to retain under our law is not a fixed amount. It is 25 percent against currency and Federal Reserve deposits. It varies between $11½ and $12 billion.

Mr. PASSMAN. Using the figure of some $12 billion in gold which, we are required by law to keep, and recognizing the tremendous increase in short-term dollar holdings of other "free world" nations—about $22.5 billion at the end of 1961—if they should make demands of us to redeem those dollars in gold, which obligation comes first—the one to support our own monetary system or the one to meet their demands? We do not have sufficient gold reserves to meet our obligations to them and also to support our own monetary system.

Secretary DILLON. I think the President stated the position quite clearly in his statement to the Congress in February of 1961 where he said that if need be our entire gold stock is available to meet our international obligations.

Mr. PASSMAN. Then we would, in effect, be violating our own statutes, providing for the 25 percent in gold reserves for our own monetary system?

Secretary DILLON. There is a provision allowing the Federal Reserve Board to waive that.

Mr. PASSMAN. I wanted to know if our own law could be waived.

My sympathy goes out to you even further than it did before. You have a problem down there which must keep you working considerably more than 12 hours a day.

SECTION 18, PUBLIC LAW 87–490

Mr. RHODES. Looking at section 18 of Public Law 87–490, I just wonder what this language really means. Can you give me a brief explanation for the record as to the meaning of this language? My puzzlement comes from a lack of knowledge of section 10 of the Gold Reserve Act of 1934.

Secretary DILLON. That is the section which sets up the Exchange Stabilization Fund in the Treasury which at that time was set up with the funds which were made available when we revalued gold.

The original capitalization was $2 billion and we used $1.8 billion to meet the U.S. subscription to the International Monetary Fund when it was created.

The Exchange Stabilization Fund had $200 million in it at that time, and since then it has been built up where it has over $300 million in it. This is a mechanism where we conduct all our gold sales, all our currency transactions in foreign currencies, the type of thing we have been doing in the past year, and we also make some stabilization loans very similar to the IMF type of loan with these funds in Latin America only, with one exception, and the one exception is the Philippines. We make these loans parallel with the IMF where their resources do not seem to be quite adequate. We then make a modest contribution by making a similar short-term loan, on terms similar to those of IMF.

Mr. RHODES. How about the use of the term "purchases?" If we were to ask for help from the International Monetary Fund we would borrow currencies?

Secretary DILLON. This is the language of the charter of the International Monetary Fund. What you actually do is very similar to borrowing. You purchase the currencies which you need with dollars, subject to a repurchase agreement. You agree to buy back your dollars with these other foreign currencies, and they charge you a rate for the use of these currencies which you have purchased, which is the exact equivalent of interest.

Why this was set up in this form rather than in the form of just a straight loan with interest I do not know.

Perhaps Mr. Southard can give us some enlightenment on that.

Mr. SOUTHARD. I am not sure, Mr. Secretary. I am not familiar with it.

Secretary DILLON. The reason you call this thing a purchase.

Mr. SOUTHARD. The Articles of Agreement talk about purchases and sales of currency from the Fund or other current drawings. If Paraguay comes to get dollars, they offer guaranies in return for the dollars. Therefore the Fund's currency holding remains constant, but the form of the currencies shifts. In the case cited we would have less dollars and more guaranties. We regard it as a purchase and sale transaction.

Mr. RHODES. Do we conduct our transactions with them in the same way?

Secretary DILLON. Yes, if we were to get currencies from the Fund, we would want German marks, French francs, Italian lire, and we would purchase those with dollars.

Mr. RHODES. You mentioned earlier that we have some $800 million in gold for which we have given Treasury bills to the International Monetary Fund. Do you know what interest rate those bills draw?

Secretary DILLON. They are just bought on the market. They just sold us the gold with the right to buy it back. Then they took the dollars and just invest them in the market.

POLICY OF IFM RELATIVE TO SOLVING OF BALANCE-OF-PAYMENT PROBLEMS

Mr. RHODES. You make the point in your statement on page 6 that there is a certain almost automatic right of withdrawal by any member country up to one-fourth of its quota, and in addition, there is a system whereby the Fund treats liberally a request for additional drawings up to 25 percent of its quota, and these words are from your statement:

> If the member itself is making reasonable efforts to solve its balance-of-payments problem.

This, of course, opens up a rather broad vista of possible lines of questioning into which I do not intend to go. I wonder if you would now give the committee some idea as to what you believe the International Monetary Fund would consider "reasonable efforts" on the part of the United States to solve its balance-of-payments problems.

Secretary DILLON. I think certainly the Monetary Fund at the moment thinks the course that is presently underway, with the situation as it is, is reasonable. If the situation changed and worsened, they might feel additional steps might be taken.

One of the things they look at is whether short-term funds are flowing in and out of a country, and if that is happening because of interest rate differentials that is one of the things they might be interested in.

The operation of the Federal Reserve has been acting in such a manner as to keep our short-term interest rate at a level where these interest flows abroad would be minimized. That is one reason why our short-term rates over the past year and a half never got so low as they did in preceding times of economic recession. There was not any such problem in those earlier times because there were no other convertible currencies, so people would keep dollars though they paid very little. But since the era of convertible currency, we do not have the luxury of having our short-term rate——

Mr. RHODES. Is there now a net outflow of short-term capital?

Secretary DILLON. I would say "Yes."

I doubt if there is much on an interest rate basis. There has been an outflow to finance world trade, some trade with the United States and some trade elsewhere. That is still going on.

In the first quarter, there was a very good change in our balance-of-payments situation. An item called errors and omissions, which is everything not readily identifiable, turned from a very substantial deficit into a reasonable surplus. That was a new development compared to the last couple of years. Always before then it had been a surplus.

In 1960, when this loss of confidence came, it turned to a deficit and it has been there right along until the first quarter. The fact it has turned positive is a helpful sign.

Mr. RHODES. Does the International Monetary Fund take into consideration in establishing this criterion of "reasonable effort" the domestic situation, in other words, governmental deficits?

Secretary DILLON. They do, particularly in connection with the effect they may have on the balance of payments. In other words, usually when you are dealing with underdeveloped countries, that is the main problem they have to take into account. They usually have very large deficits which lead to very substantial inflation, and inflation in some Latin American countries is as high as 30 percent in 1 year, and control of governmental spending is the only way you can control that. They do not insist on balancing in every case.

For instance, the Canadian budget, even after the changes they have made on both the revenue side and the expenditure side, will be running a deficit, expressed in terms comparable with the United States, of about $5 billion. The Fund seemed to think this was a perfectly adequate program even with that situation.

Mr. GARY. Did you say $5 billion?

Secretary DILLON. Yes.

Mr. GARY. Did not the International Monetary Fund Conference in Vienna, or some of the delegates there, express some concern over our deficits in Government in the United States?

Secretary DILLON. No. There was a misconception regarding that. There were some stories in the press that this was what they were talking about. They did talk in rather general terms. They never mentioned deficits. They were talking about the regular, old-fashioned, tried-and-true mechanism that must be used, and things of that nature. They were discussing the question of setting up something similar to this fund we are now talking about. They were talking about some other concepts and thoughts which had been talked of.

I refer particularly to proposals such as the Triffin plan, which you may have heard of. These countries felt this was something they wanted no part of. They were saying that in very strong language.

Unfortunately, they did not want to use that word. They were being more careful. It was misconstrued by some as talking about the U.S. situation, which is not what they had in mind at all.

Mr. Baumgartner, of France, who was supposedly talking that way, actually went over his general statement with me the day before and neither of us had any idea it would be referred to as having anything in it against the United States, and after he was quoted in the papers he wrote us a letter saying he did not have that in mind at all. It was because of this very strong feeling by the continental Europeans against the establishment of something like the Triffin plan that this type of language was used.

Mr. GARY. Do you think we can continue to run deficits in the Government indefinitely without having some fears expressed on the part of the IMF and our other financial partners?

Secretary DILLON. "Indefinitely" is a very long time. I think obviously the answer to that would have to be "no."

Mr. GARY. The next question would be, When does the red light go on?

Secretary DILLON. I think it depends on a number of things. In the first place, it depends on the size of the deficit. There is a lot of difference between a deficit of $3 or $4 billion and $10 or $15 billion in a country like ours. There is also a very important difference at what capacity our economy is operating.

If we have a situation where we have unused economic capacity, I do not mean just unemployment, but also factories not working at full speed, a budgetary deficit does not have any immediate inflationary impact. That can be seen from the fact our basic wholesale price index is just the same now, or fractionally lower, than in 1958. Since then we have had a $12 billion deficit in 1959 and a $7 billion one for the year just finished, and they have had no effect on our wholesale price level because we have had two recessions in that period.

I would say it is not a question you can answer categorically. Certainly, the continuance of uncontrolled deficits would be a very bad thing. I think one of the things these countries look at very carefully is to see if you have some control over, and interest in controlling, expenditures, rather than whether a deficit occurs.

Particularly under our system where we rely so heavily on a graduated income tax, revenues go up and down much more than the European revenues that rely on sales taxes, and they recognize that, so they do not object so much to a deficit that is incurred for that reason.

Mr. GARY. In other words, it would be correct if I say they watch trends more carefully than the day-by-day transactions?

Secretary DILLON. Yes. The one thing they have watched the most and talked about the most in our balance of payments is price. If our exports do not stay competitive, then we are really in very serious trouble. They watch labor negotiations and price trends.

Mr. GARY. And the cost-of-living indexes and wholesale prices?

Secretary DILLON. Yes, things of that type.

Mr. GARY. They watch statistics and the intent on the part of the Government?

Secretary DILLON. That is right.

Mr. GARY. If we would have rather large deficits in time of prosperity, would this cause them to look askance at our efforts?

Secretary DILLON. I would think large deficits in time of real prosperity would be inflationary. As this would be bad for our balance of payments it would naturally cause other people who are interested in the dollar to be disturbed.

Mr. PASSMAN. In that connection, I had a letter from a constituent the other day, who put it in a way I could understand it. This man was getting $800 a month and he was spending $880. They raised him to $1,200 a month and he spent only $1,260. He said, "I am still spending more than my salary, but, percentagewise, not as much as before I got my raise."

Mr. RHODES. I have about two more questions.

COMPARATIVE STATEMENTS OF BALANCES OF PAYMENTS OF NATIONS INVOLVED IN CONSORTIUM

Could we at this point in the record have inserted the balance-of-payments figures for the last 10 years for all of the nine nations involved in consortium?

Secretary DILLON. Including the United States.

Mr. RHODES. Including the United States.

Secretary DILLON. Yes.

Mr. FORD. May I amend that request I think that is good, but I would prefer to have it for the United States on a quarterly basis for this 10-year period, including the second quarter of this calendar year.

Mr. RHODES. I accept the amendment.

Mr. PASSMAN. Indicate those countries that have currency on a par with ours.

Secretary DILLON. With regard to Mr. Ford's request, those quarterly figures are only available on a preliminary basis in the middle of August when they are published in the Department of Commerce bulletin and on a final basis in about mid-September. However, we do have knowledge, rough knowledge, of what the situation is now, and we have very current knowledge but it is not in a form publishable. We keep track of bank balances and the Federal Reserve balances so we know how our liabilities have gone up and down, but we have no way of knowing whether that is because of more exports or less exports, or private capital flow, so we do not really have balance-of-payments figures, and they are not accurate within 10 or 20 percent.

In this second quarter actually we did very well, which is the reason we have not lost any gold for the last 6 weeks. There was not anything mysterious about it. We have done well in our overall balance of payments. For that reason, we are relatively pleased at the moment. Those figures will not be out until the middle of August.

Mr. FORD. Indicate for the second quarter of 1962 this is an estimate. Add any footnote you want to more fully explain it.

Secretary DILLON. We will see what we can do.

(The information requested follows:)

The balance-of-payments data below for the United States cover the years, 1952–62. Final data are not yet available for the second quarter of 1962. On the basis of preliminary information on the overall deficit, all that is available to us now, it appears that this deficit fell from $465 million in the first quarter to somewhere within the range of $50 to $150 million in the second quarter (actual data, not seasonally adjusted).

Balance of payments of the United States, quarterly, 1952–62—Actual figures, not seasonally adjusted

[In millions of dollars]

Year	Balance on goods and services (1)	Plus balance on capital and other transactions [1] (2)	Equals basic U.S. position (deficit (−)) (3)	Plus recorded U.S. short-term private capital outflow and foreign commercial credits to United States (4)	And transactions unaccounted for, including unrecorded capital flows (5)	Equals overall U.S. position (deficit (−)) (6)
1952	2,226	−3,825	−1,599	−48	601	−1,046
I	1,098	−920	178	2	212	392
II	851	−1,422	−571	−51	223	−399
III	14	−868	−854	69	90	−695
IV	263	−615	−352	−68	76	−344
1953	386	−2,994	−2,608	117	339	−2,152
I	49	−763	−714	13	41	−660
II	47	−741	−694	66	178	−450
III	−164	−695	−859	62	121	−676
IV	454	−795	−341	−24	−1	−366
1954	1,828	−2,882	−1,054	−669	173	−1,550
I	188	−744	−556	37	12	−507
II	444	−671	−227	−155	156	−226
III	165	−574	−409	−270	164	−515
IV	1,031	−893	138	−281	−159	−302
1955	2,009	−3,470	−1,461	−187	503	−1,145
I	605	−772	−167	31	42	−94
II	421	−1,064	−643	−109	258	−494
III	193	−700	−507	79	51	−377
IV	790	−934	−144	−188	152	−180
1956	3,967	−4,988	−1,021	−457	543	−935
I	537	−1,010	−473	12	−20	−481
II	1,033	−1,230	−197	−136	63	−270
III	658	−1,301	−643	−72	225	−490
IV	1,739	−1,447	292	−261	275	306
1957	5,729	−6,178	−449	−188	1,157	520
I	1,632	−1,303	329	−244	470	555
II	1,651	−2,267	−616	44	446	−126
III	971	−1,143	−172	86	384	298
IV	1,475	−1,465	10	−74	−143	−207
1958	2,206	−5,861	−3,655	−362	488	−3,529
I	650	−1,395	−745	−71	221	−595
II	653	−1,720	−1,067	−175	137	−1,105
III	219	−1,236	−1,017	−111	171	−957
IV	684	−1,510	−826	−5	−41	−872
1959	134	−4,366	−4,232	77	412	−3,743
I	51	−1,162	−1,111	201	74	−836
II	−137	−1,318	−1,455	5	273	−1,177
III	−274	−1,010	−1,284	76	−51	−1,259
IV	494	−876	−382	−205	116	−471
1960	3,825	−5,725	−1,900	−1,433	−592	−3,925
I	540	−1,158	−618	−97	74	−641
II	837	−1,390	−553	−238	−100	−891
III	563	−1,191	−628	−473	−90	−1,191
IV	1,885	−1,986	−101	−625	−476	−1,202
1961	5,143	−5,559	−416	−1,443	−602	−2,461
I	1,544	−1,483	61	−385	16	−308
II	1,357	−690	667	−282	−296	89
III	578	−1,531	−953	−199	243	−909
IV	1,664	−1,855	−191	−577	−565	−1,333
1962—I	1,129	−1,603	−474	−253	262	−465

[1] Includes net Government grants and credits, net private long-term investment abroad, and net remittances and pensions.

NOTE.—Excludes military transfers under grants.

Source: Department of Commerce data.

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U.S. balance of payments by major components—Seasonally adjusted by quarter, 1961 and 1962

[In millions of dollars]

	Nonmilitary export surplus of goods and services	Less amount financed by Government grants and loans	Equals commercial surplus of goods and services	Plus other major transactions [1]	Equals basic U.S. position (deficit (−))	Plus recorded U.S. short-term private capital outflow and foreign commercial credits to United States	And transactions unaccounted for, including unrecorded capital flows	Equals overall U.S. position (deficit (−))
1961	7,684	2,574	5,110	−5,526	−416	−1,443	−602	−2,461
I	2,320	645	1,675	−1,559	116	−406	−29	−319
II	1,924	527	1,397	−539	858	−316	−366	176
III	1,575	699	876	−1,675	−799	−304	193	−910
IV	1,865	703	1,162	−1,753	−591	−417	−400	−1,408
1962–I	1,873	726	1,147	−1,439	−292	−401	217	−476

[1] Includes net military expenditures abroad, net Government grant and credit dollar payments to foreign countries and international institutions, net private long-term investment abroad, and net remittances and pensions.

NOTE.—Excludes military transfers under grants.

U.S. balance of payments by major components,[1] seasonally adjusted

[Millions of dollars]

	1960	1961	1961				1962
			I	II	III	IV	I
A. Goods and services, Government assistance and long-term capital accounts: [2]							
(1) Nonmilitary merchandise exports	19,459	19,915	5,061	4,768	4,940	5,146	5,068
(2) Less those financed by Government grants and capital	1,798	2,183	559	435	594	595	606
(3) Merchandise exports other than those financed by Government grants and capital	17,661	17,732	4,502	4,333	4,346	4,551	4,462
(4) Nonmilitary merchandise imports	−14,723	−14,514	−3,369	−3,417	−3,840	−3,888	−3,914
(5) Balance on trade, excluding exports financed by Government grants and capital	2,938	3,218	1,133	916	506	663	548
(6) Nonmilitary service exports	7,219	7,745	1,937	1,910	1,863	2,035	2,095
(7) Less those financed by Government grants and capital	322	391	86	92	105	108	120
(8) Service exports, other than those financed by Government grants and capital	6,897	7,354	1,851	1,818	1,758	1,927	1,975
(9) Nonmilitary service imports	−5,417	−5,462	−1,309	−1,337	−1,388	−1,428	−1,376
(10) Balance on services, other than those rendered under Government grants and capital	1,480	1,892	542	481	370	499	599
(11) Balance	4,418	5,110	1,675	1,397	876	1,162	1,147
B. Other major transactions:							
(1) Military expenditures	−3,018	−2,947	−770	−756	−699	−722	−755
(2) Military cash receipts	336	398	66	150	87	95	215
(3) Government grants and capital—dollar payments to foreign countries and international institutions	−1,235	−1,283	−302	−254	−303	−424	−289
(4) Repayments on U.S. Government loans, excluding fundings by new loans	585	1,199	123	828	59	189	131
(5) U.S. direct and long-term portfolio investments abroad [3]	−2,544	−2,481	−577	−487	−623	−794	−676
(6) Foreign direct and long-term portfolio investments in the United States	430	466	122	201	20	123	153
(7) Remittances and pensions	−842	−878	−221	−221	−216	−220	−218
(8) Balance	−6,318	−5,526	−1,559	−539	−1,675	−1,753	−1,439
C. Balance on goods and services, Government assistance and long-term capital account	−1,900	−416	116	858	−799	−591	−292
D. Recorded U.S. private short-term capital outflow less foreign short-term credits to the United States (excluding foreign liquid dollar holdings)	−1,433	−1,443	−406	−316	−304	−417	−401
E. Unrecorded transactions	−592	−602	−29	−366	193	−400	217
F. (1) Overall balance, seasonally adjusted	−3,925	−2,461	−319	176	−910	−1,408	−476
(2) Less seasonal adjustment			−11	87	−1	−75	−11
G. (1) Overall balance, actual (not seasonally adjusted) [4]	−3,925	−2,461	−308	89	−909	−1,333	−465
(2) Equals: Changes in liquid liabilities to foreign private holders, including banks and nonmonetary international and regional institutions	−361	−1,202	74	−570	−234	−472	−584
(3) Plus: Changes of holdings of gold and convertible currencies by U.S. monetary authorities and changes in U.S. liquid liabilities to foreign and international monetary authorities	−3,564	−1,259	−382	659	−675	−861	119

[1] Excludes military transfers under grants.
[2] Short-term capital movements between parent companies and their foreign affiliates are reported as part of direct investment.
[3] Increase in U.S. liabilities and sales of gold (−).

Source: Department of Commerce, Office of Business Economics.

Balance-of-Payments Data for Foreign Countries Participating in the IMF Borrowing Arrangements

The following tables present the balance of payments for each of these countries for the years 1952 to date. As of July 6, 1962, the rate of exchange in the foreign exchange market for each of these currencies was above its parity with the dollar with the exception of Japan.

Canada: Balance of payments, 1952–61

[Millions of dollars]

	Goods and services	Capital and other transactions	Errors and omissions	Change in reserves [1] (decrease −)
1952	215	−29		186
1953	−403	404		1
1954	−394	497		103
1955	−615	467		−148
1956	−1,293	1,375		82
1957	−1,383	1,341		−42
1958	−1,061	1,092		31
1959	−1,431	1,461		30
1960	−1,110	1,004		−106
1961 (January to September)	−641	733		92

[1] Including commercial banks.

Source: IMF Balance of Payments Yearbook.

Germany: Balance of payments, 1952–61

[Millions of dollars]

	Goods and services	Capital and other transactions	Errors and omissions	Change in reserves [1] (decrease −)
1952	556	−49	50	557
1953	983	−404	−57	522
1954	948	−216	−99	633
1955	701	−311	54	444
1956	1,309	−379	151	1,081
1957	1,789	−968	404	1,225
1958	1,866	−769	−99	998
1959	1,664	−1,784	−22	−131
1960	1,772	−800	457	1,429
1961	1,676	−1,557	8	127

[1] Including commercial banks.

Source: IMF Balance of Payments Yearbook and International Financial Statistics.

Sweden: Balance of payments, 1952–61

[Millions of dollars]

	Goods and services	Capital and other transactions	Errors and omissions	Change in reserves [1] (decrease −)
1952	36	−36	23	23
1953	73	−9	3	67
1954	−24	17	−13	−20
1955	−75	83		8
1956	−23	−31	95	41
1957	−15	−20	49	14
1958	−50	−10	90	30
1959	1	−13	49	37
1960	−105	−24	89	−40
1961 (January to June)	−1	−2	98	95

[1] Including commercial banks.

Source: IMF Balance of Payments Yearbook.

United Kingdom: Balance of payments, 1952–61

[Millions of dollars]

	Goods and services	Capital and other transactions	Errors and omissions	Change in reserves [1] (decrease −)
1952	479	−115	70	434
1953	370	−379	45	36
1954	658	−602	−76	−20
1955	−188	−414	333	−269
1956	700	−1,034	314	−20
1957	846	−745	451	552
1958	1,112	−737	185	560
1959	482	−1,025	28	−515
1960	−694	−804	1,019	−479
1961 (January to September)	[2] −302	−298	622	22

[1] Including commercial banks.
[2] Includes transfer payments.

Source: IMF Balance of Payments Yearbook and International Financial Statistics.

Italy: Balance of payments, 1952–61

[Millions of dollars]

	Goods and services	Capital and other transactions	Errors and omissions	Change in reserves [1] (decrease −)
1952	−601	447	25	−129
1953	−416	323	11	−82
1954	−217	246	−36	−7
1955	−210	311	−21	80
1956	−271	404	−42	91
1957	−166	424	−47	211
1958	297	423	61	781
1959	559	496	−142	913
1960	115	544	−36	623
1961	[2] 561	−58		503

[1] Including commercial banks.
[2] Includes private transfer payments.

Source: IMF Balance of Payments Yearbook.

Japan: Balance of payments, 1952–61

[Millions of dollars]

	Goods and services	Capital and other transactions	Errors and omissions	Change in reserves (decrease −)
1952	190	63	1	[1] 254
1953	−226	−53	−21	−300
1954	−80	140	52	112
1955	205	63	−101	167
1956	−59	130	14	85
1957	−590	70	5	−515
1958	460	−212	72	320
1959	384	13	57	454
1960	170	285	21	476
1961	−976	519	53	−404

[1] Including commercial banks.

Source: IMF Balance of Payments Yearbook.

Netherlands: Balance of payments, 1952–61

[Millions of dollars]

	Goods and services	Capital and other transactions	Errors and omissions	Change in reserves [1] (decrease −)
1952	492	60	−2	550
1953	376	−41	−49	286
1954	89	−62	38	65
1955	213	−5	−162	46
1956	−186	−37	14	−209
1957	−146	103	27	−16
1958	414	64	23	501
1959	483	−261	−60	162
1960	317	−82	28	263
1961 (January to September)	122	−309	43	−144

[1] Including commercial banks.

Source: IMF Balance of Payments Yearbook.

Belgium-Luxembourg: Balance of payments, 1952–61

[Millions of dollars]

	Goods and services	Capital and other transactions	Errors and omissions	Change in reserves [1] (decrease −)
1952	184	−86	4	102
1953	64	−48	−58	−42
1954	10	64	−84	−10
1955	284	−88	−108	88
1956	240	−206	−26	8
1957	170	−142	−36	−8
1958	350	22	−4	368
1959	24	−64	−42	−82
1960	98	60	−34	124
1961 (January to June)	−54	−68	−10	−132

[1] Including commercial banks.

Source: IMF Balance of Payments Yearbook.

France (franc area): Balance of payments, 1952–61

[Millions of dollars]

	Goods and services	Capital and other transactions	Errors and omissions	Change in reserves [1] (decrease −)
1952	−648	358	−6	−296
1953	−219	347	7	135
1954	193	354	40	587
1955	550	221	105	876
1956	−820	−14	−40	−874
1957	−1,400	428	−22	−994
1958	−300	208	−63	−155
1959	652	249	120	1,021
1960	637	−73	−24	540
1961	858	−55	111	914

[1] Including commercial banks.

Source: IMF Balance of Payments Yearbook.

Mr. FORD. What I had in mind is a column so you could compare on a quarterly basis and annual basis as far as the United States is concerned.

Mr. RHODES. You mentioned the Triffin plan and the disapproval of the nations of the IMF of this plan. Therefore, I would imagine we

can assume this new IMF plan is not a step toward a free world currency.

Secretary DILLON. No. It is quite the contrary. It is trying to make our present system work, which is what we think you should do before you launch into any new experiments with currencies.

Mr. RHODES. May I ask this—Why is IDA now making loans which are repayable in hard currency—International Development Association?

Secretary DILLON. I think they always have.

Mr. RHODES. Am I mistaken about that?

(Off the record.)

Mr. PASSMAN. Evidently one of my colleagues sent a copy of my recapitulation of dollar credits and gold down to the Treasury. I feel complimented that, in effect, the Treasury Department has verified in general the correctness of the compilation.

I yield to Mr. Ford.

COUNTRIES HAVING USED IMF

Mr. FORD. What are some recent examples of countries that belong to IMF that have gotten into difficulty?

Secretary DILLON. The United Kingdom a year ago, which had to have a very substantial drawing.

Australia a year or so ago, which got into some difficulty and paid it all back in March.

The most recent one is Canada.

In addition, there have been a number of less developed countries such as Brazil and Argentina. There must be 20 or 30 of these IMF credits of one sort or other outstanding.

Mr. FORD. I think it would be helpful for the record to take the case of Great Britain, Australia, and Canada. List the drawings they made on the Fund in order to improve their situation, show the date the drawings were made and the amount involved.

I think it would also be helpful to list in each instance what the respective countries did internally to meet their problem and restore international faith in their monetary situation.

Secretary DILLON. I will be glad to do that.

I will give the case history of each of the three. Each situation was different. They give a broad spectrum.

Mr. FORD. You might show what has been the result of these internal actions taken to meet the situation.

In the case of Canada, it is too early to give any definitive response, but in the case of Great Britain and Australia, I think you can.

Off the record.

(Off the record.)

(The information requested follows:)

RECENT IMF OPERATIONS WITH AUSTRALIA, THE UNITED KINGDOM AND CANADA

AUSTRALIA

Australia's balance-of-payments problem stemmed primarily from inflation and rising consumer demand for imported goods as a result of a sustained period of domestic prosperity. These factors led to a substantial decline in foreign exchange reserves which necessitated its recourse to the IMF in September 1961. Australia had earlier gone through a period of increased demand for its exports, on which its economy is primarily dependent, and its foreign exchange earnings

had been at a high level. As a result there had been a domestic boom with rising prices and wages. Since Australia's consumers rely upon foreign countries to supply manufactured goods, prosperity had given rise to a natural increase in the demand for imports. Strong inflationary pressures were caused by a combination of increased consumption expenditure and tight conditions in the labor market, resulting in a rise in the Consumer Price Index of 4½ percent during 1960 alone. At the same time Australian exports failed to keep pace with its imports, its export-import deficit for goods and services increased sharply, and there was a very substantial loss of Australia's international monetary reserves. The loss amounted to almost $400 million in 1960, or about one-third of total reserves.

Australia had already started on a program to right its internal and external balance before it approached the International Monetary Fund. The Fund drawing reflected Australia's need for temporary assistance pending an expected increase in exports which in fact took place in 1961.

On April 21, 1961, the Australian Government requested the Fund for a drawing of $175 million and standby arrangement for $100 million. Both of these requests were granted. Australia drew the $175 million in the following currencies: $55 million in deutsche marks, $40 million in U.S. dollars, $30 million in pounds sterling, $15 million in French francs, $15 million in Italian lire, $10 million in Canadian dollars, and $10 million in Netherlands guilders.

Australia informed the Fund of the measures and policies which would be relied on to restore balance. These included the following:

(1) The Government used its influence to discourage a further increase in the basic wage level.

(2) In the fiscal field, additional taxation was imposed to dampen inflationary pressures by restraining consumption and price rises.

(3) The Reserve Bank followed an increasingly restrictive credit policy; reserve requirements were increased early in 1960 and banks reduced the rate of new lending. Interest rates were increased during 1960 both by the banks and on public issues.

The results of the policies and measures were successful and by the end of 1961 total gold and foreign exchange reserves had increased from $842 million to $1,348 million. Australia did not draw against the standby arrangement and requested the Fund to cancel it on September 5, 1961 although it still had a number of months to run. As for the drawing of $175 million in various currencies, Australia in the course of the present year made full repayment to the Fund, far ahead of the normal minimum period of 3 years for which drawings remain outstanding.

UNITED KINGDOM

The United Kingdom's problem in the spring of 1961 stemmed primarily from short-term capital outflow resulting from intensive speculation against the pound. While the United Kingdom had experienced recurring balance of payments problems from World War II, it had taken a number of steps to correct this situation. However, inflationary pressures stemming from prosperous domestic conditions, combined with revaluation of the deutsche mark, gave rise to exaggerated fears that sterling was in trouble.

The United Kingdom reserves had declined heavily from the equivalent of $3.4 billion in January 1961 to about $2.5 billion in early July and would have declined still further if there had not been temporary support totaling some $900 million provided by a group of continental central banks in the spring of 1961. The heavy pressure on sterling had been due both to speculation for a change in the sterling rate following the revaluation of the deutsche mark in March and to concern as to the basic balance of payments because of the heavy and rising demand pressing on the domestic economy which was experiencing labor shortages and running at full capacity. In 1960 and early 1961 there had been a shortage of labor, wages had increased by about 5½ percent in the second half of 1960 which was substantially higher than the increase in productivity of about 2 percent. Retail prices had increased about 3 percent. In 1960 the current account deficit in the balance of payments amounted to about $800 million. In contrast to 1960, during the first half of 1961 there was a large net outflow of short-term capital.

On July 28, 1961, the Government of the United Kingdom requested the Fund for a drawing of $1,500 million and a standby arrangement of $500 million. This amounted to 100 percent of the United Kingdom quota. The Fund obtained $1

billion of this total by cashing non-interest-bearing notes of its other members and by selling $500 million of its gold for the balance. The schedule is as follows:

[In millions of U.S. dollars]

Currencies provided to United Kingdom by IMF, by country	Amount of currencies obtained by selling notes	Amount of currencies obtained by selling gold	Total
United States (dollar)	300	150	450
Germany (deutsche mark)	180	90	270
France (franc)	180	90	270
Italy (lira)	80	40	120
Netherlands (guilder)	80	40	120
Belgium (franc)	60	30	90
Canada (dollar)	50	25	75
Japan (yen)	50	25	75
Sweden (krona)	20	10	30
Total	1,000	500	1,500

In July the Chancellor of the Exchequer informed Parliament of a program of measures, which were subsequently also presented to the Fund, to bring under control the pressures of domestic demand on a fully employed economy and to restore equilibrium in the balance of payments. These included the following:

(1) Fiscal measures to restrain inflation included a surcharge of the full amount of 10 percent permitted by a new law was imposed on a range of customs and excise duties and on the sales tax in order to restrain consumption demand. Postal and telephone charges were also increased.

(2) Public expenditure was to be brought into the proper relationship with resources so as to lighten the load on the economy.

(3) Heavy reliance was placed on monetary policy. The bank rate was raised on July 25 from 5 percent to an emergency 7-percent level and the Bank of England made a further call for special deposits from the banks. At the same time banks were asked to be severe on requests for credit related to personal consumption.

(4) The Government urged a pause in the increase in money incomes since in 1960 they rose by much more than real national production; this pause was to include both wages and dividends. The Government also imposed a capital-gains tax on speculative short-term profits.

(5) Measures were taken to decrease oversea expenditures, but insofar as possible in ways not to reduce aid to underdeveloped countries.

While an overall budget surplus was not achieved, this program of action brought to a halt the speculative pressures on sterling. Reserves increased and at the end of June 1962 amounted to $3,433 million. This increase was in spite of substantial repayments to the Fund on the large drawing of $1,500 million. These repayments as of May 31 had amounted to $770 million in various currencies; more than half of the total drawing thus being repaid.

CANADA

The primary explanation of the Canadian payments problem was found in the substantial reduction of capital inflow into Canada which has normally covered its customary trade and services deficit. This is believed to have resulted from several factors including uncertainties as to the course of the exchange rate in the months preceding the decision to establish a fixed rate and other policies designed to reduce reliance on foreign capital. Shortly after the establishment of a fixed rate by Canada, uncertainties and other factors related to the Canadian scene further deterred capital inflow.

Canada has traditionally run a large international deficit in its goods and services transactions which has been financed by a heavy inflow of long-term capital, primarily from the United States. Throughout the period 1956–61, Canadian international monetary reserves remained stable at about $2 billion despite the very large budget deficits in all of these years (except 1957).

Canada had experienced a substantial loss in reserves in the first quarter of 1962, when the exchange rate was still being allowed to fluctuate. After a brief lull following the announcement of the new par value, the drain on reserves resumed and up to June 21 the loss of reserves had been approximately $1 billion,

compared with a reserve level of $2.1 billion at the high point in the latter part of 1961, and prompt emergency action was required.

On June 22, 1962, the Government of Canada requested the Fund for a drawing equivalent to $300 million, in the following currencies: $100 million in pounds sterling, $80 million in deutsche mark, $80 million in French francs, $20 million in Netherlands guilders, and $20 million in Belgian francs. This was to be part of a total of $1,050 million in the form of short-term financial assistance which Canada had mobilized to aid in the maintenance of the par value of 92.5 cents per U.S. dollar, which had been agreed with the Fund on May 2, 1962.

The Canadian authorities presented to the Fund a program of action aimed at stopping the drain of reserves and restoring confidence in the new par value. This program included the following steps:

(1) The fiscal deficit which was currently running at an annual rate of Can $750 million (equivalent to about $11 billion in terms of comparability with the United States) would be reduced in two ways. Cuts in expenditures would be made amounting to Can $250 million on a full-year basis. A temporary graduated tax on imports, which was the only source of additional revenue immediately available, was intended to yield about Can$200 million in a full year. These two measures will reduce the deficit to almost $5 billion on an annual basis when translated into terms of comparability with the United States.

(2) The duty-free import allowance would be reduced for returning travelers.

(3) Proceeds in Canadian dollars received by the exchange fund from the sale of foreign exchange would no longer be available as a general Treasury revenue, but would be segregated and used only for subsequent purchases of foreign exchange.

(4) The bank rate of the Bank of Canada will hereafter be fixed at a particular rate from time to time rather than being varied from week to week in relation to the Treasury bill rate. The bank rate was raised to 6 percent.

(5) The maintenance and defense of the new par value was firmly announced by the Prime Minister.

It is too early to report on the progress made in restoring payments equilibrium and stopping the drain on reserves. However, in the first days following the announcement of the program of action and of the support fund of $1,050 million, selling pressures on the Canadian dollar abated.

ACTION TAKEN BY GREAT BRITAIN TO RESTORE STABILITY

Mr. FORD. Has the action taken by Great Britain in the last year resulted in a restoration of confidence as far as they are concerned?

Secretary DILLON. I would say quite a substantial restoration of confidence. They have been able to pay back, of the $1.5 billion they have borrowed, some $770 million. They have been able to reduce their bank rate, which was 5 percent sometime before the crisis and they upped it to 7 percent. It is now down to 4.5 percent, even lower than it was before. Things seem relatively stable. Small amounts of funds may still be moving to Great Britain.

During this time, some of the other countries further reduced their bank rates so it made it a little easier.

Mr. FORD. What are some of the other things the Macmillan government did to create this stability?

Secretary DILLON. They had a law passed which gave the Government the right to increase or decrease taxes by about 10 percent. This was a sort of excise tax they put on various items and they made use of these increased taxes and through this got extra funds and reduced domestic consumption.

They are operating at full capacity, but they do not have a sufficient volume of exports to pay for their imports, so one of their objectives

is to reduce internal demand so as to divert more of their production into exports. They have been moderately successful with that.

(Discussion off the record).

WAGE PAUSE PROGRAM IN GREAT BRITAIN

Mr. FORD. Was this wage pause program of the Macmillan government part of their effort to meet this situation?

Secretary DILLON. Yes. It was part of the same situation.

As I mentioned earlier, countries on the outside watching another country in a balance-of-payments difficulty watch their price levels for exports very carefully, and this is particularly true in the case of Great Britain.

The British themselves, in order to increase their exports, felt it was imperative that their wages not increase rapidly so that they could keep their prices steady and possibly even reduce them and thereby increase their share of the world export market.

Mr. FORD. How adequately did the Macmillan government hold the line on this wage pause program?

Secretary DILLON. I think they have been trying very hard. They have a somewhat greater area in which to control it than we do because there are a greater number of industries that are Government owned that are right under their control, and in those cases they have enforced it. In some areas—I was present in England a month or so ago when they had a dock strike threatened, and that was settled on a basis considerably over the wage pause, but there were not many workers involved and there was nothing else the British Government could do about it—but they are trying in every way they can. This is, of course, a voluntary type arrangement except insofar as Government-owned industries are involved.

Mr. FORD. This was a technique used in an emergency where Great Britain in this instance was faced with an instability of their balance-of-payments position?

Secretary DILLON. Yes. However, they have set up a continuing organization under the chairmanship of the Chancellor of the Exchequer where they have labor and management representatives that meet together with Government representatives and try to look ahead as to the economy and how it should develop and what the growth rate of the United Kingdom should be, and I think they set a 4-percent growth rate as the target. They will look at it industry by industry, and as a part of this they will also be making recommendations or pronouncements concerning the type of wage increases which they think will be noninflationary. This is the first year but the intent is to keep it more or less permanent, similar to that which exists in France.

Mr. FORD. Does the Labor Party agree with this wage pause policy?

Secretary DILLON. They have not agreed to it entirely. They complain about it, but they have agreed to go along on this planning effort and they are working with the Government on that and they do, I think, agree that their wages should not increase so rapidly as to cause price increases. They have the same sort of differences of opinion as to how much increase there is that you find between our labor organizations here and management, although I think in Great Britain the labor organizations are a little closer to governmental

responsibility because they have their own political party and they have been in power and it is a different thing under that situation than under our situation where labor organizations are private organizations and do not have political responsibility.

Mr. FORD. If we got into the position over our balance-of-payments problem which necessitated going to the International Monetary Fund, would a tough wage pause program be desirable?

Secretary DILLON. It certainly would be if the cause were inflation. I think that is one of the reasons why the administration has been promoting this idea of these wage guidelines, which were meant to be something similar to the British idea; in other words, to show the amount of wage increase that theoretically could be absorbed without the necessity for a price increase. The administration has been very much interested in avoiding wherever possible, any large wage increases that would be inflationary in nature, and I think we have had some success, because I think labor organizations are aware of the balance-of-payments problem generally and they know that this is a serious one for the country and I think it has influenced them to some extent.

Mr. FORD. Any wage increases that go beyond the administration's guideline, do they or do they not contribute to the threat of the balance-of-payments problem which would lead to the utilization of the International Monetary Fund?

Secretary DILLON. There is always a possibility that a particular area or particular type of employee has been behind the procession and could stand a slightly larger wage increase than would be true across the board. I think if there were any general wage increases that went any considerable distance beyond this, it would be inflationary and would make it more difficult for us in our balance of payments and therefore would cause problems whereby we might have to draw on the International Monetary Fund.

Mr. FORD. Would a pay increase to the civilian employees of the Federal Government above and beyond the one recommended by the President be a factor in this situation?

Secretary DILLON. I think it might very well be; yes.

Mr. RHODES. Will the gentleman yield?

Mr. FORD. Surely.

Mr. RHODES. If a formula is established to determine whether or not a Federal wage increase is inflationary, is not a necessary component of that formula the return which capital expects from its investment?

Secretary DILLON. Oh, yes. There has been a good deal of misunderstanding on this business of these wage guidelines and productivity increases. Usually in the cost of any item there goes into it capital cost and labor cost, and the labor cost is probably generally the larger part. Say the labor cost is 70 percent of the cost. Well then there is another 30 percent that is capital cost. If there is a 3-percent productivity increase in the business and labor gets a 3-percent increase, they get a 3-percent increase on 70 percent, which is 2.1 percent overall, and capital would get a 3-percent increase on its 30 percent.

Mr. RHODES. You do that industry by industry?

Secretary DILLON. That is the way I think it should be. Each industry should sit down and bargain that way.

Mr. RHODES. But you do not try to establish a universal formula, used across the land, of what return capital should expect?

Secretary DILLON. No. This is a free economy.

Mr. GARY. Will the gentleman yield? Off the record.

(Discussion off the record.)

DISCUSSION OF FLEXIBLE TAX AUTHORITY

Mr. FORD. As I recall, Mr. Secretary, you said one of the other things the British Government did was to get authority from Parliament to raise or lower taxes?

Secretary DILLON. They got that before they went into this program, but I think they had this in mind when they asked for it.

Mr. FORD. I also recollect you said it involved the excise field rather than the income field?

Secretary DILLON. I think so, yes.

Mr. FORD. What did they do with this authority when the crisis developed?

Secretary DILLON. They used it to raise the excise tax.

Mr. FORD. If we got in this problem, what would you do in the tax field? Would you favor using the authority the President has requested to raise or lower income taxes?

Secretary DILLON. The President has not asked for that authority.

Mr. FORD. I thought he did.

Secretary DILLON. To lower, not to raise; to temporarily lower them with the thought they would come back to the same level. The British can raise or lower. The President did not ask for that because he felt that raising taxes was a slightly different situation regarding the congressional prerogative of raising taxes and spending them in a given period of time which Congress would set.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. FORD. If we get into one of these crises, what would you do in the area of taxation?

Secretary DILLON. We have no authority in the United States to do anything in the area of taxation without the approval of Congress, so I do not see anything that could be done very rapidly. I do not think we have the same problem, in any event, because in Great Britain, as I have said, the problem was to reduce demand, and our problem is not to reduce demand. Our balance-of-payments situation comes from different types of problems. It comes from the problem of large defense expenditures overseas, from certain relatively modest dollar losses in foreign aid expenditures, and from a substantial flow of capital for investment overseas. The biggest of these, of course, has been our defense expenditures.

Mr. FORD. I gather you are saying that if a crisis arose in our balance-of payments program you would not advocate a substantial change in our tax laws?

Secretary DILLON. I would not think that would be needed. I would think the greatest interest would center on the monetary policy.

Mr. FORD. What would those be?

Secretary DILLON. The interest rate. The classical thing in such a situation would be to raise the interest rate, which attracts money from abroad and to some extent reduces less vital expenditures at home. I think we have had interest rates for some time that are lower than in other parts of the world and that has contributed to the outflow of capital. Of course, we want to keep our interest rates as low as possible because we want capital readily available and inexpensively available to business.

FORECAST OF BUDGET STATUS FOR 1962 AND 1963

Mr. FORD. When was this request for this IMF authorization made?

Secretary DILLON. I think it went up about the first of February.

Mr. FORD. Representative Spence introduced the bill in the House, H.R. 10162, on February 8, 1962.

Secretary DILLON. Yes. I think the President's message went up about the first of February.

Mr. FORD. At the time this request was made for this basic authority, what was the Treasury forecasting as a budget deficit or surplus for fiscal 1963?

Secretary DILLON. This was right after the President's budget message which forecast at the time, I think, a $460 million surplus.

Mr. FORD. What is your forecast now?

Secretary DILLON. We have not made one since.

Mr. FORD. You have not dared?

Secretary DILLON. For various reasons. It has not been the practice of the Treasury to make interim forecasts except twice. The original forecast is made in January and the other is made after the midyear review, after Congress has finished all its actions.

Mr. FORD. Is that the one that usually comes out in October?

Secretary DILLON. September or October.

Mr. GARY. It will come out this year much later, I guess?

Secretary DILLON. No, it will come out in September or October.

Mr. FORD. Off the record.

(Discussion off the record.)

Secretary DILLON. Then there is always a final estimate in January when you are halfway through the fiscal year.

Mr. FORD. At the time the message came up for the IMF authorization legislation, what was your forecast for 1962?

Secretary DILLON. It was for a deficit of $7 billion.

Mr. FORD. Was it not $3 billion something?

Secretary DILLON. No, $7 billion.

Mr. FORD. Had you revised it by that time up to a $7 billion deficit?

Secretary DILLON. The first really formal revision we had was the midyear review, which was $6.9 billion, and we changed it in January to $7 billion. All indications are it will be right on the nose of both of them; so at the time of our formal estimate last year—and I claim no particular credit except a certain amount of luck—this has been the closest estimate in the last 10 years. There were earlier estimates that were erroneous but when we made that estimate we will come out just about on the nose.

Mr. PASSMAN. Will the gentleman yield?

Mr. FORD. Yes.

Mr. PASSMAN. To what extent, if any, would this enter into it: On June 15, 1962, the Treasury statement indicated total withdrawals from the Treasury in the fiscal year in the amount of $103,351,773,-722.04. Then on June 20, which is 5 days after the figure I just gave you, the total withdrawal figure was given as $103,102,381,342.83. Was that a typographical error? Will you look that up and put an explanation in the record?

Mr. DILLON. Yes.

Mr. PASSMAN. Several years ago it was indicated some of the departments got materials and did not turn in their bills at the end of June, and we had a favorable change overnight. I do not suspect that happened here, but if you could give us an explanation for the record it would be appreciated.

Secretary DILLON. We have heard about that. Mr. Sprankle mentioned it to us. The basic thing was they said they did not know and would not know until they got their monthly figures, because monthly figures are detailed by agencies whereas this is an overall figure.

Mr. PASSMAN. Mr. Secretary, I want it understood that I am not suggesting anything happened, although in the past there is a clear record that it has happened, the holding up of payment of bills. But when I see we are getting within 10 or 15 days of the end of the fiscal year, and I see the expenditures decreasing, I certainly hope it is not because of some careless bookkeepers down there. I believe your own bookkeepers said they did not know what caused it.

Secretary DILLON. They will when they get the monthly statements.

Mr. PASSMAN. In a previous year, or years, we know they got busy about the end of June and forgot to turn their bills in, then we had a whopping overdraft in July. So I wish you would have a look at this matter.

Mr. FORD. We ought to keep the same managers the rest of the year that managed it the last few days of June.

Secretary DILLON. That is all in one account, "All other transactions."

Mr. PASSMAN. Anyway, we know it is just an honest mistake. By this thing working in your favor, though, it did make the President's estimate hit almost on the nose?

Secretary DILLON. It might not have had anything to do with the estimate because this includes the Trust Fund account.

Mr. PASSMAN. I have been given some information along this line but I shall wait for the explanation.

(The following was submitted for the record:)

The daily statement of the U.S. Treasury is a statement of the account of the Treasurer of the United States. It reports deposits and withdrawals that affect the underlying bank accounts, with no distinctions between budgetary, trust, and other cash transactions. It is essentially a cash flow statement. The necessary distinctions between budget and nonbudget transactions, which are derived from the books of account of all agencies handling the Government's receipts and expenditures, are disclosed in the monthly statement of receipts and expenditures of the U.S. Government. Such data are not available on a day-to-day basis, nor through banking channels, for disclosure in the daily Treasury statement. Therefore, as indicated in the headnote of the daily statement of the U.S. Treasury, the transactions in that statement cannot, and should not, be considered in relation to budget surplus or deficit.

The methods used to compile the withdrawal information in the daily statement, for the specific programs represented by the individual line items, have attempted to provide some information on significant programs for those who

need such data more currently than is provided in the monthly statement of receipts and expenditures. For this reason, certain deposits have been treated as reductions of withdrawals, along the same lines that expenditures in the monthly statement are net of repayments to appropriations and revolving funds and collections credited to deposit funds. Accomplishing this daily is not feasible since many deposit documents received by the Treasurer of the United States do not provide the necessary classifications.

Hence, such data has been shown heretofore as unclassified deposits "All other" and, once a month, based on the prior month's monthly statement, an adjustment has been made in the daily statement transferring the credits from the "Deposits" category to the appropriate lines in the "Withdrawals" category. The largest portion of the monthly adjustment has normally affected the withdrawal classification "All other" since this line relates to the many hundreds of appropriation and fund accounts of the Government not otherwise classified in the withdrawal category. On the day such monthly adjustment is shown, which is usually between the 15th and 20th, the normal result is, therefore, a substantial reduction of withdrawals and a corresponding reduction of deposits, with no net effect on the balance of the Treasurer of the United States. On the deposits side, the monthly adjustment has been shown as a seperate line item. The amount of this adjustment which was shown in the daily Treasury statement for June 19, 1962, was $671,778,572.

Since the large reductions of withdrawals and deposits created by these monthly adjustments can result in misunderstanding, it has been determined that it would be more pertinent, for the purpose of the daily Treasury statement, to have the amounts of the actual deposits remain in the deposits category. Hence, beginning with the daily Treasury statements for fiscal year 1963 these adjustments will no longer be made, thereby precluding these large minus withdrawal figures.

Minus figures in the withdrawal category have also occurred on the line captioned "Clearing Account," as a normal result of cash flows affecting that account. The clearing account gives effect to the reporting of unclassified deposit and withdrawal (cleared checks) transactions which have changed the Treasurer's cash balances at Federal Reserve banks, the documents for which have not yet reached the Treasurer's Office for the necessary processing and classification. The showing of actual cash balances every day is accomplished by wire reports from the Federal Reserve banks.

When, for example, the aggregate effect of these wire reports is an increase in the Treasurer's total cash balance, an offsetting credit (minus) has been shown on the clearing account line, pending receipt and classification of all the deposit and withdrawal documents underlying the net change in the total cash balance. When the documents are received in the mail and are classified, the various deposits and withdrawals classifications are affected and, in this example, the clearing account line is increased, thereby offsetting the credit previously established by the wire reports. Depending upon the flow of deposits and withdrawals through the banking system, substantial plus-or-minus factors can affect the clearing account line on any day. There are other elements in the clearing account which also contribute to normal plus-and-minus swings. From June 15, 1962, through June 20, 1962, the changes in the clearing account had the effect of showing a reduction of withdrawals in the daily Treasury statements amounting to $715,296,040.

Alternate methods of reporting transactions for the clearing account are now under consideration, with a view to presenting the information on classified withdrawals, the clearing account and total withdrawals in better perspective. These desirable changes in the format of the daily Treasury statement will be made at an early date in fiscal year 1963.

Although the changes being made in the form of presentation of data in the daily Treasury statement should help to eliminate possible misconceptions regarding the meaning of the information shown under "Withdrawals," it will remain fundamentally true that only the monthly statement of receipts and expenditures can be used to measure budget results.

PURPOSE AND UTILIZATION OF IMF

Mr. FORD. Mr. Secretary, I have some difficulty in visualizing how the United States—and we are pretty much the bankers of the world

today—expects to merit any confidence of its depositors while at the same time drawing on itself to extricate itself from difficulty.

Secretary DILLON. You mean by drawing on the International Monetary Fund?

Mr. FORD. That is right.

Secretary DILLON. Well, the International Monetary Fund is not meant to solve anybody's problems. It is only meant to be available to handle for a short period of time, 3 to 5 years, a difficult situation that may have come up and a country needs to draw on the International Monetary Fund for the necessary time to make the changes that have to be made to put their balance of payments in order. And if you look at it that way, I think it is understandable.

Certainly there are a number of countries in Europe, a number of central bankers, that feel it would be better if more frequent use were made of the International Monetary Fund.

Mr. FORD. Do you think the United States at the present time ought to do that?

Secretary DILLON. Certain foreign countries think this, yes. However, we are not now contemplating it, but if the time comes when we want to draw we think it is a wise precaution to be sure funds are in the International Monetary Fund when they are needed.

Mr. FORD. As I understand this situation, we will be required to put up $2 billion in order to make this anticipated total available to everybody.

Secretary DILLON. Not required to put it up but be in a position to put it up if it should ever be needed from us.

Mr. GARY. And not available to everybody but only to those who enter into the agreement.

Secretary DILLON. That is right.

Mr. FORD. This does not come into operation unless and until the United States becomes a member in this new group?

Secretary DILLON. That is right. It could not come into effect unless all five of the major countries had each individually approved it, and a number of the smaller ones besides.

Mr. FORD. So the plan will not work unless we become part of it?

Secretary DILLON. That is right.

Mr. FORD. To implement the plan and to protect ourselves and the others, at least we have to agree to make available for spending $2 billion of U.S. funds.

Secretary DILLON. Under certain circumstances which are very carefully defined.

Mr. FORD. I still have some difficulty seeing how the rest of the bankers of the world, and I use that in a very broad sense, will be encouraged, or will have confidence in us, if we are going to have to draw on an organization which is getting a substantial part of its capital from ourselves.

Secretary DILLON. It would not. If we wanted to draw we would not put up any of those funds. The only time we would ever have to put up funds would be when someone else is——

Mr. FORD. Our money does not become available, drawing against our availability, does not come into being if we are in trouble?

Secretary DILLON. It is not supposed to, and, indeed, in the authorizing law it is specifically prohibited. The authorizing law says

we make this available taking into account our own balance-of-payments and reserve position. When we are in trouble we do not put it up and it is clearly written into the International Monetary Fund decision here and also into the decision of the 10 countries, that any country which is in balance-of-payments difficulty is not expected to put up funds.

Mr. FORD. Before any funds are made available to us in time of crisis, do we have to go to the Board of Directors, or to the organization, and say "We want this money made available. Here are our plans. We will convince you that we mean business and we will straighten out our problems?"

Secretary DILLON. We have to follow the regular procedures of the International Monetary Fund. We would go to the International Monetary Fund and tell them how much we want to draw which we feel is advisable under the present situation.

So far as the first $1.4 billion is concerned, we would hardy have to say anything.

Mr. FORD. We can just go there and get the money and that is it?

Secretary DILLON. That is right. However, on the next billion dollars they would expect us to say what we are doing but they would not expect to sit down and tell us that this is wrong and this is right and you should do something else.

Mr. FORD. That is different from most banks.

Secretary DILLON. Up to that point. If you want to go beyond that——

Mr. FORD. Beyond the $1.4 billion?

Secretary DILLON. Beyond the $2.4 billion. We can go up under the present arrangement as high as $5½ billion.

Mr. FORD. With just asking for it?

Secretary DILLON. Beyond the $2.4 billion they would expect you to sit down with them and at least be satisfied that you had developed a program, or would develop a program, which would be adequate to reestablish your balance of payments, and are able to pay this back within the period of the 5 years. That has been done. Usually it is done in a more or less informal way.

(Discussion off the record.)

CONTROL OF INTERNATIONAL MONETARY FUND OVER GOVERNMENT POLICY

Mr. FORD. How much further control does the International Monetary Fund have over a government's policies? Suppose "A" country agrees to do certain things in return for assistance but then does not follow-through? What happens then?

Secretary DILLON. That has happened, particularly in the case of some of the less-developed countries.

What happens then is that very often in those types of situations, where the countries do not need all the money but need it over a period of time, they say, "We will make available to you so much, but you can have it so much this quarter, so much the next quarter, and so on." This is the program which is agreed upon between the country and the Fund.

If the country then does not follow it, the International Monetary Fund does not feel itself bound to continue to make funds available,

and it ceases to make them available. That is the way that is controlled.

Once a country actually has received the funds then there is nothing the International Monetary Fund can do—except that the country still owes the funds.

Mr. RHODES. You mentioned the fact that in the law it is provided that money would not be paid if the balance-of-payments situation and the reserve situation of the United was in jeopardy, or words to that effect.

Should that language be carried as a limitation in this appropriation?

Secretary DILLON. I don't know whether it is needed. The actual language in the act is that—

Any loan under the authority granted in this subsection shall be made with due regard to the present and prospective balance of payments and reserve position of the United States.

Mr. RHODES. My only thought was——

Secretary DILLON. You could say the same thing.

I see no reason not to. We are governed by this and they should be parallel.

CURRENT NEED FOR ADDITIONAL GOLD

Mr. RHODES. You and I have had this discussion before but I would like to ask again because it is a different year. Does the United States need gold badly enough—or I might even say the free world—so that it might behoove us to subsidize the mining of gold?

Secretary DILLON. We certainly would like to see more gold produced if there were any way to produce it without giving the appearance of having two prices for gold.

There has been discussion of the whole problem with subsidies between the Under Secretary for Monetary Affairs and the Senate committee, and the Treasury's position was given. We are opposed, as we have to be, to anything which looks as though it is setting up two prices for gold. It is very clear that the world monetary authorities, the central bankers, the private bankers everywhere in the world, would think that was a first step toward a change in the price of gold, which would be a devaluation of the dollar.

Mr. RHODES. It seems to me there could be a logical differentiation between paying a premium for newly mined gold and raising the price of gold.

I am told, and I think it is true, that in the western part of the United States there would be mines reopened and considerable volumes of gold mined with a subsidy. It just strikes me that perhaps the whole monetary system of the world today, if it is going to continue its dependency on gold, should have more gold in supply.

Secretary DILLON. As I said, if we could find a way to have more gold it would be fine. There might be some differences of opinion as to the volume of gold which could be produced in the United States even with such a subsidy because the record of 1933 or 1934, whenever the price went up, at that time it was not indicated that that was very large.

Now the situation is even more difficult because at that time what they did do was to work over some old dumps and they dredged a

lot of rivers which they had not felt were workable before, but they are all worked out now.

EFFECT OF INTEREST RATES ON BALANCE OF PAYMENTS

Mr. RHODES. I got the impression from a previous answer you gave that if the domestic interest rate is too much lower than the interest rate in other countries, even though it might have a salutory effect on development at home, that it can have a deleterious effect on the balance-of-payments situation.

Secretary DILLON. Very much so, particularly the short-term rate, because short-term capital now flows very readily from country to country, and if there is enough of a difference in that interest rate to make it worth while they will just put their money where they can get higher interest.

Mr. RHODES. So it is a sort of tightrope you have to walk in this situation.

Secretary DILLON. That is right.

ADEQUACY OF GOLD RESERVE TO MEET DEMAND

Mr. PASSMAN. If there should ever be any use by the United States of the International Monetary Fund, we could borrow $5½ billion.

In the event that under some extraordinary circumstance, or series of circumstances, many of the now prosperous nations of the world, which hold large dollar credits, should demand gold for their dollars, mathematically, they could deplete our entire gold reserve, could they not? I am just using the mathematical proposition and not the fact that they would.

Secretary DILLON. Mathematically if all the official balances were turned into gold it would take something like two-thirds of our present gold stocks.

There are additional private dollar balances which theoretically also could be turned into official balances. If that were done the total of foreign official dollar balances would then be larger than our total gold supply.

Mr. PASSMAN. It happens every day.

What would happen if the demands should exceed our total gold reserves, and we find our gold balance is zero? Would that mean destroying the integrity of the dollar around the world?

Secretary DILLON. That is right.

Mr. PASSMAN. That simply means we must be very careful about that matter.

Secretary DILLON. That is right.

Mr. PASSMAN. I think at this time I should say to you that I have always enjoyed working with you. Sometimes I have been wrong and sometimes you have been wrong on some of these things.

Secretary DILLON. I am sure of it.

Mr. PASSMAN. We have no control over the dollars earned on exports by nations around the world?

Secretary DILLON. That is correct.

USE OF DOLLARS IN FOREIGN AID PROGRAM

Mr. PASSMAN. If we credit dollars to nations around the world through the foreign aid program, either through the grant program or this so-called loan, to which you referred as development credits, and not loans—and I have gotten a lot of mileage out of that—if they utilized that dollar credit to requisition their needs, then that releases the dollars which they earn from their exports to do with as they please?

Secretary DILLON. It could unless there is some specific arrangement to be sure that this credit is used for something over and above what they would not have otherwise done.

Mr. PASSMAN. You would not count their dollars and have an internal audit of their situation before you decide on giving a foreign aid grant or loan?

Secretary DILLON. No; but we are trying, as far as our interest in the foreign aid program is concerned, to help balance the payments. We are pushing very hard to try and minimize the dollar drain. It is not easy, but we are trying to devise new and surer ways all the time to reduce that dollar drain.

Mr. PASSMAN. I understand that all nations, even the new ones, earn some dollars from their exports. If we are giving to those nations through grants, or these so-called 40- or 50-year credits with no interest, at least that would make available to them dollar credits by which they could requisition what they need from our country?

Secretary DILLON. Yes. All I was saying was this: If you have a project to build a utility plant, an electric powerplant, unless you provided dollar aid for this specific project, the other dollars they earn from their exports, and so forth, would not be adequate to pay for this project, so they would not be able to do it at all.

Mr. PASSMAN. I refer to their needing 1,000 trucks, for example.

Secretary DILLON. That is different.

Mr. PASSMAN. They normally would use their dollar earnings to buy trucks. If we credit them, and they buy the trucks with that credit, that releases their earned dollars to use as they see fit?

Secretary DILLON. That is right, and that is why we try to avoid that type of thing.

Mr. PASSMAN. That was my understanding, and you testified the same as you just did a year or two ago.

Secretary DILLON. I don't remember what I testified then.

Mr. PASSMAN. I argued all along that if you give these nations the dollars to buy what they normally buy with dollars they earn, it releases their dollars to do with whatever they please. We are certainly in accord there, are we not?

Secretary DILLON. I would say so.

Mr. PASSMAN. Some of them bought a lot of gold with those dollars. That is somewhat disappointing.

Mr. Rooney?

Mr. ROONEY. I regret very much that circumstances have been such that I have had to spend the time you have been engaged in this hearing with the distinguished Secretary of the Treasury, Mr. Dillon, over in the other subcommittee where we are preparing the bill for the full committee and for action on the House floor.

I am not thoroughly familiar with this but as one who has great confidence in Mr. Dillon, I assure you I shall read his written statement and the justifications which are here on the table before me.

Mr. PASSMAN. Thank you very much, Mr. Rooney.

OPPOSITION TO LOAN TO INTERNATIONAL MONETARY FUND

WITNESSES

CITIZENS FOREIGN AID COMMITTEE

BRIG. GEN. BONNER FELLERS, CHAIRMAN
T. COLEMAN ANDREWS
DR. LEWIS E. LLOYD

Mr. PASSMAN. At this time we have before the committee Brig. Gen. Bonner Fellers, chairman of the Citizens Foreign Aid Committee. General, we understand you have three witnesses, including yourself, who will testify; that being the case we shall first hear from you at this time.

General FELLERS. The Citizens Foreign Aid Committee would register with your committee its continuing opposition to appropriations to implement H.R. 10162, to amend the Bretton Woods Agreements Act, signed June 19, 1962. H.R. 10162 authorized an appropriation of $2 billion to be loaned to the International Monetary Fund, the sum to remain available until expended.

This action was declared to be necessary in order for the United States to participate along with nine other major industrial member countries of the Fund in a proposed special lending arrangement using the monetary stabilizing machinery of the Fund. Under this 10-nation plan the member countries agreed to make available to the Fund additional resources totaling $6 billion. The Fund may, under certain conditions, borrow from these resources in order to assist any of the 10 participants in balance-of-payments difficulties.

The Treasury, which requested this legislation, explained in the words of Secretary Dillon, that—

> The legislation being requested will enable the United States to participate in arrangements which will provide the International Monetary Fund with an adequate supply of the currencies which we ourselves might some day need. It will provide significant assistance to the United States in dealing with the balance-of-payments problem (S. Rept. 1477, p. 7, May 9, 1962).

The Citizens Foreign Aid Committee opposed this legislation in hearings before the Senate Foreign Relations Committee, at which Dr. Elgin Groseclose, of Washington, D.C., appeared on behalf of our committee and on behalf of the Northwest Mining Association.

It will be noted that in those hearings, Secretary of the Treasury Dillon testified in response to a question from the chairman of the committee, that the proposed legislation was not a form of foreign aid. The Citizens Foreign Aid Committee categorically challenges this statement. The President, in his balance-of-payments message last year, assured the country that we have a secondary reserve in the International Monetary Fund of around $4 billion. If such funds are available to meet our balance-of-payments problems, why is it necessary to spend an additional $2 billion to provide additional resources to the Fund?

The Secretary's testimony explained why this $2 billion was necessary. The $4 billion referred to by the President is purely theoretical. It consists of largely worthless assets. Over the years the United States has supplied the Fund $4.125 billion in gold and convertible currency. During this time the Fund has been exchanging these good dollars for the weak currencies of the world, giving sound fruit for culls. Of sales of good currencies by the Fund to the end of 1960, totaling $3.7 billion, some 87 percent consisted of dollars, a minor balance consisting of European currencies and Canadian dollars.

As Secretary Dillon conceded, a large part of the Fund's assets are in "currencies of the less developed countries not suitable for use by the Fund" (hearings on H.R. 10162, Feb. 27, 1962, before House Committee on Banking and Currency, p. 35).

This is foreign aid under whatever guise it is termed.

And it is certain also that if we provide the International Monetary Fund with additional dollars, sooner or later they will be filtered away in various forms of foreign aid.

The general inference of the Secretary's testimony has been that the effect of this transaction is a form of foreign aid to the United States. In other words, it will supposedly make foreign currencies available to the United States to tide us over our balance-of-payments difficulties. The inference is that these currencies come to us as a gift. Nothing could be further from the case. These foreign currencies have to be purchased, whether they are purchased through the International Monetary Fund or in the open market. This is explicit in the Secretary's testimony before the House Banking and Currency Committee. He stated:

> Drawings of the additional resources from the Fund would conform to the Fund's normal procedures; that is to say, the drawing member would purchase from the Fund currencies of other participating countries with its own currency (ibid., p. 37).

An interesting question arises: Why must these foreign currencies be purchased through the International Monetary Fund and why must a special appropriation be made in order to purchase them? If the Defense Department, for example, needs German marks to meet its bills in Germany, why are not the standard banking channels available to the Treasury by which to provide these marks? Why must the Treasury have a special appropriation to buy the marks? What happens to the marks once they have been purchased? Would the Treasury then sell them to the Defense Department for dollars and recoup its dollar supply that way? Then does this mean that the Treasury simply has $2 billion to manipulate for one purpose or another? What will the Treasury do with the $2 billion it derives from the sale of foreign currencies which it has purchased with this appropriation?

The Secretary's explanation is inconsistent. In hearings before the Senate Foreign Relations Committee he stated:

> The Fund's articles of agreement, however, permit these dollars to be paid to the Fund in the form of non-interest-bearing notes without any use of cash from current receipts or any debt operations which would involve the United States in an interest cost (hearings before the Committee on Foreign Relations, U.S. Senate, 87th Cong., on H.R. 10162, p. 8).

However, earlier in the same hearings he stated:

> Drawings of the additional resources from the Fund would conform to the Fund's normal procedures; that is to say, the drawing member would purchase from the Fund currencies of other participating countries with its own currency, and would pay a service charge of one-half of 1 percent on the amount of the drawing, plus interest. The rate of interest would vary with the size of the drawing and the period for which it would be outstanding (ibid., p. 7).

We are urgently in need of more clarity and above-board handling of our fiscal transactions. The proposed legislation has too much the earmark of backdoor financing which the Congress rejected last year.

Finally, the Secretary has emphasized that this is merely "standby" authority. He stated:

> I wish to emphasize the great advantage to the United States of these borrowing arrangements. It may be that the Fund will never need to borrow * * *. As I have pointed out, we will not be called upon to make a loan to the Fund under present conditions and, in any event, the question of a loan would not arise until the Fund's resources in dollars—currently about $2½ billion—had been exhausted. This is to be a standby commitment to the Fund. There would not be an expenditure of the funds authorized until such time as we might actually make a loan to the Fund (ibid., p. 7).

When asked:

> What effect, if any, will this bill have upon the current U.S. budget?

Secretary Dillon replied:

> It will have none (ibid., p. 36).

All this raises a fundamental constitutional question. Where does and where should reserve or standby authority reside? It is our political tradition that the people should hold all reserve authority; Congress is always available to vote funds if they are needed. If standby authority is warranted in this instance, the logical extension is to vote standby authority in all departments of political activity—even to declaring war. When the Treasury has actual need of the funds will be ample time to ask for this appropriation.

Mr. PASSMAN. Thank you, General, for your statement. We shall now hear from the Honorable T. Coleman Andrews.

Mr. Andrews.

STATEMENT OF MR. T. COLEMAN ANDREWS

Mr. ANDREWS. I am T. Coleman Andrews of Richmond, Va.

I am making this statement—perhaps it might be better defined as a plea—on behalf of the Citizens Foreign Aid Committee.

You gentlemen know, perhaps better than anyone, the reasons why H.R. 10162 should not be approved and how compelling these reasons are.

You have, therefore, only to square your understanding of the proposal with your solemnly assumed obligation to act in accord with the Constitution and the best interests of the people. Hence, I shall be brief.

Explain or define H.R. 10162 however one may, it still is foreign aid legislation. Moreover, it is a further attempt to pry open the back door to the Treasury that Congress made some progress in jamming shut only last year.

H.R. 10162 is foreign aid legislation because it is an attempt to meet the inevitable gold-draining consequences of foreign aid through expediency and indirection—consequences that all but the willfully blind advocates of our misguided generosity foresaw and that countless concerned citizens have vigorously protested.

The day of reckoning has come; the chickens have come home to roost; we have a monetary bellyache of the first water—one that no amount of sham will cure.

Adoption of H.R. 10162 would, therefore, be an attempt to dodge an issue that has made our fiscal situation so precarious as to defy any attempt that does not start with forthright admission of how foolish we've been and how shamefully the confidence of the people has been abused.

If we persist in trying to cover up, we'll fool nobody but ourselves and wind up perhaps avoiding embarrassment for the moment but suffering in the end shame, dishonor, and sure disaster. I'm sure you gentlemen don't want this to happen.

Two years ago I appeared before the Senate Appropriations Committee in opposition to the foreign aid bill then pending. An official statement had just been issued declaring that foreign aid had not been a factor in the deterioration of our gold position.

I argued that this was not true and presented incontrovertible facts to show that it wasn't. It was so palpably false that no less insatiable an advocate of foreign assistance than the State Department itself said so in a statement contradicting the first one.

At that time our gold holdings amounted to $19.4 billion. Today they total only $16.3 billion.

Thus, in just 2 years, $3.1 billion, or 16 percent, of our gold supply has been drained off.

At this rate the supply of gold in excess of that required as support for our own currency would be exhausted in less than 4 years.

But even that outlook seems optimistic in the light of news just issued by the Federal Reserve Bank of New York. This news tells that the drain for the first 6 months of this year was twice what it was for the same period last year.

Thus, the process of depletion seems to be accelerating. And one sure way to further accelerate the inexorable exhaustion that present policies have been making inevitable is to increase foreign aid by the means provided by H.R. 10162.

It has been explained, I understand, that H.R. 10162 will make it possible to ease the balance-of-payments deficit by providing funds to be used in purchasing foreign currencies, which in turn would be used to settle foreign-held claims for dollar payments.

This sounds like the old con game of raising rats to feed cats to be skinned for their pelts and then fed to the rats.

Or is it a case of borrowing money to consolidate debts and going right on spending in excess of income and getting still further in debt?

Whatever it is, gentlemen, it spells financial crisis for America, and you alone can keep this from happening.

So please, please, don't do it. There isn't any longer any question whether foreign aid is good or bad, desirable or undesirable.

The bottom of the barrel was reached years ago. Since then we've been living off the printing press.

There simply isn't anything left for more aid, especially to people who take our money and then tell us to mind our own business.

According to current news reports more than one aid recipient country has responded to our protests against expropriation of American property by advising that if we hope to be successful as aid givers, we first must learn to give without sticking our mouths into the aided countries' affairs. Ceylon did just that yesterday.

For shame, gentlemen. No one has a right to spend the people's money for such insolence.

Mr. PASSMAN. Thank you, Mr. Andrews, for your statement. Our next witness will be Dr. Lewis E. Lloyd. Dr. Lloyd, please proceed with your statement.

STATEMENT OF DR. LEWIS E. LLOYD

Mr. LLOYD. The Citizens Foreign Aid Committee has brought to my attention the proposed legislation to increase U.S. commitments to the International Monetary Fund reserves. As an economist and private citizen who is greatly concerned about the critical balance-of-payments problem which faces this Nation and about the serious consequences to our economy if the outflow of dollars is not stopped, I wish to call to the attention of the committee the connection between the proposal to increase our commitments and the balance-of-payments problem.

At the beginning of World War II and prior to our entry, this Nation began various forms of aid to other nations around the world. Prior to and during World War II the aid was essentially military. Following World War II it has been both economic and military. Some of the more important forms are, first of all of course, the direct gifts of dollars and then other less direct forms such as the point 4 program, sales under Public Law 480, paying of the lion's share of U.N. expenses, and our being the major contributor to such projects as the International Monetary Fund.

Most of these activities have resulted in dollars leaving the United States which have been only partially matched by shipment of goods. This has been the major factor in our continuing and growing negative balance of payments.

An examination of the basic economics of exchange shows the impact of this on our economic well-being.

In a division-of-labor society, groups of individuals produce goods or services and exchange these for the products of the labors of other individuals or groups of individuals. In a large and complex society, the exchange cannot be satisfactorily accomplished through barter and so money is used as the tool to bring about the exchange of goods and services. The following simple equation shows the fundamentals of economic exchange:

$$\text{Goods} \leftrightharpoons \text{Money} \leftrightharpoons \text{Goods}$$

The important point here is that the economic exchange has not really taken place and been completed with the exchange of goods for money, but only after the second step—the exchange of money for other goods. When we consider trade between nations, the ideal situation is to have the exchange of goods and services balance. In this case

there would be as many dollars return as left the shores of the nation and there would be a zero balance of payments at the end of the year.

If, however, there is an imbalance, then money must flow into or out of the country. In the end the only way this imbalance can be wiped out is by the transfer of the money commodity—gold.

Since 1949 more dollars have left the United States than have returned—that is, we have had a negative balance of payments—every year except 1957. In that year the Suez crisis caused Europe to buy oil from the dollar area which normally they buy from the Near East. Not only have we had a continuing negative balance of payments, but it has generally been getting more unfavorable.

There are two important economic consequences of the continuing negative balance of payments. The first is the impact on the U.S. economy. When more dollars leave our shores than return, it means that the dollars which did not return fail to appear in our marketplace to buy goods and services. This reduction in sales means fewer jobs for our workers and less growth for our economy. The recent level of our negative balance of payments—that is, the dollars that did not come to our marketplace—means that we have been short about a million and a half jobs that we would have had if these dollars had come back. Also our industrial growth has been retarded.

The second important consequence as a result of a dozen years of continuing outflow of dollars, is that foreigners now hold claims against the dollar which exceed our total gold reserve. The short-term foreign claims against the dollar are more than $22 billion and our gold reserve only slightly more than $16 billion. We could not even now meet our commitments to furnish gold on demand, and in a real sense, could be said to be insolvent insofar as our international accounts are concerned. At the end of World War II the dollar was the most sought after currency in the world. Today it is a second-rate currency. Foreign confidence in the dollar has been ebbing.

It is problematic as to how much further foreigners will be willing to build and hold dollar credits. At some point confidence will be shaken and they will call on gold. When this happens the dollar will fast become a soft currency and our leadership in the free world will receive a serious jolt.

The proposal which would authorize us to extend our commitments to the International Monetary Fund by $2 billion will be meaningless if it does not in the end lead to their calling upon us to supply dollars and thereby increasing the outflow. This will only hasten the day when confidence skids to the point where we will face a run on our gold supply. The plain facts of the matter are that the United States cannot afford to take on this or any other additional burden.

Our Federal deficit last fiscal year was more than $7 billion. With proposed tax reductions and increased spending, it will probably be larger next year. Our deficit financing and monetization of Federal debt is watched closely by foreign bankers, because they recognize this as fiscal irresponsibility. The larger our deficit, the more uneasy they become at holding dollars instead of gold.

If the dollar is to maintain its position among the nations of the free world, we must find ways soon to balance our foreign account. The continued deficits in our budget at home and in our balance of

payments reinforce each other in destroying confidence in the soundness of the dollar.

The greatest assist that the United States can give the free world at this time is to retain our own solvency. We must trim our Government expenditures to equal revenues, and we must trim our oversea commitments including foreign aid of all types, direct and indirect, to the end that we may eliminate the negative balance of payments.

For this reason I urge the House Appropriations Subcommittee on Foreign Operations to oppose any increased grants to the International Monetary Fund reserves. The very fact that the reserves have been used up and now it is claimed that there is a need to augment them, indicates that the original funds have been used in uneconomic projects which have had little or no payout. Even if we could afford it, which we can't, this would be an unwise use of resources. Economic development throughout the free world can best be guided by free enterprise investments, guided in turn by normal risk versus return considerations.

Mr. PASSMAN. Thank you very much, Dr. Lloyd, for your fine statement. We have been very happy to hear from you gentlemen and you can rest assured that the committee will give your views careful attention.

The committee will now stand adjourned until 10 a.m. on July 11.

SATURDAY, AUGUST 4, 1962.

UNITED NATIONS CHILDREN'S FUND

WITNESS

MRS. WARREN E. COX, MEMBER, COMMITTEE ON LEGISLATION OF THE NATIONAL CONGRESS OF PARENTS AND TEACHERS

Mr. PASSMAN. The subcommittee will come to order. We have called the committee into session this morning, Saturday, August 4, so that we may hear the testimony of what we usually refer to as outside witnesses. They are American taxpayers who finance this program. We are always glad to have outside witnesses give us the benefit of their views on this aid program.

The first witness this morning will be Mrs. Warren E. Cox, a member of the Washington Committee on Legislation of the National Congress of Parents and Teachers who will present a statement by Mrs. Fred L. Bull, chairman of the Committee on Legislation of the National Congress of Parents and Teachers in support UNICEF.

Mrs. Cox, we are very glad to have you here and we would like to hear from you at this time.

Mrs. Cox. Mr. Chairman and members of the committee, I am Roberta C. Cox, a member of the Washington Committee on Legislation of the National Congress of Parents and Teachers. I am presenting this statement for Mrs. Fred L. Bull, national chairman of legislation, to urge you to include in the appropriation for foreign aid $12 million as the contribution of the United States to the United Nations Children's Fund. We appreciate this opportunity to speak to you.

The National Congress of Parents and Teachers, a national, voluntary, nongovernmental organization with over 12 million memberships, was founded 67 years ago, and has a record of constant dedication to its purpose: to promote the welfare of children and youth.

Since UNICEF was organized in 1946 as an emergency program to feed the hungry children of postwar Europe, the National Congress of Parents and Teachers has been proud to support the Children's Fund and pleased to see it broaden its perspective to become a worldwide effort to help people help themselves.

We are all aware that UNICEF goes into a country only at the request of the government of the host country, and that the aided country is required to match funds for the expense of the project at hand. The National Congress of Parents and Teachers is pleased to note that currently governments receiving aid from UNICEF are themselves putting in an average of more than two and a half times every dollar provided by the Fund. Thus, the resources of the Children's Fund serve as a stimulus to local initiative around the world in solving health problems for children. At the same time it fosters self-government and self-respect when permanent, locally supported programs are established to bring lasting improvements to the health and welfare of the children. Through the United Nations Children's Fund we grapple with the real enemies of mankind and join in the effort to destroy them before they destroy the hope of the world—the children.

Although UNICEF has already aided an estimated almost 57 million mothers and children in 107 countries and territories, there are still about 500 million children living in areas where disease runs rampant and death and crippling are daily companions, where malnutrition sets a specter at every meal, and where superstition and poverty compound all the problems that make childhood a nightmare.

With its world headquarters in our own country, UNICEF seems very close. The National Congress of Parents and Teachers takes pride in its record under the guidance and direction of our own compatriot, Maurice Pate, an American businessman who retired as a successful investment banker 16 years ago to devote himself completely to the welfare of the world's children as the Executive Director of UNICEF. We in the National Congress of Parents & Teachers agree with Mr. Pate that "helping children is not charity but an investment in the future."

The United Nations Children's Fund is entirely financed, as you know, by voluntary contributions rather than by assessments on the member nations of the United Nations. In 1961 the United States was one of 100 governments making voluntary contributions.

Support of the United Nations Children's Fund is a priority item on the legislative program of the National Congress of Parents and Teachers. We urge you to appropriate $12 million—the same amount as last year—in the current budget for foreign aid as the U.S. contribution to the United Nations Children's Fund.

Thank you.

Mr. PASSMAN. Mrs. Cox, we thank you very much for your excellent statement. If I remember correctly almost every year this committee has recommended the entire amount requested by the Bureau of the Budget because we too recognize this is a great program. Thinking of the children and their welfare certainly touches the heart-

strings of all the citizens and we are always glad to give consideration to this request.

We are happy that you could come and a lot of good luck to you.

Mrs. Cox. Thank you.

United Nation's Children's Fund

WITNESS

MRS. VIRGINIA M. GRAY, EXECUTIVE SECRETARY, CITIZENS COMMITTEE FOR UNICEF

Mr. Passman. The next witness will be Mrs. Gray. I believe Mrs. Gray represents the Citizens Committee for UNICEF. I think perhaps this is the fifth or sixth year it has been our honor to greet you, Mrs. Gray, and we hope to have you back again.

Mrs. Gray. Thank you, Mr. Chairman, I believe it is the seventh year. I was counting it up as I came down this morning.

Mr. Passman. Yes; that is right. It was my privilege to be in the chair of this committee and since then you have been here every year.

Mrs. Gray. Mr. Chairman, with your permission I would like to file my statement. I think it would run a few minutes over the 3 minutes allowed.

Mr. Passman. Without objection the prepared statement will be filed in the record at this point.

(The prepared statement of Mrs. Gray follows:)

The Citizens Committee for UNICEF is an informal clearinghouse of legislative information serving a number of national organizations which support continued participation by the United States in the United Nations Children's Fund (UNICEF). This statement has been authorized by the following such organization:

American Association of University Women.
American Parents Committee.
Association for Childhood Education International.
American Veterans Committee.
Child Welfare League of America.
Cooperative League of America.
Friends Committee on National Legislation.
Jewish War Veterans of the U.S.A.
Methodist Church—Women's Division of Christian Service of the Board of Missions.
National Association of Colored Women's Clubs, Inc.
National Association of Social Workers, Inc.
National Council of Jewish Women.
Unitarian Women, Alliance of.
United Church Women.
Women's International League for Peace and Freedom.
YWCA national board.

AN OUTSTANDING EXAMPLE OF SUCCESS

During the past year, when the United Nations has been undergoing a series of dramatic trials, when its very existence has been threatened, the Citizens Committee for UNICEF finds much reassurance in the record of steady progress made by UNICEF during 1961. We also find, in its forward-looking program for 1962–63, evidence with justifies a substantial basis of hope—not only for the future welfare of the world's children, but also as a demonstration of the way in which the nations of the entire world can find grounds for cooperation in our mutual concern for the future of humanity. When rival political powers can

share support for programs designed to remove the worst hazards of disease and chronic malnutrition that afflict vast areas of the earth, perhaps it is not too much to hope that these same nations can also learn the necessary lessons of mutual understanding and self-discipline that could lead them to exercise restraint in the atomic arms race.

The Citizens Committee for UNICEF supports the executive branch recommendation for a contribution of $12 million by the United States to the Children's Fund for fiscal 1963.

GOVERNMENT CONTRIBUTIONS INCREASING

In spite of the fact that this new fiscal year will mark the fourth consecutive year when the U.S. contribution has been held to the same amount, we note that contributions to UNICEF from other governments are steadily increasing—$1.5 million in 1961 by governments other than the United States, or 16 percent. This is evidence of the esteem which UNICEF enjoys everywhere. Twenty-seven countries increased their support substantially during the past year, with the largest absolute increases given by the Federal Republic of Germany, France, Sweden, Norway, Denmark, Switzerland, and the U.S.S.R.

Perhaps even more significant than these impressive increases by the industralized, comparatively wealthy countries of Europe is the fact that 25 countries that are themselves beneficiaries of UNICEF aid to help their own children pledged or contributed to UNICEF voluntarily during 1961 proportionately as much or more than they were assessed as their fair share for the regular U.N. budget.

Again this year we note with satisfaction the fact that newly independent countries of Africa including Cameroun, central African Republic, Chad, Madagascar, Mali, and Somali Republic contributed to UNICEF in 1962 among their first acts of self-government, thus demonstrating effectively their developing sense of social responsibility.

UNICEF IN THE DECADE OF THE SIXTIES

We have heard much discussion during this past year of the goals of the U.S. program for the "decade of development," as envisioned by the President, the Secretary of State, and the Director of AID. Increasingly stressed as a basic criterion for the multibillion U.S. program of aid to developing countries is the necessity for self-help on the part of these nations. Those of us who have followed the work of UNICEF during its 15 years of successful operations have seen ample justification for this emphasis on self-help since that has been requisite to UNICEF assistance from the beginning. We are hopeful that our much larger bilateral programs can produce ever more successful results through this commonsense approach.

To cite just two areas where U.S. interest is especially high at this time, we observe that UNICEF's Executive Board approved allocations in 1962 of $4,160,000 for all types of long-range programs (health services, disease control, and nutrition) in 31 African countries, in addition to three regional programs. Likewise, for the Americas, $7,644,358 was approved for similar programs to go forward in 22 countries of this hemisphere. The benefits that will result for children and mothers from the work made possible by these funds should contribute in no small measure to the success of the ambitious Alliance for Progress programs for broad economic and social development.

Beginning last year, after a preliminary survey of the needs of children had been conducted by a number of governments, by the specialized agencies and the Bureau of Social Affairs of the U.N., the UNICEF Board decided to increase the range and flexibility of UNICEF aid by encouraging the countries undertaking programs of economic and social development to focus on the problems and the main needs of their children, and to plan effectively to meet these needs. This new emphasis recognizes the fact that opportunities for effective aid vary greatly from country to country.

While the well-established policies of UNICEF support in the fields of health and nutrition will, of course, continue to receive the major part of UNICEF assistance, new areas of concern are developing such as the greater help which will be needed in the rapidly growing urban areas where the health and social problems of children and youth are acute. Formerly essentially rural peoples are flocking to urban centers in great numbers too rapidly for existing facilities to absorb them. The impact of this sudden influx is creating serious slum con-

ditions in urban centers where standards of living were not adequate even before this new growth. Thus the very eagerness and impatience of the newly developing peoples to raise their standards of living almost literally overnight can bring new and serious dislocations in patterns of family living, often with tragic results for the children. Already one modest pilot project is underway in the slums of Mexico City involving housing improvement, environmental sanitation, vocational guidance, and training for youth.

In summary, UNICEF aid offers the nations of the world a unique opportunity to focus on investment in children and youth concomitantly with the broad programs of economic development going forward under the vast bilateral and multilateral programs of grants and loans. Direct measurable returns on this investment cannot be demonstrated from one year to the next in the way that statisticians can chart economic growth by indexes of industrial production, miles of roads built, or national income. Yet, without such investment in children, the human resources of the future, permanent economic improvements have scant hope for success. The continued achievements of UNICEF, along the paths that it has already charted. offer one of our best hopes for the future.

Mrs. GRAY. I would like to add a few words to my statement which has been approved by the organizations that you see listed before you.

I know in the light of what you just said to Mrs. Cox, Mr. Passman, you probably wonder why we come up here every year but I think there are two reasons and I would like to state them. The first is that we want you and the other members of the committee to know that these organizations still support as vigorously as ever the work of the Children's Fund and, secondly, is that even though the amount of money involved is so small—$12 million for the total appropriation for the United States this year—we feel that UNICEF is worth study as an example for our other programs in mutual cooperation in foreign aid.

It is my own personal conviction after some years of working with voluntary organizations that many times it is possible for conflicting, even hostile, groups to come together and work for something where they share a mutual concern. The governments of the world are doing that for the United Nations Children's Fund because no matter how hostile they may be in other respects they share a mutual concern for children. It seems to me the way the Children's Fund has operated in the past it affords a really outstanding example of what can be done for good in the world.

We see it happen in our own communities where competing, conflicting groups work together and now we are seeing it on a worldwide scale.

Mr. Pate, as Mrs. Cox mentioned, is one I have had a privilege to watch in operation now for 7 years and I think he has a very rare combination of hard-headed business sense with the ability to squeeze, literally, every penny to bring the largest benefit to the world's children.

So we are very proud of the fact that the leadership of the Children's Fund has been an American from its beginning.

I would like to comment on just one other point. I stress this in my statement and the fact that other countries are increasing their contributions, is that point. I think this illustrates just what I have been saying, that through the U.S. leadership in the beginning in setting this up, other countries are following our leadership and increasing their contributions while for the last 4 years we have kept the same amount. I think this increase from other governments is good.

I am not saying and I don't want to leave the impression that I think, because other countries are increasing, that we should decrease our contribution. I think the psychological effect of maintaining our leadership is very important because we have gained a great deal of good will around the world because of our leadership here. In fact we have been identified as UNICEF and UNICEF has been identified as the United States in some areas.

Since this statement was prepared I think it is interesting to know that the Léopoldville government of the Congo has appropriated, has contributed, or pledged $17,000 to the central account of UNICEF and this is very convincing evidence, it seems to me, of how the countries who need so desperately help within their own borders, recognize the effect they feel UNICEF can have throughout the world.

Mr. RHODES. What is the total budget for UNICEF?

Mrs. GRAY. There isn't a budget in that sense. The contributions from governments last year were approximately—from governments alone were approximately $23 million. I am sure that you have the accurate figures and I can get them for you. I would like to check the figures before they are printed.

Mr. RHODES. How much do they get from the trick-or-treat program?

Mrs. GRAY. I was going to say in addition to that there are other contributions. Last year they got about $2 million from trick or treat and about $1 million from the greeting card program which is carried on around the world. All countries buy the greeting cards.

I think the figure of allocations is probably more realistic than the figure of actual contributions because the allocations which are planned for this coming year—they are on the calendar year basis as you know, 1962, they amount to approximately $30 million. Now, that means that is what the program is expected to use.

In addition to "trick or treat," which is U.S. funds, there is a Canadian "trick or treat," and there are other voluntary contributions in other countries. That is what is called a don du lait, a gift of milk, in Switzerland which raises voluntary contributions for the Children's Fund and a number of other countries are doing the same thing, so here again I think we can feel proud that we have taken leadership in this country.

Mr. PASSSMAN. Percentagewise we have put up the larger part?

Mrs. GRAY. In the past, but that is decreasing each year as the other countries increase their contributions.

Mr. PASSMAN. Put the figures in the record if you will.

Mrs. GRAY. I have the early figures from the first part of the year which were released. This is for 1961 and they are listed for UNICEF as provisional figures. They are $22,959,796.

Mr. PASSMAN. Mrs. Gray, we are always happy to have you come before the committee and give us the benefit of your views.

Mrs. GRAY. That is very kind of you, Mr. Chairman. Thank you very much.

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WITNESS

ERNEST GRIFFITH, NATIONAL COUNCIL OF CHURCHES

Mr. PASSMAN. At this time we shall hear from Mr. Ernest Griffith, the former and very able and esteemed Director of the Library of Congress. We see now that Mr. Griffith is connected with the National Council of Churches. I think I speak for every Member of the Congress, Mr. Griffith, when we say welcome. We are glad you can come back and see us. If you have a prepared statement we would like to insert it in the record and let you speak if you desire.

Mr. GRIFFITH. I think I can speak directly. I may say that my representation at the National Council of Churches is entirely voluntary. My capacity, full time, is as head of the School of International Service at American University, here in Washington.

I am a member of the Department of International Affairs of the National Council of Churches. The National Council of Churches rarely goes on record on matters of public policy. When it does, it speaks for some 30 or 40 religious bodies, for very nearly 40 million communicants or members.

Obviously, its position with reference to foreign aid is a general position.

Mr. PASSMAN. May I ask you this question so we can follow you very closely: You are testifying for the entire foreign aid program, or some segment of it?

Mr. GRIFFITH. The entire foreign aid program. I shall try, in some remarks of my own which are not particularly from the National Council, to offer certain concrete observations.

Mr. RHODES. I don't like to take exception to anything that the witness says but I cannot believe that the National Council of Churches is chary in making its views heard on issues. It seems to me they are heard on almost every issue that is imaginable.

Mr. GRIFFITH. The National Council of Churches is made up of a number of departments. The individual departments, without the endorsement of the entire council do speak on many issues. This particular issue is one of the very few that the national council, as a whole, has spoken on, fairly consistently, and I am very glad you raised that because I make a distinction between the national council as a whole and the individual committees which do not speak for any other than for themselves.

Mr. PASSMAN. I believe I indicated, at the beginning, that we hold you in very high esteem because we have known you on the Hill for many, many years. However, if you are speaking for the entire aid program, it is so diversified and so broad with limited time, may I ask you if you expect to supplement your statement here this morning with some documented evidence as to why the National Council of Churches takes this position and whether or not they have any ideas

as to how far foreign aid should go moneywise, what programs should be continued, whether we should continue the programs for dictatorships and to Communist countries and to neutral countries. It is so broad.

Do you expect to supplement this?

Mr. GRIFFITH. I shall be very happy to give you, for the record, a statement of the national council.

(The information follows:)

OUR CHRISTIAN CONCERN

Oneness in Christ across the nations requires mutual aid and trade.

As Christians we feel compelled to give our special support to the further development of foreign economic policies of the United States which will reflect our interest in man's welfare in other countries as well as in our own. We believe that constructive policies of international aid and trade are essential to the creation of conditions of peace with justice and freedom.

The natural wealth of the world and the capacity to transform raw materials into desirable goods are not evenly distributed among nations. Our own country is richly endowed and highly developed. Some countries may be able to produce many commodities efficiently but have serious shortages in other essentials. Still other lands have such a low level of production that most of their citizens live in poverty, disease, and illiteracy. These nations are all in our world and their people are all in God's concern. As Christians, we cannot help but be distressed by human misery and misfortune wherever it may be, and seek appropriate ways by private and public means to promote the welfare of our fellow men.

ECONOMIC AND TECHNICAL AID

We recognize that trade alone will not enable economically underdeveloped countries to realize their potentialities for economic growth and social progress including freedom. Both private and public aid, in the form of technical cooperation and capital, is indispensable. Assistance in longtime capital loans on favorable terms and capital grants, on a more limited basis, will be needed over a long period of time to enable such areas to establish their own economies and their place in the world market. Greater use should be made of international agencies, such as the United Nations and regional organizations. Technical and economic aid, while related to other parts of foreign policy, should not be primarily for political and military considerations, but for the purpose of helping people to meet economic and social needs and opportunities.

Mr. PASSMAN. Then you proceed, sir.

Mr. GRIFFITH. It has to do with three specific Christian insights. One, the insight of our responsibility with our standard of living and our wealth for those who perhaps have one-tenth, one-twentieth, one-fortieth of our own. In the second place, it has to do with the feeling that other people should be developed to a sense of responsibility and participation themselves, and finally it has to do with the value that freedom has for all of us.

May I supplement with two or three remarks of my own that may be of some usefulness to the committee. These have to do more with the setting, and while I have not read the testimony this year, I believe they have not figured prominently in the considerations before.

The first of these is the sense which those of us outside the Government who are students of foreign affairs have that, particularly recently, there are genuine signs that we are winning. Yet, we do not dare take that too much for granted. This is an endurance contest.

Mr. PASSMAN. Winning what, Mr. Griffith?

Mr. GRIFFITH. We are winning as against the Soviet Union and the Communist world.

Mr. RHODES. How do we happen to be winning when it was said that we were losing about a year and a half ago? What has caused such a rapid change in our fortunes? I know of nothing which has occurred which should have had such a dramatic effect.

Mr. GRIFFITH. The Communist bloc is showing signs of cracking.

Mr. RHODES. What signs are they showing?

Mr. GRIFFITH. The collapse or near collapse of the internal economy of China which is by all odds the largest example. That is, the Communist methods cannot compare with our methods of organizing an economy and that is beginning to be apparent.

Mr. PASSMAN. We go out on trips and we find, if anything, that Communist China is closer knitted now than at any other time before. It may not have a higher standard, it may have a lot of poverty, but so far as controlling the people is concerned, our contacts indicate to us that it is just wishful thinking if we think they are about to crack up. We just hope that they are but do you have any information other than just the statement that we have heard these things?

Mr. GRIFFITH. We have on our faculty at the American University two or three specialists who have had access to classified information. I have discussed this with them. It is not their expectation that Communist China itself will crack. It is their knowledge that the recent internal conditions in Communist China have made communism as a way of life and a method of organization considerably less attractive to the nations which are nearby, and therefore this is the time in which we must be quite certain that we do not ourselves give any reason to suppose that we will leave these nations in the lurch. That is point one. I could elaborate if you have other questions.

The second point: A very high official of the State Department at a meeting with our students mentioned the number of decisions that had to be made in a day in foreign policy—the number was over 100—that in earlier years were made by the Secretary of State but are now made down the line. This is a byproduct of the crisis situation in the world, of the fact that our foreign assistance program is linked with a hundred nations in a given year. With such multiplicity of decisions it is highly likely that mistakes will be made; but that is the time, this is the time, with the enemy cracking in some places and weakened in others, this is surely the time for us to continue our own pressure for our side, regardless of occasional errors.

Because there are 100 nations, this is also a time at which we, I think, should recognize that different standards of aid, and the case for such aid apply to different nations, that the standard for Yugoslavia is one thing, the standard for India is another, the standard for Venezuela is a third, the standard for the Ivory Coast is a fourth, and I could go right on.

In other words, each nation is a particular case. However, finally it is beginning to be clear, as I am sure you know, that the overall direction of our foreign assistance—and the budget estimates this year reflect this—the overall direction is in the direction of seeing that the revolution in the world is an American revolution and not Communist. In other words, it is to increase individual landholding, education, freedom, and so on.

Mr. PASSMAN. You have experts in all fields, do you not, in the National Council of Churches?

Mr. GRIFFITH. Yes, we do, in most fields.

Mr. PASSMAN. Economists?

Mr. GRIFFITH. Yes.

Mr. PASSMAN. I would like to say this for the record, and when the record reaches you, ask him, the economist, to analyze the following and furnish the committee with any information he may have to give us some courage as to how we can overcome the obstacles we are confronted with.

One, that the aid program is now so broad that we are in 101 of 113 nations of the world and in practically every British possession in the world with tremendous aid programs going into the tens of millions of dollars. We find our generosity has placed us in the position now of having a public debt that exceeds, by $23.7 billion, all the other public debts of the 112 nations of the world combined.

We find that our generosity to our neighbors abroad has placed us in position to, where during the last 10 years we have had a substantial balance-of-payments deficit. The net has exceeded $20 billion. We find that many of the nations that we have aided and are presently aiding are in better financial condition than we are. We find that the only way we can sell abroad today is by a substantial subsidy average across the board.

We might put this in for him to give us his opinion on that: during the first 5 months of 1962 calendar year we exported only 801,000 tons of steel and we had to charge $174 million for that steel. We imported 1,689,000 tons of steel for only $198 million. In other words, our imports of steel now are more than twice our exports because we are no longer competitive. Forty percent of the capacity of our steel mills is idle.

I am sure that you would also like to have your economists give us an explanation as to what this is leading us into. That our gold reserves have reduced, in 10 years, from $24 billion to approximately $16 billion today. Whereas the gold holdings of the recipient or so-called free nations have gone from $13 billion up to $23.5 billion. And in just a brief period of 10 years foreign nations have increased their short-term dollar holdings from $10 to $24 billion. And as we speak this morning, foreign nations and nationals around the world own more gold than we do and they also have $24 billion of American money in excess of their requirements.

Then the final point we would like to have him give us his views on is the fact that we are having to ask some of the nations that we made loans to during the Marshall plan days—they agreed to pay back a small percentage of our grants in cash—we are now having to get those nations who are very wealthy, to pay their payments back as long as 35 to 38 years in advance of due date so as to lessen the impact on our serious balance-of-payments situation.

Then finally it will be in the press, no doubt, that there may be some kind of a system devised whereby we are going to have to go out into foreign nations and borrow from them the dollars they earn from our generosity so we can finance foreign aid programs in subsequent years.

If you will, have him give some thought to these observations and if there is an answer we would like to have it.

Mr. RHODES. Mr. Chairman, may I ask Mr. Griffith to get some additional information?

Mr. PASSMAN. Yes.

Mr. RHODES. This is more along the theological line.

To me charity is a voluntary thing. Your first comments were based on the charitable field in which the churches operate. With that I have no fault to find. I feel as charitable toward unfortunate people as anybody does, but I think it should be voluntary. But we must remember that there isn't anything voluntary about paying taxes. Now, how do your theologians, put this into context, the fact that you are asking the American people to indulge in a sort of forced charity?

Mr. GRIFFITH. May I speak to that?

Mr. RHODES. Yes.

Mr. GRIFFITH. There are two principal elements in the conclusion arrived at. One is (however this is not particularly the religious side) that the future of the United States depends upon holding and eventually rolling back the Communist world. That there are great values if freedom is at stake. That——

Mr. RHODES. Just a minute. The church is getting into politics, isn't it? World politics?

Mr. GRIFFITH. The churches believe——

Mr. RHODES. Isn't the church in politics?

Mr. GRIFFITH. The churches believe—at least the National Council believes—that the church has a responsibility where there are ethical interests involved. The individual members of the church believe that it is important, tremendously important to the future of the world—as you said, Mr. Congressman—that the United States be strong, but that the United States also have associates.

Mr. PASSMAN. May I also ask you this question, Doctor, Do you believe there is a limit to how far our aid program can go?

Mr. GRIFFITH. Absolutely.

Mr. PASSMAN. And that we have reached the point where we are draining off the natural resources of America, it is going out and not coming back?

Mr. GRIFFITH. No; I think many things are coming back and I think those we helped in the Marshall——

Mr. PASSMAN. What is coming back, specifically? If you remove from our exports the tremendous subsidy that plowed in and you remove from the exports the billions of dollars worth of goods we ship out of the country, where the Treasury pays the invoice and not the recipient country, then we have in all probability a deficit in our trade balance.

Now, in final observation: Let him give us his answer on this. We are told that we have a public debt and I think the Treasury statement will indicate that we have a borrowed money debt of $299 billion as of yesterday morning, so let's use round figures: $300 billion. But we also have a statutory obligation for $746 billion. It means that things we pass laws to do for people in the future for services previously rendered—not to be rendered but already rendered—the statutory obligation, it exceeds a trillion dollars, or more than $20,000 per family in America.

We want to get your expert to give us some information as to what the impact is presently and what it will be in the future if we don't slow down.

Mr. GRIFFITH. I will be very happy to, Mr. Congressman.

I have only one comment to make on your challenge of what we are getting back from it.

As I see it—and I am not speaking for the National Council of Churches in this—as I see it we are taking a calculated risk that foreign aid will prevent Asia and Africa from going down the drain. If Asia and Africa go down the drain, what we are now spending for national defense would be as nothing as to what we would have to spend if that part of the world were Communist.

This is in the field of insurance more than in the field of direct——

Mr. PASSMAN. Now, this final question, then. We are dealing with as we think of America as a reservoir, our reservoir—our resources are certainly limited are they not?

Mr. GRIFFITH. Yes.

Mr. PASSMAN. You are drawing from a reservoir where the resources are limited and you are actually pouring them into a bottomless pit. When you go completely around the world, you understand—our ideas are Christian but nevertheless if you just keep on draining those resources, the first thing you know we are going to be gone.

Mr. GRIFFITH. I agree with you and I thank you for hearing me.

(The information requested follows:)

In the hearing on Saturday, August 4, 1962, of the House Committee on Appropriations, certain questions were asked of Dean Griffith, American University, by Mr. Passman and Mr. Rhodes, of the committee. Inasmuch as these questions have economic import the following statement in reply to them has been prepared by Dr. Ernest L. Inwood, an economist who serves on the staff of the Department of International Affairs, National Council of Churches.

Dr. Inwood received his Ph. D. degree from the University of California and has served as chairman, Department of Economics, University of Nevada, and as Fulbright professor at the University of Rangoon. During the past 9 years Dr. Inwood has served as economist for Railway Express Agency.

Question 1.—Steel imports are twice as large as steel exports. Forty percent of the capacity of our steel mills is idle. What is this leading us into?

Answer.—At the close of the Second World War, steel production capacity was quite inadequate for reconstruction in Europe and in other sections of the world. U. S. steel producers enjoyed a very strong market for export steel during most of the decade of the 1940's and the decade of the 1950's. Earning records for the steel industry as a whole in the United States during this period have been excellent, and have led to a very extensive expansion in the U.S. steel industry since 1945. Steel production capacity in 1946 was 92 million tons, but by 1960 this capacity had been increased to 148 million tons. Such U.S. capacity would have been justified had the United States been able to continue its overwhelmingly dominant position in the world steel industry. However, as might have been expected, European and other steel producers constructed capacity which was able to take care of most of their domestic markets and for extensive export.

Steel capacity is excessive in the United States and will continue to be so for the foreseeable future because of overbuilding during the past decade. The steel industry might well have to suffer a reduced rate of profit for the next several years, which is the usual penalty for an industry which has overexpanded.

Question 2.—Our generosity has placed us in the position of having a public debt that exceeds by $23.7 billion all the other public debts of the 112 nations of the world combined. We have a public debt of $299 billion as of yesterday morning.

Answer.—The size of a public debt is only meaningful in terms of the gross national product of the nation under consideration. In 1950, gross national product for the United States amounted to $284 billion, whereas Federal debt amounted to $266 billion. In 1962, the gross national product had increased to $560 billion while the Federal debt had increased to $320 billion. This means that although the Federal debt in 1950 amounted to 93 percent of the gross national product, by 1962 the Federal debt was only 57 percent of the gross na-

tional product. Although a national budget in which expenditure does not exceed income is highly desirable, there is nothing particularly dangerous about the present relationship of Federal debt to gross national product.

Question 3.—Our generosity to our new neighbors abroad has placed us in the position where during the last 10 years each and every year we have a balance-of-payments deficit.

Question 4.—Our gold reserves have declined in 10 years from $24 billion to approximately $16 billion today.

Question 5.—We are asking some of the nations that we made loans to during the Marshall plan days to pay their payments back as much as 35 to 38 years in advance of due date so as to lessen the impact on our serious balance-of-payments situation.

Answer.—Questions 3, 4, and 5 are related in that they deal with the adverse balance-of-payments situation which has faced the United States for the past several years. It is quite true that continued depletion of our gold reserves will soon lead us to a situation of inadequate gold backing for our currency and bank credit structure.

There are, of course, numerous factors which have brought about the gold outflow. Even though we still have a favorable balance with respect to commodity exports over commodity imports, this favorable balance is not nearly as favorable in export surplus as was true during the decade of the 1940's. Furthermore, as investment opportunities have become more profitable in Europe and elsewhere overseas, there has been an increased flow of funds from the U.S. investment market to these areas. Our continued military and nonmilitary assistance overseas has also, of course, accentuated the need for foreign exchange.

In the face of this balance-of-payments situation, however, it must be pointed out that if nonmilitary foreign aid carries the stipulation that aid be expended largely for U.S. commodities, there will be no drain on the U.S. gold supply from this source. When a loan is made to India, for example, for the purchase of diesel locomotives, if these locomotives are purchased from producers in the United States the two transactions obviously offset each other.

Nonmilitary foreign aid, as a matter of fact, has declined over the past decade, from $3,785 million in 1950 to $1,992 million in 1961. This decline is quite in contrast to our greater ability to finance such aid as evidenced by the growth in U.S. gross national product between 1950 and 1962.

When one considers that in 1962 exports of goods and services amounted to $29,065 million in comparison with imports of $23,327 million it is apparent that with this substantial export surplus we have certainly not "priced ourselves out of the market." In the years immediately ahead if wage and price levels in the United States can be maintained on a fairly stable basis American exports in comparison with European and Japanese exports will become increasingly favorably priced. This relative improvement will come about because of steady increases in prices of manufactured goods in European and Japanese markets. In summation, an increase in nonmilitary foreign assistance will additionally strain our gold and the balance-of-payments program only if proceeds of grants or loans are expended in oversea countries.

Question 6.—I feel as charitable toward other people as anybody does. You know there isn't anything voluntary about paying taxes. You thelogians are asking the American people to indulge in a sort of forced charity.

Answer 6.—This statement brings into focus the very important question of the relationship between capital formation and the ability of the consuming public to buy goods from the market in as large volume as they are produced. Because income receivers in high income brackets and corporations with higher rates of profit are inclined to reinvest the largest share of their income, there is brought about an unbalance. In other words, in the absence of additional new markets such as might be created by military, public works, or foreign aid programs, the consumers who have small incomes are unable to buy all of the goods that are produced by the expanded productive capacity. This is the situation in which we in the United States find ourselves today, in that, although gross national product will amount to a record $570 billion this year, our plant capacity is only being about 80 percent utilized. In accordance with Christian principles however, if large income receivers would donate to charitable causes and reinvest less of their income in plant expansion, this money would become purchasing power for the Nation's goods instead of adding to plant capacity. A better balance in the total U.S. economy would result.

Since larger income receivers do not voluntarily donate sufficiently to charitable or social programs, however, the Government has the responsibility of levying taxes to provide funds for highways, public works, and other social improvements. This is in a sense "enforced charity."

Question 7.—Do you believe there is a limit to how far our aid program can go? And we have reached the point where we are draining off the material resources of America, it is going out and not coming back? You are drawing from a reservoir where the resources are limited, and you are actually pouring them into a bottomless pit.

Answer.—It is quite true that as the years move on our foreign aid program depletes the mineral resources of the United States. It must also be kept in mind that when we export any of our manufactured goods in normal trade our mineral resources are likewise depleted. This does not, however, create a dangerous situation. Mineral supplies can be replenished from overseas in many instances at lower costs than domestic production. Some of our natural resources such as agricultural output per acre have on the other hand increased steadily over the past decade. No nation is completely self-sufficient with regard to natural resources, and to the extent that we buy resources from overseas, we provide a market for our manufactured exports.

It is not strictly accurate to say that the foreign aid program pours our resources into a bottomless pit. If properly planned and administered, a foreign aid program will develop oversea peoples to a standard of living which will enable them eventually to purchase a larger share of manufactured goods from U.S. producers. In summation, therefore, it is apparent that not only can the United States well afford a considerable increased foreign aid appropriation, but such appropriation will in the short run provide additional markets for U.S. goods, and in the long run will build oversea economies which will continue to demand larger shares of U.S. exports.

Foreign Aid Program

WITNESS

HERBERT E. HARRIS II, ASSISTANT LEGISLATIVE DIRECTOR, AMERICAN FARM BUREAU FEDERATION

Mr. Passman. Mr. Harris, we will be very happy to hear from you at this time.

Mr. Harris. Thank you very much. I would like to file my statement for the record.

Mr. Passman. Without objection the statement will be filed in the record at this point.

(The prepared statement of Mr. Harris follows:)

Statement Presented by Herbert E. Harris, II, Assistant Legislative Director, the American Farm Bureau Federation, With Regard to the Appropriations for the Foreign Assistance Act of 1962

The American Farm Bureau Federation is a free, independent, nongovernmental, voluntary organization of over 1,600,000 farm and ranch families in 49 States and Puerto Rico. Foreign policy is a matter of vital concern to farmers—as it is to all citizens. Through an extensive policy development program at county, State, and National levels, farmers and their elected representatives have discussed foreign policy and foreign assistance programs.

Farm Bureau recommends that foreign aid appropriations be reduced to $3.6 billion—$1.3 billion less than requested by the administration and $1 billion less than has been authorized. We will make specific recommendations by category in regard to the appropriations for the Foreign Assistance Act of 1962. However, initially we will present a basic foreign policy conclusion stated by the voting delegates in Farm Bureau's 1962 policies.

"We believe that trade is a better foundation for our foreign policy than aid."

Our world leadership in the pursuit of lasting peace requires that the United States adhere to a sound foreign trade policy. This means a policy based on expanding free world trade. We have a strong conviction that trade is a key to the maintenance of peace and freedom in the non-Communist world. In this

struggle, two principal elements emerge—free world strength and free world unity. Of course, we must be militarily strong if we are to contain the armed might of the Soviet Union. But of equal importance is free world economic strength. The ability and opportunity of nations to trade—to buy, to sell, to earn—brings a vitality and vigor to a nation's economy that can be obtained in no other manner. This opportunity for trade also can be a tremendous attraction to uncommitted nations—offering them economic advantages that can far exceed anything the Communist empire can hold out through its political machinations of commerce.

At the same time, such trade can contribute substantially to free world unity. Indeed, throughout history it is clear that trade relations have been and are requisite to political alliances. In simple terms, customers and suppliers are usually friends. Expanding markets and expanding sources of supply should be the keystone in the free world's struggle for peace with freedom.

Farm Bureau supports the major objectives of the Trade Expansion Act of 1962. We have recommended certain amendments to strengthen the trade program and to make it more effective.

BALANCE OF PAYMENTS

The balance-of-payments deficit has become a chronic and persistent problem which must be solved. The situation could be improved by (1) expanded U.S. exports and (2) reduced foreign aid expenditures.

Farm Bureau has recommended in the past—and, indeed, there appears to be general agreement—that other nations, especially Western European nations, assume a greater share of the responsibility of the defense and development of the free world. Special groups of countries and institutions have been formed. Other nations are providing a greater amount of capital for underdeveloped countries. International institutions have been expanded and created—for example, the World Bank, International Monetary Fund, International Development Association, International Finance Corporation, the Inter-American Development Bank—in the belief that this would stimulate multilateral efforts toward air.

Over $10 billion has been authorized by the United States toward the financing of such institution. Despite this fact, our bilateral programs are not reduced, and the administration requests an increased level of expenditure for next year's program. Maintaining and expanding the rate of foreign aid expenditures will make the balance-of-payments deficit impossible of solution and very much more difficult even to control.

We believe that the funds made available under the foreign assistance program should be based on good solid plans developed to meet the best interest of the United States. We have the feeling that the reverse is true now. For example, Congress makes the money available for the various programs and then the executive branch of our Government makes plans to spend it. In other words, we suggest "fitting the money to the plans rather than fitting the plans to the money." This is the only way we can continue to justify the vast expenditures for this program.

FOREIGN AID FUNDS

Farm Bureau's 1962 policies state:

"The United States does not have an inexhaustible supply of funds. These must be invested, not merely spent. Our balance-of-payments position makes this policy mandatory.

"We believe future commitments should be predicated upon—

"(1) A well-defined program whose specific aim is to provide technical information and training at a level which is consistent with each nation's current stage of development.

"(2) The granting of loans on the basis of sound commercial standards when there is reasonable expectation of repayment.

"(3) Continued military assistance where this is determined to be essential to nations directly threatened by Communist military aggression which they have demonstrated a will to resist.

"(4) An overall plan designed to make clear the source of the aid and the economic system that made it possible."

We believe the administration's request for foreign aid can and should be reduced. The total appropriation request for the foreign economic and military assistance program for fiscal year 1963 is $4.7 billion. The bulk of the funds requested for this year's appropriations has been based on prior year authoriza-

tions which have not been considered by the House or the House Foreign Affairs Committee during this session of Congress. Approximately $2,750 million was previously authorized. We believe that it was unfortunate for Congress to relinquish in advance this authorization control. In so doing, a serious responsibility has been committed to the Appropriations Committee to carefully review and evaluate the requests for such funds.

This committee will recall that last year an attempt was made to legislate away not only Congress' authorization control but also its appropriation control over a large segment of the foreign aid program. Farm Bureau opposed this move, and the House of Representatives rejected such provisions. For this reason, we have a special appreciation for the opportunity to present our specific views to this committee in regard to the foreign aid program.

The following recommendations will be directed toward those categories in the foreign aid program which are authorized by the Foreign Assistance Act of 1962.

Supporting assistance

	Millions
Appropriated fiscal year 1962	$425
Requested fiscal year 1963	481
Authorized fiscal year 1963	415

This category contains the direct-grant economic aid provisions formerly included in the defense support section of the Mutual Security Act. It has been this category of the program which we have criticized most vigorously in the past and which has proved to be the least effective and the most wasteful.

We believe that a conscientious effort is being made to limit the amount of funds requested for this program. However, progress has been slow. For example, in fiscal year 1961, $725 million was requested; $675 million was provided by Congress. In fiscal year 1962, $581 million was requested; $425 million was provided by Congress. This year's request is for $481 million, $100 million less than requested last year and $56 million more than was provided by Congress. Congress has authorized $415 million.

We recognize that it is important that countries on the perimeter of Communist nations remain militarily and economically strong. But, assistance to these countries should be based on the Development Loan Fund and other existing avenues of aid. To say that we have involved ourselves in unsound endeavors or programs from which it is difficult to withdraw is not sufficient to justify grant aid or the indefinite continuation of a program which has proved to be a failure.

We recommend that Congress reduce the appropriations to $350 million and that it be made clear in the committee report that this program should be completely phased out in the next 2 years.

Development grants

	Millions
Appropriated fiscal year 1962	$296.5
Requested fiscal year 1963	335
Authorized fiscal year 1963	300

We believe that funds in this category should be used primarily for technical assistance—demonstration and training to provide underdeveloped countries the know-how which will equip them to increase their standard of living. We should concentrate our efforts and limit our activities to those countries which demonstrate a desire for such assistance and which are willing to provide the economic climate and local cooperation requisite for the success of the program.

We believe that this item should be reduced to the 1962 level.

International programs

	Millions
Appropriated fiscal year 1962	$153.5
Requested fiscal year 1963	148.9
Authorized fiscal year 1963	148.9

We continue to have grave reservations relative to the benefits to be obtained from so-called multilateral programs for which the United States provides over 60 percent of the funds. Farm Bureau's 1962 policies state:

"The United Nations is an intergovernmental organization designed to cope with international problems on a basis of open discussion and negotiation.

"It is unfortunate that the effectiveness of this organization has been seriously impaired by the disruptive efforts of the U.S.S.R. and by the belief of a number of free world nations that neutrality is possible in the fight for freedom and self-determination. It has become obvious that effective implementaion of U.S. foreign policy can be better obtained through organizations of nations committed to the fight for freedom, such as NATO and the Organization for Economic Cooperation and Development.

"U.S. financial support of the United Nations and its programs should be based on the demonstrated willingness of other member nations to contribute an equitable share of the cost."

One of the real difficulties here is the fact that Congress has not been able to hear testimony from those charged with the responsibility of administering such programs. We believe that the committee should consider hearings in regard to the international programs such as the U.N. expanded technical assistance program and the special fund so that a better basis for evaluation of the effectiveness of the programs can be developed.

Since the United States is taking over much of the responsibility for financing the United Nations, and additional funds are being requested in other legislation, we believe this request should be reduced to $118.9 million.

Contingency fund

	Millions
Appropriated fiscal year 1962	$275
Requested fiscal year 1963	400
Authorized fiscal year 1963	300

Since only a little more than 40 percent of the program is subject to authorization control by Congress this year, it seems especially unfortunate that the decision was made to submit 20 percent of this in the form of an unprogramed contingency fund.

With the tremendous amount of flexibility in the program, we can see no justification for such a large fund, and we recommend that it be reduced to $250 million.

Alliance for Progress

	Millions
Requested fiscal year 1963	$600
Authorized fiscal year 1963	600

Farm Bureau 1962 policies state:

"In our total effort we should give emphasis to the friendly nations of Latin America."

We are in basic agreement with the objectives of the Alliance for Progress. The criteria established in the authorization bill are, for the most part, reasonable, realistic, and sound. They should be adhered to.

However, we do not believe that agrarian reform and redistribution of land require massive expropriation of private property nor the disregard of private property rights. Indeed, the scarcity of land for the Latin American peasant is often caused by the inordinate amount of land held by the national government. Effective land-reform programs should be started by governments redistributing their own land. We have seen the example of going operations being taken over by a government in the name of land reform and for the purported purpose of redistribution to the campesino only to see such land remain indefinitely in the hands of the government. This has happened in Cuba. In many Latin American countries, effective land reform means simply a good "Homestead Act"; that is, permitting public land to be acquired by those willing to work it.

We regret that the effort is being made again to remove authorization control from a foreign aid program. We believe that the Alliance for Progress should be authorized and appropriated funds on an annual basis. We believe strongly that the Alliance for Progress, like the Development Loan Fund, and in fact the whole foreign aid concept, is dependent on public understanding and approval and on congressional review and control.

Although the Alliance for Progress has been set up as a separate category for which funds are requested, it is, in fact, an extension of our development loan program. Farm Bureau supports the designation for Latin America of $600 million of our development loan funds on the condition that such designation is reflected by a similar reduction of funds for the Development Loan

Fund. To do otherwise would be using the Alliance for Progress as a means of excessively expanding the appropriations for economic development loans.

APPROPRIATIONS FOR PROGRAMS RECEIVING ADVANCED AUTHORIZATIONS

The preceding recommendation has dealt with programs authorized by the current session of Congress by the Foreign Assistance Act of 1962. The military assistance program and the development loan program had received advanced authorizations which totaled $2,750 million. The advanced authorization for military assistance was $1,500 million. This is only $100 million less than the amount appropriated for 1962. Although meager information is available to nongovernmental organizations with reference to this program, we believe that a greater reduction could be made without serious impairment of the military defense of the free world. It is imperative, especially in this field, for other nations of the free world to assume a greater share of the burden of their defense. They will not do as long as the United States evidences its intention to pay the bill.

We recommend that the appropriation for military assistance be cut by $200 million under the amount appropriated last year. This would provide a $1,400 million appropriation for military assistance.

Development Loan Fund

	Millions
Appropriated fiscal year 1962	$1,112.5
Requested fiscal year 1963	$1,200.

Farm Bureau believes that economic assistance should be provided in the form of loans instead of grants. We believe that the development loan program must be administered carefully so that requirements and conditions of the loans place them on a sound, businesslike basis. If sound practices are not adhered to, the loan procedure can be but a thin disguise for grants.

We have noted, with approval, that all loans under the development loan program are repayable in dollars rather than in local currency. This has been an important change in our economic aid procedures. Of course, it should be emphasized that repayment in dollars must be predicated on opportunities for underdeveloped countries to earn dollars. This means that projects undertaken must not be based simply on the concept of self-sufficiency. Economic development of a country requires that it produce those commodities it can produce most efficiently and that it then take advantage of the benefits of world trade. Obviously, it is unrealistic and contradictory to base an economic aid program on loans repayable in dollars if the recipient country does not develop the capability and have the opportunity to expand its exports.

The record is clear—there have been serious mistakes and excessive waste in our economic aid programs. If the United States is to aid the peoples of underdeveloped countries by raising their standard of living, the economic activity in such countries must be geared to the obtaining of the goods needed by the people through production or trade.

When production is determined by the state rather than the consumer, it is rare for standards of living to be raised. On the other hand, private enterprise and the market-price system will respond to the consumers' needs and provide an increased standard of living. The United States stands as vivid proof of this fact. But despite this evidence, the United States has often placed itself in the position of providing financial assistance to economic systems based on a statist-planning concept. For example, under the second 5-year plan in India, 58 percent of the investment was provided through public funds. Under the third 5-year plan, this percentage was raised to 66 percent, and even the private investment is artificially directed to certain types of production. Of course, this has resulted in divorcing production from consumer needs, and the living standard of the people has remained at low levels.

If the Government of India chooses this direction in its endeavors for development, as a sovereign nation it has the right to make such a decision. Farm Bureau does not believe that the United States has the responsibility to finance such doomed experiments in socialism. The standard of living of the people of India will not be improved until the consumers have a voice in directing the productive development of India. History makes it clear that development in agriculture and in lighter industry must precede the development of heavy industries. Too often we disregard this fact. The result is failure and exorbitant expenditures.

The Development Loan Fund should make credit available only when such credit can be used as a means of making additional financing available through private investment or through established "bankable-loan" institutions. "Easy term" loans of the type provided by the Development Loan Fund are an expedient and must be administered with caution and prudence. Otherwise, a serious disservice will be done to the recipient countries and the American taxpayers.

We recommend that the funds provided for economic aid through development loans be maintained at the 1962 level. Since $600 million has been designed for Latin America, this would indicate an additional appropriation of $650 million for the development loan program.

SUMMARY

The recommendations that we have made are designed (1) to improve the effectiveness of our assistance programs to underdeveloped nations; (2) to strengthen the free world's defense against Communist aggression; and (3) to reflect the critical need for reducing Federal expenditures.

We urge the Congress to adopt these recommendations.

Appropriations, Foreign Assistance Act of 1962

	Requested	Authorized	Farm Bureau recommendation
Supporting assistance	$481,000,000	$415,000,000	$350,000,000
Development grants	335,000,000	300,000,000	296,500,000
International programs	148,900,000	148,900,000	118,900,000
Contingency fund	400,000,000	300,000,000	250,000,000
Alliance for Progress	600,000,000	600,000,000	600,000,000
Investment guarantees	100,000,000		
Investment surveys	5,000,000	2,000,000	2,000,000
Administrative expense	55,000,000	53,000,000	53,000,000
Total authorized	2,034,900,000	1,818,900,000	1,570,400,000
Previously authorized:			
Military assistance	1,500,000,000		1,250,000,000
Development loans	1,250,000,000		650,000,000
Total previously authorized	2,750,000,000		2,000,000,000
Grand total	4,878,500,000		3,570,400,000

Mr. HARRIS. I would like to briefly outline our recommendations and views on this. In view of the time I will hold my statement down and hope any questions you might have in regard to them you won't hesitate to ask.

In the Farm Bureau, in our attempt to represent 1.6 million farm families we do have an extensive positive development program. Within that program the membership have discussed foreign policy at some length and have come up with rather incisive policy on it.

I want to mention, we feel the basis for foreign policy should not be in any foreign aid program but rather the foreign trade program, based on mutual benefits—the benefits that flow from commerce and on a foreign trade policy that will allow such flow.

We have supported the major objectives of the foreign trade program—the Trade Expansion Act of 1962 as requested by the administration. We have made several recommendations in regard to that program for improvement. We were happy to see the House adopt some of them, some of the major ones. We would hope to have the Senate adopt the rest of them.

In view of our balance of payments problem we feel we must take a really hard look at unilateral transactions such as the foreign aid

program; to put the magnifying glass on the programs we have, to see whether they are obtaining any real results and whether or not we can make judicious cuts in these programs, where waste is evident and where ineffectiveness is also evident.

We have gone through a process here in the last several years where we have created a number of new programs, especially in the multilateral order. We have doubled the authority of the World Bank, the International Monetary Fund. We have established a new International Development Association. We have gotten into the Special Fund in the United Nations, expanded technical assistance in the United Nations, and so forth.

Now, most of these efforts have been based on the idea that this is the way we could obtain the efforts of other countries in this foreign aid field and this would be the way to lessen our own responsibilities or at least our own expenditures in this field. We have decided it was time other developed nations assumed a greater share of this.

Unfortunately, as the international programs have been created and as we have authorized something over $10 billion I suppose in the last 2 or 3 years for these type programs, we have not seen a proportionate reduction in our bilateral programs. We feel like this is a mistake, it is a failure to get the other side of the coin, the other direction that we were supposed to take.

In view of these two factors, the balance-of-payments situation and the many, many funds that we are plowing into international programs, we feel that this request for the foreign aid program should be cut by about $1.3 billion below what the administration requested and about $1 billion below what has been authorized in the authorization program.

It is unfortunate that the majority of the funds which you here today consider have not, in this session of Congress, been considered by the House Foreign Affairs Committee or been considered by the House, really. They have been authorized in an advanced process.

We have been opposed to this idea. We feel that it is important that the Congress take an annual look at the requirements. We thought it was a terrible mistake last year when they made the effort not only to circumvent the authorization act but the appropriation act through the backdoor spending process. We oppose this vigorously. We were happy to see the House take the action it did to restore to the Appropriations Committee its proper function of looking at these funds. It appears to us that in this environment there falls upon this committee a tremendous responsibility to take a hard look at these funds because frankly you are the only ones that are doing it.

I want to first just very hurriedly go over those categories that have actually been authorized this year.

On supporting assistance, we feel this is the weakest part of the program. It is a grant-aid program which has proved to be a failure in almost every country in which it has operated. We recommend this be cut to $350 million. We feel that a definite effort should be instigated to phase out this program entirely.

The grant aid aspects of our aid program have been fraught with failure and we feel that this one especially deserves significant cuts, not only this year, but in the future until we phase it out.

On the international programs we recommend a reduction to $18.9 million, mostly on the basis that we see in the special fund and expanded technical assistance programs of the U.N. very little results and very little control.

We would hope that the day would come in this regard, Mr. Chairman, when your committee or some committee in Congress would pull the folks in if possible who are administering this program and have them testify and justify the programs that they have been operating.

We have seen very little results from them and we have seen policies adopted by them which are hard to justify in the U.S. interests.

Mr. PASSMAN. I would suggest the gentleman read the hearings. You will learn we do bring them in for very close scrutiny and examination of the programs. At some subsequent date when we print the hearings I wish you would get a copy of them. Then you will understand that we go into great detail.

Mr. HARRIS. Have you had the actual U.N. officials down, Mr. Chairman, Paul Hoffman——

Mr. PASSMAN. It all depends on what you mean by "officials." We have officials from the Department of State who must justify in detail the items in the international program.

I want the record to show again that we may not have the U.N. officials as you think of U.N. officials but we do have those who are responsible for the program, the allocations.

I would not want to leave you under the impression that we go into great detail on each and every project as you mentioned there because a program that is operating in a hundred nations you could never get into each project.

Mr. HARRIS. I mean to evidence our great reservations in regard to the way these programs are being administered and in our view it would be a healthy thing if possible to bring the men who are actually administering these programs for the U.N. before this committee for questioning.

On the contingency fund we think it is unfortunate where so much control and authorization is being lost to program so much money, to put so much money into an unprogramed aspect of it. As I know, the chairman knows, $400 million was requested for the contingency fund. The authorization bill cut this. We feel it should be cut to $250 million.

We support the Alliance for Progress principle. We think it is a happy development to place a little more emphasis on the Western Hemisphere as far as our efforts are concerned but we relate the Alliance for Progress program to the whole development loan program and feel that the two as far as the total amount of appropriations are concerned should be considered with the proper relationship. In other words, the Alliance for Progress program should not be used as a means to expand our total economic aid outlet. It should be considered as an adjunct to the total funds requested for economic aid through development loans.

Therefore, the $600 million which has been requested for the Alliance for Progress should be considered a part of the $1.2 billion which has been requested for the Development Loan Fund.

We, very briefly, recommend a $200 million cut in the military assistance program on the basis we feel it is time that other countries will assume more of the burden of this military defense and that the only way that we can get them to do it is to show them we are not going to pay the bill.

On the Development Loan Fund, then, we would recommend a cutback to $650 million, which, of course, would bring it, combined with the Alliance for Progress, to a level of approximately that which has been programed last year.

On this basis then, these are our recommendations, sir. We appreciate the opportunity to present them to you and your committee. We feel that they will make more effective our assistance program. We feel that it will strengthen the defense against Communist aggression and they will reflect the critical need for reducing Federal expenditures.

Mr. PASSMAN. Thank you, Mr. Harris. Incidentally, I am a member of the Farm Bureau, the Louisiana Farm Bureau Federation.

I have a very high respect for the organization. We are very glad to have you appear before the committee and give us the benefit of your views, sir.

Mr. HARRIS. Thank you.

Mr. PASSMAN. Do any of the members have any questions?

Mr. Rhodes?

Mr. RHODES. I do not have any questions, except to thank Mr. Harris for coming. I, as usual, find myself almost in complete agreement with the American Farm Bureau Federation. I am not a live member, but I ought to be.

SATURDAY, AUGUST 4, 1962.

FOREIGN AID PROGRAMS

WITNESSES

WALTER HARNISCHFEGER, MILWAUKEE, WIS., HONORARY CHAIRMAN OF THE CITIZENS FOREIGN AID COMMITTEE

LAWRENCE B. MURPHY, PRESIDENT OF THE WILLIAMSON CO., OF CINCINNATI, OHIO

DR. ELGIN GROSECLOSE, CITIZENS FOREIGN AID COMMITTEE

BRIG. GEN. BONNER FELLERS (RETIRED), CHAIRMAN, CITIZENS FOREIGN AID COMMITTEE

Mr. PASSMAN. We have the representatives of the Citizens Foreign Aid Committee with us. We shall list in the record at this point those who will make statements: Mr. Walter Harnischfeger, Mr. Lawrence B. Murphy, Dr. Elgin Groseclose, Brig. Gen. Bonner Fellers (retired).

I believe the first witness will be Mr. Walter Harnischfeger. We shall be very happy to hear from you at this time, sir.

Mr. HARNISCHFEGER. Thank you.

Mr. Chairman, I have covered the first part of my statement in connection with certain observations I made traveling abroad, which is tied into the economic phase of the foreign aid and which illustrates how our foreign aid is really undermining what you might call free

enterprise, free capital. It is socializing a great many of the areas and bringing about the opposite reaction from that intended; at least I assume so.

I will read this in the interest of conserving time.

Mr. Chairman and members of the committee, this is my ninth appearance before House or Senate committees in connection with foreign aid, and I want to express my appreciation for your indulgence in permitting me to appear again today.

FOREIGN TRAVEL

Since my last appearance, I have covered three continents. Twice I have visited South America. There I attended the meeting of the Inter-American Development Bank and the U.S. Inter-American Council. The expansion of American foreign trade, economic, and social problems were discussed.

I have made two trips to Europe where I attended the International Chamber of Commerce meeting at which world leaders discussed commerce, and ways to expand private industry and to develop new markets.

Recently, I have returned from my second trip this year to the Far East. My travels included Hong Kong, Pakistan, India, Thailand, the Philippines, and Japan. In these areas I called upon a number of businessmen and American bankers. Many American companies are well manned and have a thorough knowledge of the local, economic, and social problems. Doubtless our American banks could assume greater responsibility in handling credits and financing private American business.

For more than 45 years the Harnischfeger Corp. has been engaged in foreign trade, and, incidentally, in the basic industry. Throughout the world it has many outstanding connections. I am, therefore, not talking from the standpoint of an isolationist. Rather, I am talking from the vantage point of one who recognizes that rapid communications have shrunk the world, and that we must build up commerce on sound business procedures, and assume our responsibilities as free world leaders.

COUNTRIES VISITED

Latin America: Our State Department policy in Latin America promotes socialism, seeks to promote a uniform policy on agrarian reform, and tries to make Latin America in our own image. This puts us in conflict with many local stabilizing influences.

Our loose gifts through Government channels, often without strings, frequently finance leftist and even Communist governments. Our fantastic loans, at a low rate or without interest, bring about a flight of private capital, discourage the accumulation of venture capital, break down private enterprise, and destroy free markets and a free society.

We tolerate expropriation in Cuba, Bolivia, and Brazil. Such procedures break down the keystone of a free society; they encourage similar actions among their neighbors. Cuba is used as a springboard to train teams and to teach communism. Then the teams in-

filtrate area after area throughout Latin America. Some of our embassies are encouraging American labor teams to organize foreign subsidiaries among satisfied employees, thereby creating more unrest and social disturbances.

After spending hundreds of billions in defense, it seems only logical that we should protect our American nationals and their properties. We should not tolerate chaos and communism 80 miles from our shores. If a showdown is inevitable, we had better select Cuba instead of Berlin or South Vietnam.

I should like to suggest that every Member of Congress read a book about to be released entitled "South Winds Red" by Philip Ray. It is one of the best documented reports of what is transpiring south of the border. It offers constructive recommendations.

Europe is prosperous and needs no aid. With a population half again as large as ours, there is no sound reason why we should continue to garrison Europe. Gradually our troops should be returned to the United States and thereby permit European troops to replace them. Under prevailing conditions, we must retain our Berlin garrison until a sound solution can be found to this complex problem. However, we should insist that our industrial allies carry their proportionate share of defense expenditures.

Hong Kong has grown tremendously in the last 10 years. When I was there, refugees from Red China were crossing the border in droves. The local government authorities appeared to be handling this situation much more efficiently than in many areas into which we are pouring millions. Apparently, for the most part, the Chinese population was able to absorb these refugees; they were being put to work and were provided inexpensive shelter.

The current price of custom tailored suits in Hong Kong is $32. A comparable suit in the United States costs $120. I emphasize this merely to indicate the type of competition we face if we are going on a free trade basis.

The Hong Kong black market appears to be thriving. I am informed there is considerable free world trade with Red China.

So long as our allies are indulging in this type of trade, U.S. citizens should have equal rights. I believe our Government should develop a list of strategic materials which we should not ship to Russia or Red China, and urge our allies to abide by the same rules. U.S. citizens should then be permitted to trade in authorized commodities. I emphasize these factors, as they have an important bearing on our giveaway program. In the light of our fiscal position, holding an umbrella over our so-called allies is a luxury we can no longer afford.

Indications are that Red China is suffering from severe crop failure and famine. However, judging by the number of youngsters on both sides of the border, the Chinese are not dying of race suicide. Birth control, which takes time and education, seems to be one of the solutions in order to prevent a global population explosion. Our foreign aid program might well utilize more funds in these areas rather than in financing certain Communist countries.

Pakistan: in Karachi, the principal city of Pakistan, much progress has been made in improved highways, buildings, and utilities. The Karachi community seems to be thriving. Jute, textiles, tea, and cereals are the backbone of Pakistan's economy.

In Lahore, there is great activity in public construction. Major dam, irrigation, drainage, and flood-control works are being constructed. A number of leading American firms are acting as consultants and principal contractors.

Necessary Pakistan irrigation, which requires redirection of headwaters in Kashmir, is complicated by the dispute with India over Kashmir.

Pakistan has received $1.5 billion U.S. aid. In addition, a part of the public works program is being financed through the World Bank, which is seeing to it that the loans are properly allocated and utilized. The extremely large public works appropriations, all at one time, raise the question of what will maintain the economy when this work is completed. Some of these projects might have been awarded over a longer period. One unrealistic aspect of our global giveaway program is that our planners develop and start many projects which are not self-liquidating. The local economy cannot sustain them, and our program presupposes that the handouts continue indefinitely.

India: As of June 30, 1961, the United States had advanced $3.1 billion in aid to India.

After the 10 years that have elapsed since my last visit, improved conditions are naturally evident. In driving from New Delhi to Agra, the time consumed was half of that required 10 years ago. The standard of living appears to have improved; country stores are carrying a greater variety of merchandise.

During the past year, India's' principal exports of copra, textiles, tung oil, and other farm commodities have declined around 25 percent. This results in a serious exchange problem. The lack of currency convertibility, and the lack of export surpluses are problems that cannot easily be resolved. India's population explosion absorbs substantial accumulated balances.

For any country, sound expansion requires venture capital from within. This is a slow and difficult procedure, particularly in view of the fact that India is operating on a sort of mixed economy—half government-controlled and half private enterprise.

The Indian government has built two steel plants. One was financed by the Russians and one by the Germans. These two mills will produce annually 2 to 3 million tons. Both mills are government-controlled and government-operated. It will be interesting to observe how the government-owned mills will function in comparison to private enterprise mills.

If India increases her production and expands her industries by government-financed plants, it will gradually bring about a sort of socialistic controlled industry. Many more government bureaucracies plus welfare funds and labor restrictions will sap the vitality of these industries and draw the private enterprise companies into a government-controlled orbit. I point this up to emphasize the economic and political changes we are creating. Thus, American taxpayer funds foster socialism and communism.

India is emerging from a state of coma and abject poverty. It is a huge potential market which should be developed gradually. Government and business leaders are well educated and capable. The large assistance which we have already given India should bring further expansion of her economy and improvement in the standard of living.

Thailand has one of the better balanced economies in the Far East. Bangkok has two new modern hotels—air conditioned. The streets have been paved. In the past few years the entire city has received a facelifting. It is noticeable that the old tricycle rickshaw has been replaced by a three-wheel motor rickshaw built in Japan. There are many new buildings housing American business enterprises. The economy is substantially self-sustaining. Bangkok is at present ruled by a military government.

A large segment of the population is Chinese. They operate many shops and are the principal traders. There is a great deal of commerce, mostly in the river area, where rice and sugar are transferred from small river barges to cargo ships that sail the seven seas.

I had a long discussion with our U.S. trade attaché—a career officer—on the problems of defense, trade, and finance. Men of his caliber should be assigned to various countries as trade attachés, responsible to the Department of Commerce. A few top trade attachés in each country can act as liaison agents to gather facts on commerce for American business and eliminate a multitude of AID personnel, many of them building up visionary schemes.

I talked to the very able manager of the largest lignite mines, which are developing some of the coal resources and producing power, as a private project.

There has been a substantial public works program in irrigation, drainage, and highway construction.

Thailand is, undoubtedly, an area where the danger of communistic infiltration exists from the adjacent areas. We are taking on heavy commitments throughout this area and no one can appraise where this will lead us.

The Philippines has a population of 24 million. The standard of living is higher than in most areas of the Far East. Also, labor rates are higher. Iron and copper mines and power and forest products are being developed. Also, there is a noticeable expansion of manufacturing facilities, such as chemical, tire, and automobile body plants. The new Finance Minister, whom I met, had just arranged for some U.S. loans. The Philippines is a rich country and should enjoy a self-sustaining economy.

In Japan, I had a heavy schedule of business appointments which included many plant inspections.

The Japanese people are intelligent, hard working, highly skilled and disciplined. They work long hours; their demands are modest. They are doing a marvelous job in supporting 92 million people in an area the size of California, more than half of which is barren rock.

One of Japan's principal resources is water power. Hydroelectric developments have been exploited to a maximum. Many new highways are under construction. Tokyo automobile traffic is extremely heavy.

In their overall economy the Japanese, in a way, are confronted with some of the same problems that we face; namely, adverse payment balances. They have recently lost $500 million of their monetary reserves.

However, unlike the United States, they are doing something about it. They have tightened their belts. They have raised their interest rates. They are controlling imports and are making every effort to

increase exports by reducing costs and improving productivity. I am certain Japan will restore her balance of trade. Japan's handling of her economy reveals the essential steps a country must take to remain solvent. It would be well for us to take a leaf out of her book.

GENERAL OBSERVATIONS

There is a special reason for my spelling out the situation as I saw it on three continents. Since the inception of our foreign aid, including interest on the money we borrowed to give away, our aid has cost more than $100 billion.

The aid fallacy: Aid proponents claim that emerging countries, if given economic assistance, will develop a stable government and a sound economy. This claim has been disproved in Korea, Laos, Turkey, Cuba, Brazil, Bolivia, and other recipient countries. Yet the foreign aiders continue to pour money we do not have down the well-known rathole.

So long as our aid continues to flow into recipient countries, their economy temporarily may appear to improve. On the other hand, in many instances our aid has promoted unrest, corruption and political instability. In the long run, to survive, a country must have honesty in government, political stability, and be able to sustain its own economy with its own internal resources. It is high time that aid recipient countries stood on their own feet.

Ample help available: This does not mean that our people will refuse to lend a helping hand. The following eight agencies were created to further aid objectives; they have lending power of many billions of dollars: Export-Import Bank, Inter-American Development Bank, International Development Association, International Monetary Fund, World Bank, International Finance Corporation, Inter-American Social Progress Trust Fund, and Agency for International Development.

From fiscal 1961, some $6 billion in aid appropriations was unexpended. From fiscal 1962 we may expect a similar carryover. These unexpended funds from fiscal 1962 should be carefully screened and reobligated so as to effect a reduction in the administration's demand for huge new appropriations.

In view of funds available from lending agencies and from the fiscal 1962 carryover, fiscal 1963 appropriations should be reduced to not more than $1 billion.

I would like to add that I see no reason to attempt rapid conversion of peoples in certain areas who are perfectly happy living under a coconut tree. Their rise, of necessity, must be an evolutionary process. It will be a century before they can earn a standard of living comparable to ours.

Our debt: Continuance of foreign aid must be considered in the light of our huge public debt which, within fiscal 1963 will reach $308 billion. Interest of this debt approaches $10 billion annually. Accurate calculations place our overall debt, including various obligations and legislative commitments at $1,125 billion! It is the height of folly to continue our present aid program when the American taxpayers are already shouldering such a burden.

Gold reserve: Our gold is running out. The gold reserve now stands at $16.4 billion. Foreign holdings—redeemable in gold—total about $22.5 billion. By law we must retain a $11.7 billion gold reserve to discipline our currency. The cost of our foreign policy, the principal items of which are economic aid and military assistance, totals more than $5 billion annually. So long as this spending continues, we shall face an unbalanced budget, a deficit in our balance of payments and a resultant flight of gold. The United States is broke but our leaders refuse to face it.

Qualified personnel: It is important on appropriate projects to utilize qualified engineers and technicians. The best results can be expected from experienced men teamed with college graduates. For example, in developing highways AID often builds costly boulevards where secondary roads would be ample for the local traffic. Youngsters in the Peace Corps and many in the Alliance for Progress have had insufficient experience.

Private enterprise: Where there is a need for industrial development, private enterprise possesses the know-how that can not only produce efficient industry but also can build modern towns, hospitals, schools, and, in general, improve the standard of living on a self-liquidating basis. If the aid recipient countries will stabilize their governments and pledge no expropriations of foreign investments, private capital will flow in seeking a fair reward. Where private venture capital is needed, government guarantees should, if the climate is favorable, be resorted to instead of giveaway programs.

In our entire program of giving out $100 billion in foreign aid, we have largely overlooked the possibility of stimulating private industry to its maximum capability in foreign areas.

Free trade: It is difficult to conceive free trade so long as high taxes continue and labor markets are not free. To restore free labor markets in this country is unrealistic. Labor and taxes are the biggest cost items in our manufactured articles. Labor rates have tripled in the last two decades and Government spending and taxes have increased sixfold.

The problem of tariffs is closely interwoven with our whole international economy. A selective tariff, which is fixed by experts who know costs and trading conditions, is the best way to protect the American and the international economy. Furthermore, so long as emphasis is being laid on increased exports, our tax laws—withholding taxes included—should compare favorably with those of our foreign industrial competitors. It is most unrealistic to suggest changes in our foreign tax structure which would further handicap American business and American labor and reduce export. Elimination of the major portion of our giveaway program would enable us to reduce taxes and place us in a more favorable competitive position.

Our foreign competitive position: Our huge aid program has financed widespread foreign competition. For any American manufacturer to maintain a competitive position in the international market today is not easy. In both the European and Far Eastern markets, there is increasing competition. It will be extremely difficult for the United States to hold these markets with our present labor costs, low productivity, free trade, and high taxes.

A drastic reduction of the $100 billion in the giveaway program during the last decade would have gone a long way toward our maintaining a leading position in the international markets. If we had handled our aid funds wisely, we could have been repaid for many of our grants. Today we are high-cost producers with huge national deficits, with adverse payment balances, and with an ever-increasing flight of gold. All of this saps our vitality.

If we are to maintain leadership of the free world and win over communism, our first responsibility is to restore a strong home base, militarily, morally and economically. Unfortunately our recent administrations have not followed such a program.

Sound military observers are alarmed at the failure to develop the RS–70. Increased crime and corruption are weakening our moral fiber. Foreign aid is undermining our economy. We can no longer afford to dissipate our resources with huge foreign handouts.

Population unrest: Throughout my trips, both in Latin America and the Orient, I noted unrest especially among students. I saw well-organized parades of leftists. It would appear to me a more careful program could be developed to discourage such demonstrations and to insist that foreign governments, which are beneficiaries of our aid, insist on law and order and develop a climate which is favorable to free enterprise and private investments.

RECOMMENDATIONS

In order to correct our unfavorable balance of payments, stop the flight of gold, and balance our budget, the United States drastically reduce our economic giveaway and military assistance programs.

Both business and Government must discipline themselves. The Government's $92.5 billion budget is beyond the capacity of the American industry and taxpayers.

Accelerated depreciation allowances should stimulate the purchase of modern equipment and reduce costs.

Industry must insist that increased wages be predicated on increased productivity.

Our allies carry their share of foreign military expenses and, thereby, save us $3 billion. Before World War II, defense costs of our allies were substantially higher.

Unspent foreign aid appropriations for fiscal 1962 probably amount to more than $6 billion. These should be screened and reobligated so as to reduce fiscal 1963 aid to not more than $1 billion.

Our defense costs which represent the largest outlay of our Government—over $50 billion—should be rescreened. Elimination of waste and duplication would save over 10 percent. Elimination of obsolescent arms and weapons would have additional billions.

There should be a reliable reevaluation to determine whether it is desirable to spend billions to reach the moon—where one can live only under an oxygen mask.

The above recommended measures would balance our budget and permit a substantial reduction in taxes, thereby reducing costs and improving our competitive position in the international markets and expand exports.

Certainly the impact made in the recent stock market crisis should be sufficient warning to the administration and Congress and, par-

ticularly, to this committee of the necessity of revising our giveaway program which threatens our own and the free world economy.

Four years ago the Citizens Foreign Aid Committee presented a realistic program to readjust our military and giveaway policies over a 3-year period. If that program had been adopted our international balances and flight of gold would have been under control. Industry could have adapted itself to the economic changes.

While some of these recommendations may appear somewhat outside the direct considerations before this committee, they are closely tied into our foreign competitive position, flight of gold, and foreign aid program and they have an important influence on how America can survive as a solvent nation and as a leader of the free world.

Mr. PASSMAN. It is rare, indeed, for this committee to be honored with the type of witnesses we have here this morning. Those of you who are in the industrial segment, like Mr. Harnishfeger, Mr. Murphy, and of course Dr. Groseclose, an economist, and General Fellers.

Mr. Harnischfeger, this is one of the most forceful statements yon have ever made to this committee.

The next witness will be Mr. Lawrence B. Murphy.

Mr. ROONEY. May I ask a question at this point?

Mr. PASSMAN. Yes.

Mr. ROONEY. Mr. Harnischfeger, are you speaking for all the members of the Citizens Foreign Aid Committee when at page 4 of your prepared statement you say:

> Birth control, which takes time and education, seems to be one of the solutions in order to prevent the global population explosion.

Mr. HARNISCHFEGER. I could not answer that.

Mr. ROONEY. I don't think you do.

Mr. HARNISCHFEGER. I say——

Mr. ROONEY. I do not think you express the views of Dean Manion, do you?

Mr. HARNISCHFEGER. You might be correct in that statement. Basically I can only say even the Catholics are taking a much different position than they formerly did.

Mr. ROONEY. I haven't heard about that.

Mr. HARNISCHFEGER. Well, I think you will find that it is a fact. I do not know whether you read a book entitled "Standing Room Only" which emphasizes some of these fundamentals.

Mr. ROONEY. I haven't read that any more than I have read a great deal of material I get from the Citizens Foreign Aid Committee. I could not keep up with it all. There are only 24 hours in a day.

Mr. HARNISCHFEGER. I merely made that observation as a personal observation in my travels. Of course, I am not unmindful that both Catholics and also the Moslems have some very definite ideas on that subject and if you want to, I will delete the statement. It is all right with me.

I do not think any member of our committee can interpret the detailed viewpoints of each member on the committee.

Mr. PASSMAN. I want to say I do not know of any organization in America, or I might say I do not know of any combination of organizations that I receive material from that has given me as much helpful information, as much factual information as the Citizens Foreign Aid

Committee. I study it in great detail. I may not agree with you every time, but it has certainly enlightened me greatly on foreign aid. You have given me leads into fields in which I have examined and found your statements so completely accurate and in keeping with past history until I would certainly be disappointed if the day should ever come that I cease to receive the statistics from the Citizens Foreign Aid Committee. It indicates that you have a good organization, a tremendous research bureau and the information I get, even though it is quite voluminous, I study it in great detail and at least, please don't take me off the list, because it is very, very helpful.

I believe the next witness will be Mr. Murphy.

STATEMENT OF LAWRENCE B. MURPHY

Mr. MURPHY. Congressman Passman, gentlemen, I must say I am grateful for this opportunity to appear before this committee and to bring to its attention a program of foreign aid technical assistance with which too few Americans unfortunately are familiar, but which I like to think of as tremendously effective. I think probably the explanation for the fact that people are not familiar with it is because the cost is too insignificant to command attention.

This does not detract from its effectiveness, however.

Mr. Chairman and members of the committee, my name is Lawrence B. Murphy. I am president of the Williamson Co. of Cincinnati, Ohio. Our 72-year-old company manufactures residential heating, cooling, and air-distribution equipment. Also shock-mounted metal shipping containers for use in the national defense program. We employ currently some 700 people. We think we're a fair-sized company; but here in Washington I presume you would classify us as a typical small manufacturing business.

I want to tell you today about a type of foreign aid in which I have participated personally. It is called the foreign industrial management seminar program. I want to share with you my experiences, insofar as that is possible in the brief time at our disposal, so that you will get the human side, as well as the economic side, of the picture. For I can assure you, gentlemen, that the human side is very important. Making friends is not just a matter of money.

Not that I want to discount for a moment the purely monetary side of this picture. The problem of the flight of gold and the continuing imbalance of payment is of paramount importance. But that side of the subject is being excellently presented by represenetatives of the Citizens Foreign Aid Committee with whose conclusions I completely agree. The major problem, it seems to me, is how to get better foreign aid for less money—and it is in that light that I want to discuss the foreign industrial seminar program.

I believe so thoroughly in this type of foreign aid because—

It imposes no appreciable financial burden on the American taxpayer. Whatever AID funds are involved are almost negligible. It is completely free of dollar diplomacy.

It is designed to help others to help themselves. Through the frank and free interchange of management ideas, it has the indirect benefit of creating among foreign businessmen a keener awareness of their social and civil responsibilities.

Its essence is genuine people to people contact—private citizen to private citizen—private businessman to private businessman. These contacts are free of Government participation, Government protocol, Government diplomacy. No kid gloves. Just plain, practical talk.

Suppose I start by painting a picture of a group of businessmen, a decade ago, in some foreign city; perhaps a city in war-torn Europe, or perhaps a city in one of the underdeveloped nations. They correspond, let us say, to the members of the Chamber of Commerce of Milwaukee, Wis., or the members of the Manufacturers Association of Birmingham, Ala.

These businessmen were concerned with getting the economy of their country moving. They were concerned about building up their production facilities and methods, and the productivity of their employees. If it was in a city in Europe, it was a problem of recovery; if it was a city, let us say, in India, it was a problem of learning Western industrial methods (from scratch, so to speak).

What most of the companies had in the way of management talent was men whose knowledge and training were limited pretty much to technical engineering subjects. What they needed was men with knowledge in the other areas of business management—general management and organization, human relations, production, finance, marketing, and distribution.

Of course, the U.S. economic mission in each foreign country has always sought ways and means of providing technical assistance to the industrial (as well as every other) segment of the country's economy, through its own corps of experts, through the establishment of local "productivity institutes" for the training of foremen and other production personnel, and through efforts to bring foreign industrial managers into direct contact with their American counterparts.

From back in the early Marshall plan days, one form of this assistance to foreign industry has been that of financing teams of its management people to the United States of America for visits to American plants, where they could be exposed in person to American industrial management methods and techniques, management practices and procedures, and management philosophy.

While such visits have been, and continue to be, a highly effective means of assisting in the development of foreign industrial managers, too often the men who have come have not been the top executives in their respective companies. And too often, these men have gone home filled with ideas which they knew would do much to improve productivity within their companies, only to encounter resistance from their top management. Perfectly natural. Perfectly human. But maximum results, as a consequence, often were not achieved, because top management had not "got the message" directly.

That, gentlemen, was the reason for the inauguration of the program of foreign industrial management seminars, begun in 1951. "If you can't move Mohammed to the mountain, why not move the mountain to Mohammed?" so to speak.

The industry officer, attached to the U.S. Embassy or the U.S. economic mission in the foreign country, usually is the one who generates the interest of the industrial association of that country in the idea of exchanging ideas (via the seminar technique) with a team

of practicing American top management counterparts. This interest leads to the issuance, by the foreign management organization itself, of an invitation for such a seminar team.

This invitation is then transmitted, through AID channels, to the Council for International Progress in Management (U.S.A.), Inc.—an American nonprofit, nonpolitical organization whose essential function it is to foster on the international level the practice of scientific management. Its membership is composed of many American business firms, a number of university schools of business administration, plus various other U.S. management organizations, such as National Management Association, American Institute of Industrial Engineers, Ameriacn Marketing Association, Society for Advancement of Management, National Sales Executive Council, et cetera.

This organization (CIPM) is under contract with AID—not only to recruit these four- or five-man teams of U.S. industrial executives with practical experience in the management subject specified by the "host" organization abroad—but also to organize and conduct the programs of the foreign management study groups which come to the United States of America. Since the beginning of this seminar activity in 1951, and I quote from its 1961 annual report: "The Council for International Progress in Management has sent 132 missions to 25 countries, with a total foreign participation of 26,000."

Now, before I go any further, let's talk about cost. To be specific, let me use as an example a series of seminars in four industrial communities in Brazil in May and June 1961. I was a member of that U.S. management seminar team. The four members of that team were not paid for the job, except for a token honorarium of $50 each, per seminar day.

Each of the 500 Brazilian industrialists who attended the 4 seminars, each of which ran from Monday to Friday, paid a conference fee of 10,000 cruzeiros (then about $40). The total of those fees was adequate to cover the cost of putting on the seminars, the interpreters, and other local staff people, as well as the costs of transporting the U.S. management team to, around, and from Brazil—plus a modest per diem for meals and lodging.

To the best of knowledge, all it cost the U.S. Government—that is, the taxpayers—was the cost of recruiting the team here in the United States, and the honorarium paid. I need not suggest to you gentlemen the incredible contrast, in cost, between this type of foreign aid and the outright grants of millions to foreign governments.

But now let's get down to the meat of the subject. What kind of people attended these seminars? What was discussed? What good did they do? Here again, I think I can best answer these questions by describing briefly the oversea seminars in which I myself have participated. There were five: 3 weeks of seminars in Austria in 1952; 4 weeks in Turkey in 1954; 2 in Israel in 1956; 1 in Jamaica in 1958; 4 in Brazil in 1961—a total of 14 weeks of top management seminars in as many foreign cities.

What sort of people attended? The same sort of people, in each country. Businessmen, top executives for the most part, wanting to learn something. Men who realized that the future prosperity of their country, as well as their own individual progress, depended upon more than government. Men who knew that the general eco-

nomic level of a nation reflects the individual initiative and enterprise of men operating in a free, competitive society; men who supported the same sort of principles that we support in the United States; men whose friendship is very important to our country. And all of them hungry to know more about how things are done in this magical country of ours.

To be sure, many of them arrived at the seminars with eyebrow raised and tongue in cheek. But I can say with complete assurance, based on my own experince in all five countries, that these plain ordinary Americans (very soon, and usually the very first day) in their friendliness, their sincerity, their enthusiasm, and yes, their humility, would completely disarm even the most skeptical.

Now as to the nature of subjects covered. Let's start with Austria in 1952. That was a five-man team. Each of us concentrated his seminar discussion as much as possible within the particular management area assigned to him by CIPM—that is, general, marketing, production, personnel, financial. The industrialists of the host country divided themselves into 5 groups of 20 to 40 each, and each American conducted a full day's discussion with each group, rotating from group to group through the week. I had marketing management, and the principal subjects discussed were market analysis, selection, training and compensation of salesmen, advertising and promotion, and selling costs and control.

The Americans, naturally, tossed out most of the ideas, and developed questions and discussion by explaining in detail what we did in our own companies. We didn't pass out theories—we cited actual experience. We told them how we did it in the United States of America. That's what they wanted to know.

Now, in the course of so doing, we went a lot further. We covered general management philosophy. We broke down the sales dollar, and showed how much of it went for materials, how much for payrolls, how much for taxes, and so forth—and what was left for net profit. The Austrians were amazed that such facts should be revealed to employees, and to the public, and that goes as well for the Turks, the Israelis, the Jamaicans, and the Brazilians.

We developed an interesting sequence with the Austrians which went like this: Market development creates more orders for goods. This increases production and employment, boosts wage payments, increases purchasing power, and raises the standard of living. We emphasized, as objectives, more goods for more people, more jobs for more people, more rewards for more people, more spending by more people, and more freedom for more people.

We tried—as we have done in all the seminars I have attended—to push, as a goal toward which to work, better goods for more people at lower cost. The mass market concept simply had not reached them. Well, that was in 1952. As you know, Europe, in recent years, has finally caught the idea—and caught it very well. Another thing they found it hard to understand was the economic function of competition. They would ask, "Do you mean to say that efficient competition actually sets the price at which you can sell? Do you mean you really design a product to fit the price that people will pay?" Many ideas that were standard practice in America were new to them.

Now let's move into Turkey in 1954. This again was a five-man top management team, and again my management area was marketing. Marketing subjects were similar to those discussed in Austria. But Turkey was a country with relatively little industrial development, desperately seeking to westernize itself after the American pattern of private enterprise.

May I quote here from my section of the report which the American team submitted to CIPM upon its return:

> Because of the wide gap existing in Turkey between the supply of manufactured goods and the demand for them, the field of marketing management was probably less realistic to our Turkish conferees than were the other seminar subjects. There was uniform agreement among them, however, and the more the demand-supply gap was closed, (1) the more Turkey will achieve a vigorous competitive economy, (2) the more Turkish industry will be forced to engage in vigorous marketing practices, and (3) the more standard of living for all the Turkish people will rise.
>
> Throughout the marketing sessions, the Turks were constantly reminded that a true competitive industrial economy implies a substantial realinement in the disposition of sales revenue (among customers, workers, suppliers, and owners) compared with that existing in Turkish industry today.
>
> The U.S. concepts—(1) that industrial workers are industry's best potential customers, (2) that human wants (over and above human needs) are insatiable, (3) that competition makes the consumer the boss and forces industry to give him the most for his money, and (4) that industrial profits in the U.S.A. average only 3½ percent of sales—did serve, I feel, to help condition the minds of the Turkish conferees to the potential demands to be imposed on Turkish industrial management.

Next we come to Israel in 1956. These seminars were attended by a very substantial segment of the country's top industrialists, as well as a number of educators.

Here again we dealt with all five management areas. We covered all phases—organization, products, pricing, sales, training, labor, and stockholder relations—ad infinitum. Again, the subjects were covered by actual case histories related by members of the U.S. management team.

My area this time was financial management, discussing in detail the management methods, practices, and philosophy of my own company, which I did just as completely—even more completely perhaps—than I would for our own board of directors. I actually took them through our 1956 budgets, our controls, our forecasts, our cost analyses, and so forth. In short, I told them, in exhaustive detail, how we run the Williamson Co.

In reporting back to CIPM on the subject of the Israel seminar, Mr. Thomas H. Coulter, of Chicago, one of our team members, made this comment.

> The indoctrination, received by the team members before the seminar began, revealed a lack of knowledge on the part of Israel's executives in the use of management tools, rather than lack of the tools themselves. In other words, they knew what they wanted to get done, but were not skilled in how to do it.

What they wanted to do—and they knew it—was to get costs down to where they would be competitive in world markets. On the basis of my observations, I would say that their major problems, just as in all the other countries, lay in the fields of delegation of responsibility, establishment and use of controls, and increase in employee productivity. So they were interested in methods—and methods of doing things is what we talked about.

We move now to Jamaica in 1958. Here, my management area was organization and administration. Here, again, I told them how we operate in my own company. I reviewed our entire employee relations setup. I told about our group insurance plan and our profit-sharing plan. I went into wage and salary schedules and incentives. I explained our organization structure, and our management development program. I described our sales meetings. I told how our foremen are integrated into the management team. I went into advance planning, and showed them a sales forecast, a profit-and-loss forecast, a cash forecast, and so forth. I told them about our budgetary control, and how our costs are held in line.

Mr. ROONEY. There is nothing new about these seminars. They have been going on for at least a dozen years?

Mr. MURPHY. Since 1951.

Mr. ROONEY. Under the Truman administration, 8 years of the Eisenhower administration, and presently?

Mr. MURPHY. Right.

Mr. ROONEY. They have cost the taxpayers quite a bit of money, too. Are you familiar with that?

Mr. MURPHY. It is the cheapest type——

Mr. ROONEY. Perhaps not compared with these many millions that you speak of.

Mr. MURPHY. Yes; that is true, Mr. Rooney.

So, finally, I come to Brazil in 1961. There, our four-man team met with four groups of top-level Brazilian executives, plus a few university professors in each group. We had an attendance of over 100 in Curitiba, over 125 in Porto Alegre, and over 250 during 2 consecutive weeks in São Paulo.

The object of the seminars, as defined by team member Austin S. Igleheart, retired chairman of General Foods Corp., was—

to create sufficient impact in the areas of management to determine, through an interchange of ideas, if those attending the seminars were interested in pursuing further the principles and the techniques, that, in the U.S. economy, had resulted in a higher standard of living, and reduction of costs in production and marketing—with resulting lower sale prices, coupled with increased wages and broadened markets—giving more and better means of livelihood to more people.

Here, as in Israel, my assignment was financial management. I discussed "The Role of the Financial Executive." I defined the treasurer's job and the controller's job. I went into subjects such as sources and costs of capital funds, corporate taxation, and forecasting and budgetary control. I explained how we ascertain and control costs, and how we measure our performance against our standards. All this on the basis of my own experience, using actual company data as demonstration material.

Then I tossed out some things that surprised them very much—things that had to do with a philosophy of doing business, rather than with methods and procedures. I told them, for instance, how everybody in our company—wage-hour employees, supervisors, and executives—participate in a profitsharing plan, and the impact which this has upon morale and productivity. I explained that this involved full and complete disclosure of all the company's figures to every employee—that, in fact, our annual report (copies of which were made available for the asking) is always sent to employees as well as stockholders.

I stressed the responsibility of management, under the free competitive system, for increasing the purchasing power of employees, while at the same time finding ways and means of holding prices down and quality up—thereby raising the standard of living. I demonstrated on the blackboard how our company, over a period of 20 years, has increased its prices less than 50 percent, while our wages have risen over 200 percent and the cost of steel has gone up 143 percent. "Why aren't we bankrupt?" I would ask them. Inevitably, they volunteered the answer, "Competent management, technological development, greater productivity."

I reemphasized, as I had in previous seminars, that more real progress is made for everybody by aiming at a small margin of profit on a large volume of goods produced, than aiming at a big margin of profit on a small volume of goods produced. The Brazilians, like businessmen in other countries we visited, were amazed to learn that in my own company net profit after taxes was a little under 3 percent on sales.

I have gone into specific details as to the nature of the subjects discussed at these seminars—at the risk, I am afraid, of boring you—because I felt that it was only by a recital of such details that you could get an understanding of their nature and intent. If I had said merely that our seminars covered a wide range of subjects of great significance, you would have learned nothing from my testimony.

It may occur to you that it was somewhat presumptive of me to have cited the experience of my own company as an example for others to follow. But gentlemen, that is the whole point of these seminars. They are not for the purpose of expounding abstract theory—they are for the purpose of explaining what American businesses actually do. This, I am sure, is why the case history method is so effective. I believe that most other seminar team members, like myself, use, as the basis of their presentations, their own personal experience and that of their respective companies.

Now let's go beyond that purely practical side of these seminars and get over on the ideological side.

We Americans have a political and economic philosophy in which we believe. We are convinced that this philosophy is better than the collective philosophy. The methods and procedures which we describe to foreign businessmen are germane to our philosophy, and therefore serve to promote our way of life—the free, competitive system—as contrasted to collectivist systems.

So, while our purpose in these seminars is foreign aid in the truest sense of the term—helping businessmen in other countries further the advancement and prosperity of those countries—we are, at the same time and in a way, what I might call missionaries for the American way of life. And in that connection I want to repeat a few remarks which I have frequently made at the plenary sessions which usually mark the opening of the seminars on the very first morning. This in substance is what I say:

Only 50 years ago, more of the people in the United States were engaged in agriculture than were engaged in business and industry. What took place in our country since then can take place now in nations whose economy is today in transition from farming to industrial production.

What happened was, as we filled our basic needs and began to make the things that people wanted above their needs, that we began to realize the benefit of operating under the free competitive system.

Under this system, competing companies strive to get business away from each other by offering a better product at a lower price. But we also learned, in order to gain broader markets, that it was not enough just to offer better values. We would also have to pay higher wages (to increase purchasing power) so that our people could afford to buy the things they helped to make.

Thus, it is inherent in our system that greater productivity in selling things must go hand in hand with greater productivity in making things.

What we have learned in the United States also is that highly satisfactory profits can be earned on low profit margins. You don't make money, in a competitive economy, by keeping the price up, and making a big margin of profit per unit of sale. You make more money by lowering your price to where you have a small margin of profit per unit, but thereby greatly increasing your volume of unit sales. In short, the better you do for the customer, the better you do for yourself.

Once you can establish a market by making people want something you can furnish at a price they can pay, you have greater productivity, higher payrolls, and a rising standard of living.

We fervently hope, gentlemen, that this philosophy will take root and grow in the minds of the businessmen who attend our seminars.

Now to the final question: Do the people who attend the seminars really get something out of them? Well, I could give you some glowing generalities, but instead I am merely going to read excerpts from a few of the many letters I have received from those who have attended.

Dr. Alfred Klein, managing director of the Austrian Productivity Institute (Vienna) wrote me in January 1953:

Be sure that we, on our part, admire the achievements of your Nation, which all together result in this continuous, fascinating increase in the general standard of living. And there is nothing we desire more than a happy synthesis between your way and ours.

What your mission contributed to that effect, certainly was of great value. It is commonly acknowledged that you have done an excellent job in creating among Austrian managers a climate favorable for productivity.

So your stay in Austria will remain in our memory as a pleasant phase in the development of mutual understanding between our countries.

Mr. Rifat Pollukcu, who makes agricultural equipment in Izmir, Turkey, wrote me in April 1955:

I would like to express our best feelings that you have been very valuable and helpful for us during your stay in our country. We seminar members feel deeply grateful for your instruction and friendship. As you said, it is quite difficult to show any country who might be closer to the United States than Turkey. We are also proud of having dependable and reliable friends on this earth such as Americans.

Whatever and whenever you need something from Turkey, don't hesitate to let us know.

Mr. Dubiner, whose company manufactures corrugated carboard and containers in Tel Aviv, Israel, wrote me in June 1956:

I just want you to know that I personally and the country at large, I am sure, will benefit greatly by your taking the time to put before us the results of your experiences in business life.

This is a real example, I believe, of "bread being cast upon the waters" and confirms and intensifies our belief in the strength of the American way of life.

Mr. Felix Fox, of Seprod, Ltd., manufacturers of soap and edible oils in Kingston, Jamaica, wrote me in October 1958:

I shall never overcome my surprise and delight at the attitude and outlook of the American businessman. It really is an inspiration. While on the subject, let me say that the time I spent at the seminar was of great value to me.

Dr. Alfred Erler, whose company manufacturers pumps in São Paulo, Brazil, wrote me in October 1961:

> Although we have not gotten as far as your company has with our labor relations, no doubt the time is not far off that we have to have something on these lines, and it is certainly good to be able to profit from your experience.
>
> I still recall with pleasure the financial management seminar and the many interesting discussions we had.

Well, there you have the story. Now of course I may be prejudiced because of my personal experience, but it is my firm conviction that the U.S. taxpayer can get far more benefit, per tax dollar expended, out of this form of economic foreign aid than any other type you can name. As I said before, compare the almost negligible cost of this program with the cost of the multimillion-dollar programs, and the contrast is incredible.

But aside from money considerations, think of the results of this program in terms of its impact upon people, key people, people who have much to do with the economic destiny of foreign countries, and the political system embraced by those countries. Can you think of a more effective way of combating collectivism?

And finally, this is a program of making friends. That perhaps is its most important aspect. You see, they learn something from us, but we also learn something from them. This program is a road toward mutual understanding from which both will benefit. And that is more important than money. Let me illustrate:

I have in my hand 2 cruzeiros. Mr. Chairman, I give you 1 of these cruzeiros. [Gives it to the chairman.] Now each of us has 1 cruzeiro apiece. But instead of money, suppose I give you an idea, and then you give me an idea. What's the result? We both now have two ideas; whereas each of us had only one before.

It is the human factor in this program that most appeals to me. This is people to people, not government to government. It is a program of hands across the sea, instead of handouts across the sea.

It is my earnest hope, therefore, that your committee will see fit to continue to support this seminar program.

It is my earnest hope that your committee will see fit to continue this type of foreign aid.

Mr. PASSMAN. Thank you very much, Mr. Murphy.

Mr. MURPHY. Thank you, sir.

Mr. PASSMAN. I observe here you are president of a company that employs 700 people.

Mr. MURPHY. Yes. It is classified as small business.

Mr. PASSMAN. Of course, I am with a company that spends, and that is the Government. We are the spenders and you are the earners. God give us the day in the near future where more businessmen of America will see through this worldwide giveaway program and recognize it as bankrupting us and make it their business to familiarize themselves with it and come before this committee and make their views known. As you well know, this program has been so devised that you have gotten into all 50 States of the Union. It has gone into practically every manufacturer, every college, every university, every workshop, into all the pharmaceutical houses, the motion picture industry, indirectly into all the churches and it has its roots in almost every community. It has become a built-in subsidy to where so many

people through selfishness cannot afford to give up their dollar profit, even though it may be costing some other group of taxpayers $9. I have never felt that you could stop foreign aid, but it should have a higher degree of control. It is in 101 of the nations of the world, plus so many British possessions and territories that I would not list them at this time. I salute you and I respect you as one who must employ people, who must meet payrolls and must pay taxes to continue this program. It does my heart good to see the industrialists of America appear before a committee and make your views known.

Mr. MURPHY. The best scheme is to get the foreign industrialists to foot the bill.

Mr. PASSMAN. Teach them how to do it.

Mr. MURPHY. It did my heart good the other day to hear you quoted as having said this should come down to $2½ billion because if you gave them another $3½ billion, they would not know how to spend it.

Mr. PASSMAN. The next witness is Mr. Elgin Groseclose.

STATEMENT OF MR. ELGIN GROSECLOSE

Mr. GROSECLOSE. Thank you, Mr. Chairman. I will accept your invitation to file my statement will the record and refer to it briefly.

Before I begin I want to pay tribute to the chairman and the members of the committee for the attention given to foreign aid and the analysis you are giving to the cost of it. I think you represent the great bulwark for the taxpayer in this matter. We appreciate it. I as a citizen want to express my appreciation of the efforts you are making.

Mr. HARNISCHFEGER. I second that motion.

General FELLERS. I, too.

Mr. PASSMAN. I thank you.

Mr. GROSECLOSE. I appreciate your comments about the research material being put out by the citizens Foreign Aid Committee, since our firm is responsible for a great deal of that. We operate on a very small budget.

Mr. PASSMAN. You are a segment of the free enterprise system.

Mr. GROSECLOSE. Yes.

Mr. PASSMAN. Go right ahead.

Mr. GROSECLOSE. I want to begin by reading portions of my statement.

Mr. Chairman and members of the committee, thank you for the privilege of appearing before this committee to make a statement in regard to the foreign aid program appropriation. My name is Elgin Groseclose and I appear on behalf of the Citizens Foreign Aid Committee, which my firm, Groseclose, Williams & Associates, serves as research consultants. I have been concerned for the foreign aid program since 1951 when I spent a year in Iran and examined the foreign aid program in operation and the theories on which it was based.

Subsequently, I observed the foreign aid program at work in Turkey, and during the past winter have traveled around the world, visiting some eight countries of Asia, the Middle East, and North Africa. I have been acquainted with the Middle East for over 40 years and have written several books about that region of the globe. I am not unacquainted with the problems of underdeveloped coun-

tries, nor am I obtuse to the demands of charity and brotherhood. I organized and head the first and only American organization dedicated to providing a ministry to the blind of the Middle East.

In this connection, I was interested in some of the questions which the chairman directed to a previous witness on behalf, I believe, of the National Council of Churches. I would be very happy to respond to some of the questions in this direction because I can speak as the head of a missionary organization.

I have been interested in missions for 40 years.

Mr. PASSMAN. Let us make a specific request. We want your ideas and we are going to make a specific request that you document them and give them to us for the record.

Mr. GROSECLOSE. Thank you.

In the time allotted me I will not discuss the merits, the failures, and the misconceptions of the foreign aid program but will confine myself to its effects upon the American economy and our ability to discharge other world obligations of even greater importance.

A SOUND DOLLAR

I refer to the importance of maintaining a sound dollar. In discussing this aspect of the question I may add that I am somewhat better known as a student of money than of foreign aid. I have taught money and banking at two major institutions, am author of the brochure "Post-War Near Eastern Monetary Standards" and "Money and Man," a history of monetary experience first published by the University of Oklahoma Press in 1935 and recently revised and republished. During World War II, I had the privilege of serving as Treasurer General of Iran by appointment of the Iranian Parliament, with especial responsibilities over the monetary system, and of dealing with the inflation that was frustrating our war effort in that region of the world.

Apart from assuring justice and providing for the common defense, government has no more important function than that of preserving the integrity of its money. The discharge of this obligation is at the very heart of the task of providing for the general welfare. The decay of money is a chief cause and sign of the decay of nations, and the decay of money both evidences and accelerates the decay of morality. Lulled by official pronouncements, the American people seem unaware of the danger in which the dollar presently stands from extravagant fiscal practice and the assumption of oversea obligations beyond the strength of our economy to maintain.

Few nations in history have succeeded in maintaining the integrity of their money. Sooner or later they have fallen prey to the weakness of rulers who chose debasement of the currency in preference to taxes, or who through avarice did not hesitate to collect in good money and pay out in bad. The belief has long been cherished that the American people, because of their removal from the corrupt traditions of Europe, by their emphasis upon the moral nature and obligations of government, were immune to this practice. However, as is well known, the dollar existed just 100 years before it was debased, and the dollar that we know is just 28 years old.

DEBASEMENT OF CURRENCY

The Roman Emperors were notorious for their debasements of the money. The denarius that in Jesus' time was a piece of silver approximately the size of the quarter-dollar, was debased by successive Caesars until by the middle of the third century, it had been degraded to a piece of copper with a thin wash of silver.

A characteristic of inflation, whether through the device of debasing the currency or through the printing press, is the suddenness with which its effects become apparent. Like the stock market, when the value of money falls, it tends to plummet. This happened toward the end of the third century when, as a result of repeated debasements by the Roman Caesars, men lost all faith in the money and a rise in prices began that carried the value of the denarius rapidly toward the abyss.

So rapid was the decline in the value of the denarius that it became, in the words of the historian Mommsen, "a chute."

In the time of Diocletian, the Empire had fallen into anarchy with trade nonexistent, men hoarding or hiding what little good money they possessed, and with the cities being emptied, people fleeing to the countryside for want of food. To curb the inflation, Diocletian tried what so many governments have tried since, the control of prices by decree. In 301 A.D., Diocletian issued his famous price-fixing decree that set the price of practically every article in commerce in the Roman Empire, from that of a pound of wool, to the charge for shearing a sheep, to the fee that a lawyer might charge for drawing up a document.

SEVEN HUNDRED YEARS OF SOUND MONEY

When Constantine the Great became supreme ruler of the Byzantine Empire, one of his first acts was to establish the currency on a sound basis. This he did by striking a new coin called the bezant, and by reestablishing a tradition of sound money. After the breakup of the Empire into two parts, the Greek tradition of sound money revived and succeeding emperors of Byzantium maintained the bezant at its original weight and fineness for over 700 years—a feat in statecraft that has never been duplicated.

Because of the purity of its coinage and the reliability of its commercial code, Byzantium became prosperous and the center of world trade. Thus, in the Middle Ages, the bezant was the standard of value from Scandinavia to Ceylon. Says the historian Gelzer:

> By her money Byzantium ruled the world.

EUROPEAN MONEY DEBAUCHERY

Time does not permit a review of the sorry history of currency depreciations in Europe. Permit me to refer only to what has happened within the past 50 years.

England: For over 100 years, the English pound sterling, linked to the golden sovereign, had been the standard of the world and the principal medium for international payments. With the outbreak of

World War I and the policy of financing war costs by bond issues instead of by taxation and of issuing money secured only by such bonds, the pound sterling was already written off as the world's standard. During the war the pound was sustained by means of U.S. Treasury loans.

The British Government thought that it could restore the pound to parity and attempted to do so in 1925 but the experiment was a failure and in the 37 years since then the pound has undergone at least four devaluations and is officially worth only one-third of what it was originally.

In France, the ancient livre, or French pound, disappeared with all the monarchical institutions during the French Revolution and with the issuance of a flood of assignats totaling an estimated 147 billion.

One of the first acts of the dictator Napoleon Bonaparte on becoming first consul was to abolish the livre and to establish a new unit of value, the franc, and a new gold coin of 20-franc value, the napoleon. The napoleon and the French franc lasted until 1914 when the printing press and the issuance of circulating notes secured only by the fiat of the state started the franc on its way out. Again the process was slow and by degrees.

The end of World War I found the value of the French franc reduced to about one-fourth; that is, from around 20 cents to around 5 cents. By 1959, following the excesses of World War II, the value of the franc had dropped to about one five-hundredth of a dollar and in 1960 it was officially abolished in favor of a new franc equivalent to 100 of the old.

Germany: When Bismarck created the German Empire in 1871, his statesmanship saw to it that the Empire was given a solid monetary base. This was the German mark, which was to be coined at 5.53 grains of fine gold; that is, equivalent to 24 cents of the old standard, and only gold coin was declared to be full legal tender. Germany thus possessed the purest gold standard in the world.

However, with the outbreak of World War I the Government preferred to finance the war by issuing bonds and printing money secured by such bonds rather than by taxation. The German inflation reached a climax in 1924 probably without parallel in history. At the climax of the inflation the circulation of the mark had reached 496 quintillion; that is, 496 with 18 cipers following, and the value had dropped to 42 billion marks to 1 cent.

THE LESSONS OF HISTORY

There is sound reason for presenting this quick review of Old World economies. So long as its currency was backed by precious metal, the state or empire prospered. The decline of each state or empire was characterized by debauchery of its currency and compromise with morality.

Bread and circuses, something for nothing, empty promises and phony money accompanied the passage into oblivion of each state and empire for which we have records.

Thus history demonstrates that the principles of morality in economics are as faithful as the law of gravity. If we ignore lessons of history, we shall repeat its mistakes.

During the past three decades, the United States has indulged in vast deficit spending; since World War II foreign expenditures are accountable for a third of our unprecedented national debt. The drift of our Government is toward the welfare state—something for nothing. With this unsound economic trend there has been a relaxing of moral standards. Patriotism and religion in some quarters are being discredited.

The United States is paralleling the course of states and empires which have passed into history. We face unfavorable balances of international payments, unbalanced domestic budgets, and flight of our gold reserve. We American people are becoming increasingly apprehensive of the future.

THE THREAT TO U.S. ECONOMY

Today the U.S. dollar is the standard of the world and the reserve currency for most of the free world. It is the standard of the world, however, not by right of its own virtue and integrity, but by virtue of the greater weakness of other currencies. The dollar itself trembles on the verge of the abyss. When the present U.S. currency system was established in 1913 the law provided that the principal circulating paper, the Federal Reserve note, be backed by a reserve of at least 40 percent in gold and that the deposit liabilities of the Federal Reserve be covered by gold or lawful money to the extent of 35 percent.

In 1945 the required backing for Federal Reserve notes and deposits was reduced to 25 percent. Meantime, with the expansion of the use of the bank check as a means of payment, the process of inflation went on through the inflation of bank credit. At the end of 1945, following World War II, despite the wartime inflation of credit, the ratio stood at around 20 percent, our gold stock then being around $20.5 billion.

Since the beginning of the foreign aid program, our gold stock has been steadily dropping and today stands at less than $16.3 billion. Meantime, the currency and banking liabilities this gold stock must maintain have expanded by 45 percent, and today the ratio of gold to currency and banking liabilities to less than 6 percent.

Far more serious than the total amount of these liabilities is the amount of quick, or demand liabilities, held by foreigners mainly as reserve for their currency systems. The idea that the world is suffering a dollar shortage has been exploded for some years though it seems not to have come to the attention of those who administer the foreign aid program. Quick claims on our gold, that is to say, short-term banking claims in the form of dollar deposits or holdings of U.S. Treasury bills by foreign governments and banks, total today nearly $23 billion, or over three times the figure in 1949 just before foreign aid began.

Here is the real threat to the dollar. Because of the hangover of these claims, we find ourselves in a straitjacket. We are unable to adopt the necessary banking and credit policies at home that we would like in order to stimulate business. For example, it would be highly desirable if interest rates could be brought down as a stimulus to investment. However, any attempt to lower interest rates would face the possibility of an outflow of gold abroad. Holders of foreign dollar

claims would find advantage in converting their dollars into foreign currencies where higher interest rates prevail, thereby drawing out gold, and the underpinning of the dollar would disappear. Consequently we are compelled to force an upward revision in the interest rate structure in an attempt to hold our gold reserves.

The answer to this problem is a huge reduction of our foreign aid and other expenditures. A great deal is made of the fact that dollars are desperately needed abroad for capital investment in order to assist the economies of these countries to rise. What those countries need, if we accept the foreign aid thesis, is capital investment, capital goods. Nevertheless, the bulk of U.S. exports financed by the foreign aid program has been in the form of raw and semi-finished materials and gold.

Of total project and nonproject expenditures for commodities for the first half of the 1962 fiscal year totaling $312 million, less than $80 million were for machinery, vehicles, and like capital goods. A great deal is made by foreign aid proponents that 80 percent of aid dollars go out in the form of commodities. These figures are hardly supported by the official AID figures which show that of total commodity expenditures by the Agency for International Development during the first half of 1962 only 60 percent were expended in the United States. This represents an increase from 41 percent for fiscal year 1960 and 44 percent in 1961.

Since 1948, net foreign grants and credits have totaled $64 billion. During the same period, foreign claims on gold have risen by $16 billion, and foreign purchases of gold have exceeded $8 billion, making a total drain on our monetary reserves of $24 billion. This represents nearly 40 percent of aid expenditures and indicates the amount of bloat in foreign economies as a result of the AID program.

Not only have our aid expenditures created embarrassing accumulations of dollars abroad—Germany had to revise its mark upward in order to hold inflationary tendencies in check—but they have been a prime cause of the creeping inflation at home. The technical effect of aid expenditures, where the aid money is spent for U.S. goods, is to take commodities out of the country while putting dollars back into the economy, thereby creating an upward pressure on prices. To finance Treasury deficits, by making a market for Government obligations, the Federal Reserve has bought $8 billion of Government securities since 1950. These have gone into the monetary system as reserves for new credit inflation in the banking system.

RECOMMENDATION

It is obvious that all the appropriate objectives of the foreign aid program could be achieved on $1 billion a year, and the various aid appropriations and borrowing authorizations should be cut to that figure.

I wish to add also in connection with my qualifications, I am director of a nonprofit organization, the Institute for Monetary Research, Inc., which recently issued a monograph "The Decay of Money," a survey of how the moneys, particularly the dollar, have been declining in value. I would like to leave copies with the members of the committee. This is not for the record but for personal use.

Mr. PASSMAN. I get the impression you receive no contributions from the Government out of the aid program, do you?

Mr. GROSECLOSE. No, sir.

Mr. PASSMAN. I want the record to show that. You are operating as a segment of the free enterprise system. Neither one of the organizations in which you are interested get any of your funds from the Government to run the agencies?

Mr. GROSECLOSE. That is correct.

Mr. PASSMAN. Thank you.

Proceed.

Mr. GROSECLOSE. The major part of my testimony is directed to a survey of the debasement of currency in history, which I will just leave in my statement for incorporation in the record and not take the time of the committee to review and I will be available for any questions on the subject.

Mr. RHODES. May I ask Dr. Groseclose a question?

Mr. PASSMAN. Yes.

Mr. RHODES. This will probably have to be furnished for the record, but on page 9 you have the following statement:

> Nevertheless the bulk of U.S. exports financed by the foreign aid program have been in the form of raw and semi-finished materials and gold.

That is a rather searching statement. Would you care to furnish some documentation on that for the record?

Mr. GROSECLOSE. I thought that I gave it here. Of the total project and nonproject expenditures, the commodities for the first half of 1962 fiscal year totaled $312 million and less than $80 million were for machinery, vehicles, and like capital goods.

Now regarding the gold that is going out, the chairman has just commented on the gold that was taken by Iran. I am not familiar with that particular statistic but I did note that our aid to Lebanon last year was about $10 million and the amount of gold which they imported was $10 million and most of it came from this country through London.

Mr. RHODES. Your figures are interesting. Would you mind indicating the source of them?

Mr. GROSECLOSE. Yes; they came from the offiical report of the Agency for International Development which they provided me on their project and nonproject expenditures for commodities. They have a report which they issue I think quarterly or——

Mr. PASSMAN. That is tremendous. I wonder if you could give it to us in a separate document similar to the one that you will give us on the Iran matter.

Mr. GROSECLOSE. I would like to comment at this time because of the question of the distinguished Congressman: The statement is floating around now, one published in a leading magazine last week, that aid creates jobs for 700,000 Americans and that last year out of a total of $6.1 billion spent on foreign aid $4.8 billion came back in the form of purchases in this country and created 700,000 jobs.

No argument is more spurious, in my opinion, than this argument that it creates jobs. If you divide $4.8 billion up and give it to Americans, you could retire 700,000 American workmen to Florida on a pension of $6,800 a year and you would create 700,000 jobs immediately by the vacancies which you would create in the factories

plus the jobs you would create in Florida for beach umbrellas, motels and everything else through that $4.8 billion. It is spurious and impossible to understand why they would make such an argument that it creates 700,000 jobs.

Mr. PASSMAN. As a student of this monetary situation, tell me how accurate or inaccurate my observations are as to the AID claim that 80 percent of their expenditures are to buy goods and services in the United States.

I come back and say 100 percent of it is expended in America because there are only about four things that foreigners can use dollars for. One is to purchase the resources of America. Two is to purchase gold from America. Three is to purchase American securities. Four is to accumulate them for future speculation of purchase.

Are there any other facets?

Mr. GROSECLOSE. That is substantially correct.

Mr. PASSMAN. Here is where AID is misleading the American people. Their intentions may be ever so good and maybe they have not analyzed it to the extent that I have or maybe you have or will. But when you credit—first, it is my understanding that every nation on the face of the earth, even the most primitive nations, earn foreign exchange, convertible foreign exchange, which will be dollars that they would normally get in the stream of commerce to eventually buy something from America that they need and they would buy it with the dollars that they earn.

But if you credit these foreign nations with dollars under the AID program by which they may requisition their needs, then you send the bill down to the Treasury Department, thereby releasing to the foreign countries their convertible currencies—dollars or otherwise—to do whatever they want, to speculate, to buy our securities, to buy our gold, or to create credits for the purpose of speculating later.

Is that observation in keeping with your studies?

Mr. GROSECLOSE. That is a correct statement of how it works, Mr. Chairman.

Mr. PASSMAN. If one is operating in the State of New York and ships out $100 million worth of—and that is a hypothetical figure—accumulated equipment and commodities to the recipient nations, of course the invoices wind up down at the U.S. Treasury for payment. They don't wind up over at the recipient nation's desk, to be paid; the invoices are sent to the U.S. Treasury to be paid. Now, we are misleading the American people when we say we spend it in America.

Certainly you are spending it in America but you are draining off our natural resources. You are taking out of the country our wealth and you are getting nothing back in return.

Do you understand that as I do?

Mr. GROSECLOSE. I certainly do.

Mr. PASSMAN. If that is right, then would you agree we should triple this appropriation? Instead of making it $4 billion, let's make it $12 billion and really have some prosperity. Do you get the fallacy of the thing? I want your thinking on this because I told these people yesterday specifically to get us an economist.

I will be in touch with you right along.

Mr. GROSECLOSE. If you would like I could read a brief statement dealing directly with that issue.

Mr. PASSMAN. I wish you would put it in the record.
(The information requested follows:)

GROSECLOSE, WILLIAMS & ASSOCIATES,
Washington, D.C., August 6, 1962.

In re U.S. aid operations in Iran.

Hon. OTTO E. PASSMAN,
Chairman, House Subcommittee on Foreign Operations, House of Representatives, Washington, D.C.

DEAR CONGRESSMAN PASSMAN: The following is in response to your request for a fuller statement of my views on the U.S. foreign aid program in Iran.

My views, you understand, are influenced by an acquaintance with Iran and the Iranian people for over 40 years, and the warm affection I have for the Iranian people and a considerable admiration for their innate capacities. I am presently acquainted with many of the highest officials of the Government and cultural and business leaders. I have found them to be patriotic, intelligent, and with a higher sense of honesty and integrity than they are given credit for abroad. As a people their great need is interior and psychological rather than material and economic: their need is for friendship to encourage an inner stamina and a sense of belonging to the fraternity of free and progressive nations. Unfortunately, monetary grants and the importation of foreign official technicians place them in a position of dependence and tutelage that tends to suppress their self-reliance, to frustrate the aspirations for national and personal dignity, and to create inchoate resentments against the foreigner that hitherto never existed.

My first acquaintance with Iran was as a teacher in a mission school in northwestern Iran shortly after World War I, at a time when the country was just recovering from military occupancy by two major powers; during World War II, I had the high privilege of serving as Treasurer General of Iran by appointment of the Iranian Parliament, with responsibility for monetary policy, supervision of the Imperial Mint, the National Bank, the state corporations, and collateral functions. In 1951–52 (during the Mossadegh troubles), I spent most of a year under a Fulbright advanced research fellowship, traveling and studying conditions in all regions of Iran. I have been in Iran at intervals since, most recently in December 1961, principally on business for my firm of financial consultants and advisers, but also on behalf of Welfare of the Blind, Inc., a Christian agency for the sightless of the Middle East, of which I am a founder and president. This agency presently maintains a clinic for the blind in Teheran, treating about 400 blind weekly. I am the author of "Introduction to Iran" (Oxford U. Press, 1947), which has been considered standard reading for officials going to Iran, and in addition, four novels of Iranian locale and incident.

During my 40 years acquaintance with Iran, the country has shown increasing political viability and stability. To illustrate, 40 years ago in traveling between the two principal cities, for major stretches of the way an armed escort was necessary as a defense against brigandage. Today, travel and commerce are secure in practically all parts of the country. I admire the present ruler, His Imperial Majesty Mohammed Reza Shah Pahlavi, whom I have known since shortly after his accession to the throne, 21 years ago, for his grasp of his country's needs, his devotion to the higher responsibilities of his office, his persistent efforts to improve the processes of justice and administration and to augment the welfare of his people. Iran today is politically the most stable country in the Middle East—a statement that could not be made 40 years ago—and I am wholly optimistic as to the continuance of its independent political existence and substantially its present form of government.

Is this happy assessment of the current Iranian situation attributable to the U.S. foreign aid program in Iran? Specifically, is the foreign aid program a factor in Iranian resistance to Soviet political pressure? I think not.

Despite several foreign occupations in their 25 centuries' history, the Iranian people have succeeded in maintaining their distinct cultural tradition and in reasserting their political independence. A serious exception was the Arab invasion of the seventh century, A.D., which imposed a religious system and influence which still colors the Iranian temperament and outlook and which, in my opinion, are the principal barrier to progress and reform. Beginning with the rise of Muscovite power some 300 years ago, Iran has been repeatedly subjected to pressure from the north; nevertheless, the Iranians have successfully resisted these pressures mainly by means of their own political vitality. During the 19th century there occurred some erosions in the Caucasus of lands not

populated by peoples of the Persian language or culture; but on several other occasions the power to the north has retreated from territory which it occupied or swayed—most notably in the early 18th century under the counterpressure of the vigorous Nadir Shah, and most recently in 1946 under U.S. political pressure and military movement by the present Shah.

In 1828, by the Treaty of Turkomanachai, Russia exacted various privileges in Iran, then called Persia, the principal being the capitulations. It is worthy of note that the abolition of these privileges was obtained in 1927 and 1928 by Reza Shah Pahlavi, at a time when Iran enjoyed no protective alliances with the great powers. Earlier, in 1921, at a time when Iran was under British military occupation, an intransigent Iranian Parliament obdurately rejected a treaty that would have put Iran under British tutelage, and compelled the evacuation of British forces.

It is true that in several instances the restraining pressures that defended Iranian independence were of foreign origin—Afghan in one case, British in another, United States in a third—but in no instance were these pressures exerted on Iranian soil, but they were exerted in other regions of the globe and in other ways than military confrontation. The principal source of Iranian independence has been and continues to be the tenacity of the Iranian national spirit; the same spirit, for example, that maintains Finnish independence without U.S. or other foreign aid.

It is my opinion, therefore, that the attempt to create a military pressure on Soviet Russia, exerted on Iranian soil through the means of military missions, military grants, and defense support assistance, tends to encourage reliance upon foreign assistance and thereby to weaken the Iranian national will and fiber. At the same time it absorbs U.S. funds and energies that could be more usefully employed in strengthening military positions and exerting political pressures in areas in which the adversary is more vulnerable.

Foreign aid is often propounded as a necessary stimulus and aid to internal reform, as in the current Alliance for Progress for Latin America. It is notable that all the principal reforms in Iran now being agitated by or attributed to U.S. foreign aid much antedated the foreign aid program in both inception and execution. Land reform, for instance, which has become a sort of shibboleth in our Latin American aid program, was set in motion in Iran following the accession of the present Shah in 1941, and became an official policy of the Government in 1946. As for the great technical and industrial undertakings in Iran which are attributed to foreign aid, all of them are within the competence of the Iranian economy and technical capability without foreign official aid. Thus, the great Kuh-i-Rang tunnel connecting the headwaters of the Zeyandeh Rud and the Karun, completed a few years ago with foreign aid funds, was actually begun 300 years earlier by Shah Abbas the Great, and the failure to carry it forward was not so much a want of the technical and material resources as of the political. The vast Khuzistan development now underway was being discussed and blueprinted during my tenure as Treasurer General of Iran in 1943. This great project is being financed, I understand, from the petroleum revenues of the country, and without U.S. Government aid.

In my opinion as an economist, the U.S. economic assistance provided Iran has served measurably to increase the internal political tensions which affect the regime and to defer economic progress. Ten years ago, following an examination of the Turkish aid program, I publicly called attention [1] to the disturbing effects foreign aid was having on the Turkish economy; the boom and inflation and political corruption which it fostered culminated in the overthrow of the regime in 1960 and the subsequent political instability of that country. In Iran the inflationary impact is all the greater by reason of the immense flow of foreign exchange that began following the reopening of the oilfields in 1954, to which has been added the enormous sums contributed by U.S. foreign aid—more than $1 billion through fiscal 1961. During my 1957 visit to Iran I was disturbed by the inflation which I saw building up as a result of overgenerous World Bank and Export-Import Bank loans and foreign aid loans and grants, and privately and publicly registered my anxiety. That same year the House Committee on Government Operations issued a report that was highly critical of our aid operations, and excoriated those responsible for their administration. Despite these criticisms, the sums spent in Iran have increased rather than diminished. There can be no doubt that the fiscal problems that compelled the

[1] "The New New Turkey." U.S.A., December 1952.

able Dr. Ali Amini to resign the prime ministership are due to excessive foreign aid.

To illustrate the problems created or complicated by the import of millions of foreign aid dollars added to the surge of petroleum revenues, I may cite the difficulties confronting the work for the blind being undertaken by Welfare of the Blind, Inc., which I head. Our Teheran director, Dr. P. S. Satralker, recently proposed a handicraft program of teaching the blind to make reed screens for windows. He was compelled to abandon the project when he learned that the price of the reeds had risen spectacularly from 0.05 rial a reed to 0.5 rial a reed, primarily under the inflationary influence of American dollars and American demand.

Admittedly, under present circumstances a complete shutdown in foreign aid would be catastrophic for Iran, both politically and economically. What is required is a firm and executed policy of foreign aid reduction to the point of complete elimination.

As for a constructive program, I recommend that the political ties between our country and Iran be maintained and cultivated, and that Iran be given every political support in its aspirations for national dignity and independence, in accordance with our undertakings at the Teheran Conference in 1943. This does not imply nor involve military commitments in Iran nor financial aid and subvention.

I recommend further that aid and cooperation efforts be confined to the people-to-people level, where they belong and where they have been carried on for the past 133 years most successfully and to the continued mutual esteem and good will of the peoples of the two countries. I would commend, among these efforts, the work of the Christian missions, most of all, including the activities of the aforementioned Welfare of the Blind, Inc., which have been most hospitably received and acknowledged from the throne down. This effort is carried on with local as well as American resources and financing, including contributions from the Imperial Benevolences Foundation, and through a local committee consisting of both Iranian and United States nationals. Though the American benevolent interest is well known and recognized, the name "American" does not appear over its local institutions.

Other institutions which I might mention as carrying forward important technical cooperation activities on a people-to-people basis are the Near East Foundation, which pioneered village rehabilitation work and set a pattern for much official aid efforts; the Iran Foundation, which maintains in Iran one of the finest hospitals in the world; the Ford Foundation; as well as other activities promoted or supported by the oil companies and other business interests in Iran.

Respectfully yours,

ELGIN GROSECLOSE.

GROSECLOSE, WILLIAMS & ASSOCIATES,
Washington 5, D.C., August 7, 1962.

HON. OTTO E. PASSMAN,
Chairman, House Subcommittee on Foreign Operations,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: This is in response to the request made during the the hearings Saturday for the source of the statement in my prepared testimony, as follows: "Of total project and nonproject expenditures for commodities for the first half of the 1962 fiscal year totaling $312 million, less than $80 million were for machinery, vehicles, and like capital goods."

The figures are found in column 1 of page 44 of the operations report for the period ending December 31, 1961, issued by the Agency for International Development.

The statement was offered in connection with the claim of foreign aid proponents that dollars are desperately needed abroad for capital investment in order to assist the economies of these countries to rise. My testimony pointed out that the bulk of U.S. exports financed by the foreign aid program has been in the form of raw and semifinished materials and gold. Further support for this statement is found on page 51 of the report referred to, which breaks down the destination of the $79,779,000 of machinery and vehicles to show that of such capital goods provided from U.S. sources, totaling $40,379,000, only $1,701,000 was shipped to the developing countries, the balance going to 19 developed countries.

Sincerely yours,

ELGIN GROSECLOSE.

Mr. GROSECLOSE. I would like to refer to one additional thing which you haven't discussed, and that is how it hampers our export efforts in doing this by creating inflationary conditions.

The Secretary of the Treasury made this statement on the balance of payments and I would like to read what he said. He said:

> Prices of American manufactured exports rose 14 percent relative to those of other industrial nations from 1953 to 1960.

He also stated that:

> Over the same period, our share of world exports of manufactures declined from 25.9 to 21.6 percent.

Now, these are the years covered by the magnification of the foreign aid program into a Gargantuan and apparently permanent burden on the economy. The effect of this foreign aid not only is to put a burden on the taxpayer, but it creates an inflationary condition which makes it increasingly difficult to export.

You referred, in a previous comment, to the declining exports of steel and the increase in steel imports. One reason we are being priced out of the market is the inflationary conditions created by foreign aid, which takes goods out of the country but leaves the dollars here and creates an imbalance between the amount of purchasing power in the country and the amount of goods available in the country to be purchased. That inflationary effect continually forces our prices higher than world levels.

Mr. HARNISCHFEGER. In line with your statement about raw materials, we sell to all these big mining companies. I go out in Duluth and Arizona and where our natural resources are in the form of raw materials, and which represents the wealth of this country. That is where they are located and when you go to these mining projects today, as against 10 years ago, you see nothing but air. In other words, a lot of the natural resources of America have been converted into equipment and, so to speak, given away at our expense, and the result is we are becoming a nation of depleted resources and instead of getting something solid in return we are getting paper. In other words, foreign governments are taking our gold and they are giving us paper dollars like France recently did. France paid us $250 million and then took $150 million in gold which was really bought below the cost of production.

It is so fantastic that you really don't know how sound-thinking people in the administration fail to recognize it.

Mr. PASSMAN. Will you take a look at this? But they are in today, out tomorrow, a new group tomorrow, another group later, whereas you people are in the same business year in and year out, so it is natural you would acquire a substantial working knowledge of how the economy clicks.

Mr. RHODES. There is an allegation that gold has been furnished under the foreign aid program. We know we have discovered instances in which gold was bought right after a loan or grant was made. But I wondered if Dr. Groseclose had any other instances to offer.

General FELLERS. I think Jordan and Lebanon both bought gold immediately after our gifts.

Mr. RHODES. I was wondering whether or not there was a foreign aid grant made for the purpose of buying gold, or if gold was actually given as part of a grant. The latter is indicated here.

Mr. GROSECLOSE. No, I don't think, in any case I am familiar with, and I wouldn't want to leave the impression, that any project or expenditure in the foreign aid program was given directly for gold, but we have given money for budgetary support in order to build up the monetary structure of these countries, and they have bought gold to increase the backing of their currency. We have made gold available to Great Britain, not directly under the foreign aid program but certainly under our total concept of aid.

Mr. PASSMAN. So the indirect effect would be practically the same?

Mr. GROSECLOSE. The International Monetary Fund is actually one of our forms of foreign aid, as we have brought out in testimony before another committee recently.

Mr. PASSMAN. As it would apply to the mutual security program under certain facets or spigots of foreign aid, if you make available dollars as a cash transaction for budgetary support, or if you make available dollars for them to purchase from us what they normally would use their own foreign exchange for, then they may take their accumulation of convertible currencies and our dollars and buy gold, so that at least indirectly you are making available dollars to purchase gold.

That is interesting.

Now, we want to hear from Gen. Bonner Fellers, the former scrapping general who is always taking the side of the overburdened taxpayer.

General, we will be happy to hear you.

STATEMENT OF BRIG. GEN. BONNER FELLERS

General FELLERS. The Honorable T. Coleman Andrews was scheduled to appear here today and unavoidably, because of a certain condition in his family, he cannot come. I knew this only yesterday and I threw together a little talk here but I will follow the custom and be as brief as I can.

(The prepared statement of General Fellers follows:)

STATEMENT OF BONNER FELLERS, BRIGADIER GENERAL, U.S. ARMY (RETIRED), CHAIRMAN OF THE CITIZENS FOREIGN AID COMMITTEE

Mr. Chairman and members of the committee, Hon. T. Coleman Andrews was scheduled to represent our committee today. He planned to speak without notes on the impact of foreign aid on our economy. Only yesterday was I advised that it would be impossible for him to be with us today.

In no way do I consider myself a qualified substitute for him. Nevertheless I am grateful for the opportunity again to appear before you.

MILITARY ASSISTANCE

Emerging countries: One of the steps in our effort to strengthen the security of emerging countries is to bring carefully selected young men to the United States for military training. Attending our military schools gives these foreign trainees a new outlook. Here they are given better food, more pay, and a higher standard of living than they have ever before known.

Upon their return home, their outlook changes. Their government appears inadequate, sluggish, and antiquated. They find that U.S. dollar handouts have bred corruption in high places. They form a clique separate and apart from the others.

Convinced that they could run their country far better than their present chief of state, they plot his overthrow. With the weapons and training which we have provided they have the means to take over the government by force. Thus, our military assistance programs are creating potential military dictatorships.

U.S.-trained leadership and U.S. weapons have taken over civilian governments in Korea, Turkey, Cuba, Argentina, Ecuador, and Peru.

U.S.-supplied weapons have intensified hostility between India and Pakistan, and between Ethiopia and Somaliland.

Beginning with fiscal year 1952, the United States has given $462 million in military assistance to Latin America. This aid has served to strengthen local rivalries and dictatorships. In no way has it contributed to hemisphere defense against Red striking forces.

The only weapons that emerging countries need are small arms for internal security. Nearly all such countries have these necessary internal security requirements.

Next year AID planners contemplate $84 million in military assistance for Latin America. It is not needed and should not be granted.

The New York Times lead editorial of Thursday, August 2, endorsed military aid:

"First of all, our military aid, which goes primarily to countries maintaining larger military forces for free world defense than their economies can support, enhances our own defensive strength at far cheaper cost than we can do at home."

This worn out, alleged virtue of foreign aid is utterly out of step with the art of modern war. Have we forgotten that the Red threat to the United States is from bombers and missiles? Only industrialized countries can fabricate and maintain these weapons.

Our industrialized allies in the post-World War II era have failed to build modern defensive and striking power. With considerable insight, they believe that in a major war, the United States will be the Red target. Consequently, they are content to let the United States create free world strategic striking power; they drag their feet when it comes to providing NATO ground defense; they lag far behind the United States in extending military assistance to other countries.

It is not true that "our military aid * * * enhances our own defensive strength at far cheaper cost than we can do at home."

No foreign power possesses or is building weapons with which it could defend the United States.

No foreign power even contemplates attempting to defend the United States. If war is thrust upon us we must be able to defend ourselves or we will perish.

Nevertheless, because of previous commitments, it is essential that we extend aid to certain areas directly threatened by Red aggression. South Korea, South Vietnam, Formosa, and Berlin are examples.

Past assistance to these areas indicates that $750 million annually is sufficient.

ECONOMIC IMPLICATIONS

The usual arguments: The U.S. News & World Report of August 6, 1962, presents an endorsement of foreign aid which, to put it mildly, fails to tell all.

There follow quotes from the article with comment:

"Almost 80 percent of the billions that go for foreign aid is spent within the United States."

The word "almost" must cover 20 points to make this statement accurate. Here are the figures taken from AID Operations Report December 31, 1961: fiscal year 1959, 47 percent; fiscal year 1960, 41 percent; fiscal year 1961, 44 percent; fiscal year 1962 (first half), 60 percent.

"It is estimated that U.S. aid abroad accounts for more than 12 percent of this country's exports and creates 700,000 jobs."

Aid products sent abroad are gifts. They are physically exported but bring back no dollars. It is erroneous to list these gifts along with products exported for dollars.

If we had spent at home the more than $90 billion which foreign aid has cost the American taxpayers, the 700,000 jobs also would have been created.

Possibly half our population is poorly housed. We need improved highways, sanitary systems, and countless other improvements requiring vast effort.

"Among those direct shipments from the United States were $2.3 billion worth of farm products. Without foreign aid, those products would have added materially to the huge stocks of surpluses that weigh down on farm prices."

Surplus agricultural products sent abroad are usually sold for soft currencies, much of which we cannot use. That which we can use must be spent in the country of its origin. Thus, while this aid reduces uor surpluses it is, in effect, largely a gift to the recipients.

"The sum of $76,690,495 has been paid to U.S. firms during the first 4 months of 1962 as a result of the U.S. program of economic assistance in underdeveloped nation of the world * * *."

Government contracts for foreign aid materials bring profits to U.S. corporations and may have influenced some of them and their workers to endorse foreign aid. However, when the manufacturers' products are given away, our wealth diminishes accordingly. Money spent for goods and services to be given away creates consumer buying power but not consumer goods for Americans. Thus, the aid program creates inflation.

Moreover, when industrial products are shipped abroad as gifts, no foreign-held dollars are returned to the United States. Since foreign central banks hold some $23 billion in short-term credits, nothing is more important than for us to reduce these dollar credits.

"* * * AID issued a State-by-State accounting of 4.4 billion aid dollars that went to American business firms in the last 8 years * * *."

The Citizens Foreign Aid Committee has made a study of aid income for the State of Indiana during 1954-59 inclusive. During this period Indiana's industry produced and sold $12 million in foreign aid goods. The tax burden upon her industries and taxpayers to support our foreign policy of global aid was $568 million—48 times as much for foreign aid as foreign aid brought to Indiana.

For a moment, I turn now to U.S. News & World Report of July 30, 1962, page 36. The United States is pictured as owning $16.3 billion (it now owns $16.1 billion) or 34 percent of the world's gold supply. Actually, foreign central banks own $23 billion in short-term credits redeemable in our gold reserve. If one had $16,000 in the bank but had issued I.O.U's totaling $23,000, his assets could scarcely be listed as $16,000.

Is it not wholly erroneous to claim our gold reserve stands at $16 billion?

(The above quotations were selected from the U.S. News & World Report merely because it presents the commonly accepted arguments favoring foreign aid.)

The Alliance for Progress is proving unrealistic. Its fundamental premise is that one government, with money, can induce another government to undertake basic social and political reforms which it has not previously shown initiative to accomplish.

The Latin countries will accept our aid but they will be most reluctant to comply with the measures which our leaders are asking.

Reports have been published estimating that Latin Americans have exported $5 to $10 billion to Europe and elsewhere fore safekeeping. Why then should U.S. taxpayers support the huge aid program now envisaged?

Emerging countries: Technical assistance is the most needed, the most effective, and the least expensive aid which can be extended to emerging countries. Our committee is convinced that $250 million annually would meet global requirements.

Our threatened economy: Annually the U.S. Government spends on the order of $6 billion overseas. The threat to the dollar arises from the sinister, impending overhang of $23 billion foreign-held demand claims on our gold, amassed principally from our huge foreign aid program. Were these foreign-held demand claims called on our $16.1 billion gold reserve, we could not meet the demand. And the free world economy, which rests on the dollar, would be wrecked.

Gold is precious because there isn't nearly enough to go around. Foreign governments eagerly seek gold to harden their currencies. This hunger for gold will cease only when our dollar is once more as good as gold. And our dollar cannot again be so considered unless and until we put our economy in order. To do this we must terminate Federal Reserve issuance of easy money, balance our budget, and make drastic reductions in foreign aid. The necessary foreign aid program for fiscal year 1963 could be met by a $1 billion new appropriation ($750 million military assistance and $250 million economic aid) instead of the $4.7 billion which has been authorized by the Congress.

Other funds are readily available. Possibly as much as $5 billion in unexpended fiscal year 1962 is being carried over into fiscal year 1963. Moreover, there are eight agencies with lending power of billions available for sound projects.

Recommended program: During the great debate in 1950 the American people were told that U.S. forces were being stationed in Europe only until the war-shattered Europeans could replace them. But European NATO powers continue to want the dollars spent by and for American troops; they cling to the economic advantage gained from the United States supplying more than one-fourth of the NATO garrison in West Germany. It is obvious that European NATO will not replace America troops in West Germany so long as the U.S. Government is willing to keep them there.

The NATO goal of 30 divisions remains 8 divisions short of that modest requirement. Even were the 30 divisions present, they would constitute no effective deterrent to the Red 175 Regular and 300 Reserve divisions. Thus, the six U.S. divisions in West Germany are mere token forces to assure Europeans that the United States will be in the next war. This being the case, our Berlin battle groups are ample token forces; their presence is a visible symbol of free world dedication.

The only effective war deterrent is the U.S. superior strategic striking power, which is permanently based in North America. It is therefore safe gradually to withdraw our six token divisions now stationed in West Germany.

The U.S. Air Force based on Okinawa has the capability of striking all of North Korea. With an announced extension of the Monroe Doctrine over South Korea, the two U.S. divisions stationed there could be safely withdrawn.

Withdrawal of eight U.S. divisions from overseas would prevent approximately $1 billion annually from falling into foreign hands.

To restore promptly a sound economy two steps are imperative:

The saving of $1 billion in oversea military spending;

The saving of $3.7 billion from fiscal 1963 aid authorization.

The Citizens Foreign Aid Committee urges your committee, Mr. Chairman, to give mature consideration to this foreign aid issue on which rests the destiny of the American people and the free world.

General FELLERS. I just wanted to say something about the training of the military personnel from foreign countries and giving them equipment. It leads almost invariably to the personnel going back with better training than they have ever had. They see a government that is sluggish and inefficient and corrupt and they want to get some money from foreign aid. We give them the weapons and the training and they take over the Government. That has happened time and again. I think the Government they take over and operate may be as good or better than the one before, but military regimes are hardly the purpose of foreign aid.

There have been some other erroneous statements published in the last few days about foreign aid. I want to read part of an editorial from the New York Times of August 2:

> First of all, our military aid, which goes primarily to countries maintaining larger military forces for free world defense than their economies can support, enhances our own defensive strength at far cheaper cost than we can do at home.

This wornout, alleged virtue of foreign aid is utterly out of step with the art of modern war. Have we forgoten that the Red threat to the United States is from bombers and missiles? Only industrialized countries can fabricate and maintain these weapons.

Our industrialized allies in the post-World War II era have failed to build modern defensive and striking power. With considerable insight, they believe that in a major war, the United States will be the Red target. Consequently, they are content to let the United States create free world strategic striking power; they drag their

feet when it comes to providing NATO ground defense; they lag far behind the United States in extending military assistance to other countries.

It is not true that—

> our military aid * * * enhances our own defensive strength at far cheaper cost than we can do at home.

No foreign power possesses or is building weapons with which it could defend the United States.

No foreign power even contemplates attempting to defend the United States. If war is thrust upon us we must be able to defend ourselves or we will perish.

Then the U.S. News & World Report published an article in their August 6 issue. There are some things in there upon which I wish to comment. The first is a quotation that:

> Almost 80 percent of the billions that go for foreign aid is spent within the United States.

The word "almost" must cover 20 points to make this statement accurate.

Here are the figures taken from the AID operations report of December 31, 1961:

For the fiscal year 1959, 47 percent; for the fiscal year 1960, 41 percent; for the fiscal year 1961, 44 percent. First half, fiscal year 1962, 60 percent.

Mr. RHODES. That was taken from the AID figures?

General FELLERS. Yes, sir. The date of December 31, 1961.

Mr. PASSMAN. At this point, if you will yield, I want to be shored up in my position of understanding this thing so I say again for the record, whether it is from industry or government: All of the foreign aid, if you credit dollars to people, all of it is either spent in America now or later, directly or indirectly because it can be used only to purchase our natural resources, our gold, our securities or be accumulated for future speculation or for the purpose of purchasing. Is that right, Doctor?

Mr. GROSECLOSE. Yes.

Mr. PASSMAN. Now, the point that you people could get over, in my candid opinion, rather than quarreling with these percentages, is not proving it 80-percent inaccurate—which it is, of course—but to pick up where I am leaving off.

You should point when you are shipping out our resources against the dollar credits, that the payment for the invoices are collected from the U.S. Treasury downtown. Not from anything that the recipient nation may have earned, but right out of the taxpayers' till, thereby releasing the dollars they earn or convertible currences, the foreign exchange they may have to their credit to do whatever they may well please. Because they do not need, then, their own earnings to purchase what they need from America.

So it defeats itself. If it is good, and you are going to continue it for the purpose of creating these 700,000 jobs, if that is sound economics, then we would be much more prosperous by increasing it maybe to $20 billion and then we would really have a lot of prosperity. The trouble is, your natural resources would run out; wouldn't they?

Doctor, does my observation make sense to you?

Mr. GROSECLOSE. Absolutely. I think the difference lies in this: That this money is being spent in this country. Therefore, it creates jobs. Now, of course, the percentage becomes important there because if a hundred percent were spent immediately, then presumably you would create more jobs, but the significant thing is that 20 percent, even by their own figure, is not spent here but is taken down in the form of dollar claims and in gold. We are approaching the point where our dollar is going to be worth what the ruble was. I would like to display for the committee this hundred thousand ruble note, which is what the dollar is going to go to if we do not stop this drain of gold through the foreign aid.

Mr. PASSMAN. Do I grasp this idea sufficiently to make my points abundantly clear?

Mr. GROSECLOSE. Absolutely.

Mr. HARNISCHFEGER. There is another important point, sir. We are pouring bills into all of these world banks and Inter-American monetary funds and various lending agencies and those in turn are spent on a multilateral basis to the lowest bidder. We take that money and put it into Argentina. They in turn will buy from the lower bidder. We can no longer compete. Sales go to Germany and Japan. This further drains our dollar reserve.

Mr. PASSMAN. Go right ahead, General.

General FELLERS. Farm products are exported. It is claimed that they are bought. But they are bought with soft money. We cannot use it, so farm products are a gift.

Then in the U.S. News & World Report of August 6, they have another quote:

> The sum of $76,690,495 has been paid to U.S. firms during the first 4 months of 1962 as a result of the U.S. program of economic assistance in underdeveloped nations of the world.

Government contracts for foreign aid materials bring profits to U.S. corporations, and may have influenced some of them and their workers to endorse foreign aid. However, when the manufacturers' products are given away, our wealth diminishes accordingly.

Mr. PASSMAN. I want to say the U.S. News & World Report did not pinpoint that, did they?

General FELLERS. No, sir.

When the manufactured products are given away, our wealth diminishes accordingly. Money spent for goods and services to be given away creates buying power but not consumer goods for Americans. Thus the aid program creates inflation.

I think this is an important point. Moreover, when industrial products are shipped abroad as gifts, no foreign-held dollars are returned to the United States.

Mr. PASSMAN. Would you supplement it if this is correct? You are also draining off our natural resources from a limited reservoir?

General FELLERS. That is right.

Mr. PASSMAN. Good.

General FELLERS. When these goods go overseas——

Mr. PASSMAN. Off the record.

(Discussion off the record.)

General FELLERS. When these products go overseas free, then the dollars that have been amassed in these foreign countries are not spent.

Foreigners can buy gold with them. In other words, our object should be to reduce the $23 billion worth of credits, which the Central Banks own, by selling them goods, but we give the goods away and dollars accumulate. Foreigners do not spend their dollars. They buy gold instead.

Mr. PASSMAN. Mr. Rhodes.

Mr. RHODES. That has sort of a cumulative, or double-barrelled, effect does it not?

General FELLERS. I think it does.

Mr. RHODES. In other words, they have dollars. We give them goods. They can then use the dollars for anything they want to, including the purchase of gold.

General FELLERS. That is right, or invest it in our country. What we want to do is get the dollars back.

Mr. PASSMAN. Sell them something for our dollars?

General FELLERS. Yes, sir.

Mr. HARNISCHFEGER. That is why they are increasing their national wealth and we are decreasing ours.

Mr. RHODES. You bring in the point Dr. Groseclose made, that producing goods in the United States and sending them out, but retaining the dollars earned by persons who produced the goods, is inflationary. That is another point that has not been made very frequently.

Mr. PASSMAN. Repeat that. That is good.

General FELLERS. I will read it. May I illustrate? When we went into the Philippines for the liberation, papaya and mangoes which sell for maybe 5 centavos in peacetime, couldn't be bought for $2 or $3 because we had the money but not the goods.

Mr. PASSMAN. I follow you.

General FELLERS. That is what I am trying to say here.

Where the manufacturers' products are given away our wealth diminishes accordingly. Money spent for goods and services to be given away creates consumer buying power. The money goes to the laborers but not consumer goods for the American earners of those wages. Of course, that is inflationary. You are putting out money. The goods are——

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. HARNISCHFEGER. Let me emphasize this point. At one committee hearing they asked me, "You fellows are beneficiary of some of this foreign aid," which we undoubtedly are. I told them, "Sure, but No. 1, we used to do business on hard currency and we did not do quite as much export but we did a profitable export. If this continues, they are dislocating one industry after another and after it is dislocated, we are all tied into the subsidy and the longer this is continued, the more difficult it will be to get industry back on the rails in America."

Mr. PASSMAN. You are dealing with an artificially created situation worldwide. You do not know the part of it that is genuine, the part of it that is subsidized and whether or not many of the luxuries that these people requisition they actually need. They may buy them because you give them the dollars. It certainly could very easily be upsetting the economy of the world at the expense of the U.S. taxpayer.

Mr. HARNISCHFEGER. Not only that, but our free gifts in Latin America, I believe, are being used to buy out industries—American and local—and then in turn Latin Americans are shipping their funds into Switzerland, which is nonproductive. In other words, they are getting their gold into safe havens. They are taking it away from us.

General FELLERS. This is still from the U.S. News & World Report of August 6:

> * * * AID issued a State-by-State accounting of $4.4 billion aid that went to American business firms in the last 8 years.

The Citizens Foreign Aid Committee has made a study of aid income for the State of Indiana during 1954 to 1959, inclusive. During this period Indiana's industry produced and sold $12 million in foreign goods. The tax burden upon her industries and taxpayers to support our foreign policy of global aid was $568 million—48 times as much for foreign aid as foreign aid brought to Indiana.

Turning back to the U.S. News & World Report of July 30, 1962, page 36, they have a graphic illustration of gold throughout the world. The United States is pictured as owning $16.3 billion or 34 percent of the world's gold supply. (It is now down to $16.1 billion.) Actually, foreign central banks own $23 billion in short-term credits redeemable in our gold reserve. If one had $16,000 in the bank but had issued IOU's totaling $23,000, his assets could scarcely be listed as $16,000.

Mr. PASSMAN. The law requires a 25-percent gold reserve against our currency in circulation. Presently the amount of currency in circulation demands that it be supported with $12 billion gold. Is that your understanding, Doctor?

Mr. GROSECLOSE. Yes.

Mr. PASSMAN. Any time a country's currency is adequately supported by gold, then it is a strong currency. When it loses that support, it becomes a weak currency. Is that a correct statement as you understand it, Doctor?

Mr. GROSECLOSE. That is my understanding of it.

Mr. PASSMAN. Under the amended law, I believe, foreign claims outrank our claims. So as to get this statement completely accurate, you have $16 billion in gold reserves that require $12 billion to support our monetary system. It leaves $4 billion to meet $23 billion to support the claims; but mathematically speaking, if they should exercise that right and choice by our law and international law, to say, "We want you to redeem these dollars in gold"; we have $4 billion only to meet $23 billion. We would have to get the $12 billion that we have in reserve to support our own monetary system. We would not have sufficient gold. Then we would have one of the world currencies not supported by gold. It would become weak and not attractive in world markets. Is that your observation?

Mr. GROSECLOSE. Yes, sir.

General FELLERS. That is right.

May I add that I know you are giving mature consideration to this problem and this is the happiest day I have had since I have been with the Citizens Foreign Aid Committee.

Mr. PASSMAN. I want to say, gentlemen, that the committee is very pleased that you would take the time out of your busy lives to appear

before the committee. We have had some wonderful American citizens before the committee. You men are the ones who must meet payrolls, make the profit by which we can continue supporting our Government, our domestic and foreign programs.

If you are to remain in business, you have to continue giving your time and thought to the subjects we have been discussing because unlike a government, a government can run on borrowed money, unbalanced budgets, deficit financing, but a business cannot run very long on that basis. If business should operate like the Government, businesses would not be in business very long. If the Government continues operating as it is operating now, we will be in business on an entirely different basis. If the Government goes down, then, of course, we take you with us.

When I say "go down" I am speaking about inflation, to where you are destroying the life savings of millions of Americans, who bought annuities and who bought insurance and who retired. You are not only spending money you are making, but you are dipping over into that category and giving them less for their saved dollar than they thought they would get at the time they saved them.

I certainly hope you will keep this organization going. I know nothing about where you get your finances. I know nothing about the financial position of the organization. I also want to say I do not always agree with you in all of your conclusions, but in the whole they are very, very valuable. There has been a lot of research put into it. I hope you will, as your organization remains alive and becomes more healthy, without exception pin your points down with accurate statistics because your weight then can be fully felt around the country.

Judge Rhodes?

Mr. RHODES. I just wanted to associate myself with your remarks, Mr. Chairman, about the quality of the witnesses and the individuals we have had before us today. It is a real pleasure to see you here and to listen to you and have your statements. You have been and are very helpful to the members of this committee in our attempt to do our duty as American citizens and as Members of Congress to keep under control a program which has been distorted out of all recognition. I do not think there is any doubt that once upon a time there was some reason for it, but the elements which were contained in the early aid programs and which caused their success, are not present any more.

Also I want to say, Mr. Chairman, that the first names of members of the national committee listed on the letterhead happen to be that of Mr. Frank C. Brophy, from Arizona; Mr. Clarence Budington Kelland, former Republican national committeeman from Arizona; and former Chief Justice M. T. Phelps of the Arizona Supreme Court; two Democrats and one Republican, and three of the finest citizens this country ever had.

Mr. PASSMAN. I want to say you have a lot of fine citizens on this committee.

Mr. HARNISCHFEGER. Let me make a few remarks, gentlemen. The only reason that we still have some hope of turning this is because of men as are represented here on this committee.

Mr. PASSMAN. You use that in the plural.

Mr. HARNISCHFEGER. Yes.

I was talked into taking on this chairmanship 4 or 5 years ago. I had been on the board of the NAM, chairman of the Spending Committee of the Council of State Chambers and some people felt that this aid was going to be an extremely serious program. I was one of the first Americans who went into Europe after the war. I saw that country completely devastated and sure, when you see the lights of civilization nearly out and ask why did it happen, sure, they had dictators largely because of weak currency and the breaking down of the internal economy of Europe. That is what started Hitler. That is what started the ball rolling. Finally, with a lot of people like ourselves, they wind up in concentration camps. We bailed them out. Nobody will bail us out. It is only for that reason, and I think I have heard as clear a conception from any man in politics, about where we are traveling. We are first going through deflation and after we are going through that we are going to get into the position that you talk about. Instead of giving so many millions we will give many more millions away in paper money. As we do that we will find ourselves running out of working capital, we will find industry getting into chaos.

I think this has much broader implications. Of course, the question that we ask is how can we be helpful. I talked to Bonner this morning. I said we have a lot of friends in the American Medical Association. They have been extremely strong people. We might send them some telegrams, to try to get busy and try to get more pressure on Congress. We will try to take these people with us. We have supported this religious organization for many years. We will try to get religious organizations, small business associations, the Council of State Chambers, and other organizations that are on our side in order to try to get the heat on Congress. We are looking for suggestions as to when this is coming up and when we can strike to the best advantage within, I imagine, the next few weeks.

Mr. PASSMAN. We have requests from several individuals and representatives of various organizations who have requested that their statements be printed in the record. As soon as they are received, they will be inserted in the record at this point.

Thank you, gentlemen.

(The following statements were received by the committee:)

STATEMENT OF DAVID H. SCULL, IN BEHALF OF THE FRIENDS COMMITTEE ON NATIONAL LEGISLATION

My name is David H. Scull. I am a member of the Religious Society of Friends, and am speaking today in behalf of the Friends Committee on National Legislation, of whose policy committee I am a member. Our committee does not claim to speak for all Quakers. We do find that many of us arrive at very substantial agreement as we try to analyze national problems in the light of our religious principles. It is from such a viewpoint that I am speaking today.

I am a businessman, president of the Turnpike Press, a printing firm in Annandale, Va., where I have lived for 21 years. Previously, I had several years of Government service, and in fact was with the point 4 program in its first 3 years before leaving to enter our family business.

In addition, I have been active in the cooperative and credit union movements for more than 25 years. For 10 years I have been a director of Nationwide Insurance, a cooperatively oriented group of companies of Columbus, Ohio. As chairman of the international committee of that board, I headed a five-man team which spent a month in India just last fall, studying the cooperative movement.

In connection with this we came in close touch with many aspects of both publicly and privately financed programs of technical assistance.

At various times I have traveled in more than 25 foreign countries. I am no professional expert on foreign aid and development, but rather an interested layman who has had unusually good opportunities to look at this subject from several different points of view.

AID EXTENDED FOR MILITARY REASONS MAY BOLSTER DICTATORSHIPS

You probably know that as Quakers we have been supporting the economic and social aspects of foreign assistance rather than the military program. We oppose the request for $1.5 billion for military assistance in fiscal 1963 and the sums for military-related items in other parts of the bill. I am not going to belabor this point. I would just like to record our conviction that military assistance, and economic assistance determined primarily by military considerations, often bolster totalitarian dictatorships which may have as many unpleasant characteristics as any Marxist regime. Spain has received more than $500 million of military aid from the United States. Yet two Spanish-speaking Quakers, Nancy and Gerard Negelspach, who have recently spent 15 months traveling in Spain, quote a Spanish friend as saying:

"'* * * The Spanish people do not understand why the United States concluded treaties with Franco which, although dealing in military matters are in fact helping to sustain the Franco dictatorship and, in consequence, do nothing to further the declining friendship that the oppressed Spanish people have for America. This does not mean that America should not care for its defenses against communism (which is but another form of dictatorship), but I do believe, however, that this dictatorship which exists today in Spain is potentially as dangerous for the "free world" as communism itself.'"

The Negelspachs go on to say:

"During the recent 25th anniversary of the Franco regime celebrated in all parts of Spain but with a large military parade in Madrid, much of the equipment was from the United States. When the average Spaniard sees that, he is kept in line (and we can personally attest to one verifiable occasion when U.S. planes were used to 'dampen the spirits' of a particular town after a minor uprising) then he naturally concludes that the U.S. Government is in league with Franco against him."

ECONOMIC AID AND TECHNICAL ASSISTANCE VITAL

We support the broad policy enacted by the Congress at the beginning of the Act for International Development of 1961, and support the administration's budgetary requests for fiscal 1963 for the Development Loan Fund, the Alliance for Progress, and the U.S. technical assistance program. We heartily endorse adequate funds for U.N. technical assistance and aid for rehabilitation of refugees in the Middle East. We feel that these programs, along with the Peace Corps, represent some of the most constructive efforts that our Government is making in the world today.

I shall not try to make any detailed analysis of the aid program, but there are some changes in emphasis which I will suggest, and I am sure there are many other improvements which ought to be made. Suggested changes:

More funds through the U.N.

U.S. aid funds should be channeled through the United Nations and other international organizations to the maximum extent possible. It is frequently politically and psychologically much easier for a country to accept multilateral than bilateral aid. International aid programs can also draw upon technically trained people of many lands and receive contributions from a variety of nations.

Increased confidence needed between Congress and the Executive

The attitude of Congress, and the spirit in which Congress approaches the annual authorization-appropriation requests, are of the greatest importance, and I hope I will not offend if I speak frankly. A program such as this needs critical attention from Congress. As a taxpaying businessman I do not want my money wasted. But there is more than one way to waste money.

One way is to try to run too much by broad generalizations. One generalization that has worked its way into the foreign aid program is that loans are better than grants. Where a country can realistically meet the obligation, loans are

better than grants. But countries and situations vary so much that their needs should be the determining factor and not our administrative and legislative generalizations.

Sometimes I also get the feeling of too much being expected too quickly, with emphasis on getting funds committed and money spent before there is really time for the right decisions to be made. There needs to be a firm basis on which long-term plans can be laid, with congressional authorization supporting long-term planning for technical assistance as well as development aid. Such planning requires sound research which should be provided for.

Sometimes I get the idea that people in the Development Agency itself may not feel they can be completely frank about their problems for fear the information will be used, not to help solve the problems, but to try to disparage the whole program. A basis for confidence is one of the most important elements in all of this that we are doing—and I say "we" thinking of myself as an American citizen who is a part of it. Confidence is needed between the Congress and the Executive, between our technical staff abroad and their counterparts in the other countries. It takes time to develop such confidence, and it needs to be both personal and organizational.

Example of Ford Foundation: As one example of how long-term planning and firm support from the home base can operate, consider the wonderful work the Ford Foundation is doing in India, especially in increasing food production. Dr. Douglas Ensminger is doing a good job. He has been there 9 or 10 years and the key people of India know and trust him. But this comes about not only because of his personal ability but equally because India knows the Ford Foundation is there to do a job, won't blow hot and cold, and won't end the program without plenty of notice. This does not mean the foundation does not take a very critical look at their own program. While we were in India we saw Dr. Carl Taylor, perhaps America's greatest rural sociologist, who had come to analyze certain aspects of their work. But Dr. Taylor was only looking for ways to strengthen the program; its basic objectives were fully accepted.

Now I am realistic enough to know that foreign aid is a wonderful political issue lots of times, and I also know that there are abuses which can develop whenever large amounts of money are spent all over the world. But I think we could more quickly and easily correct some of the problems of foreign assistance if you gentlemen and your staff assistants, and the members of some other committees, could put yourselves a little more into the shoes of the AID people, could convince them that if they are sick you are the doctors and not the undertakers, and could look at some of the fiscal and personnel restrictions built into the program and ask whether these are really helping the objectives you have stated and which the Agency is committed to carry out.

More emphasis on development of human resources

If I were to make any one criticism of the program, it would be that too much emphasis is placed on money and materials and not enough on people. We talk about the counterpart funds in foreign countries. Sometimes we tend to disregard the most important counterpart of all, the local people. It is the people who need the technical training, the social outlook, and the motivation to run the institutions which we help to set up, and put into operation technological advances.

For example, one of India's overriding problems at the present time is to achieve a substantial increase in food production. A great deal of agricultural experimentation has been done. The level of scientific knowledge is far beyond its adoption by the ordinary farmer. Fertilizers, cultivating implements, and production credit are needed. These take money. But the most acute shortage of all is in the human institutions which can help the farmer use what is already known. The Indian Council on Agricultural Research, with the Rockefeller Foundation cooperating, has now developed four very good strains of double-cross hybrid corn, or maize as they call it. These are now ready to go into production and distribution. In several hundred thousand villages of India there are cooperative societies dealing in seed and fertilizer which could handle this hybrid seed. But in between there is a tremendous gap; some capital is needed, but primarily the need is for trained management and the structure, whether cooperative or private, which can pick up where the agricultural scientists have left off. The production of millions of acres of corn land could be more than tripled if hybrid seed could be made available.

More emphasis on social outlook

When those in charge of the AID program do think about the human side, they tend to emphasize purely technical training. This is important, but it is often the easiest thing to get across. The social outlook, the ability to motivate oneself and others, the capacity for leadership within a democratic framework, or the well-rounded managerial outlook which is characteristic of the best examples of American cooperative and private profit business—these are some of the most important things which America should be able to contribute from its vast experience to the newly developing countries of the world.

Someone may say this broader approach is not our business, we should stick to purely technical training. Last February 6 a rebel movement was launched in Guatemala. It turned out that both the rebel and the loyalist officers were trained in the U.S. guerilla war training school at Fort Gulick in the Panama Canal Zone. No, we cannot avoid some responsibility for the context within which our technical training takes place.

This is not a matter of substituting training for other kinds of projects because effective training does not take place in a vacuum. It is a matter of testing virtually every project proposal by two criteria: Will it meet a genuine economic need? and Will it be installed or administered in such a way as to develop counterpart human resources as well? In many cases there should be a third criterion: Will the activity strengthen the democratic fabric of the nation or the community? This is where cooperatives, credit unions, community self-help projects, and other democratically based organizations have a special value—they give people direct experience in economic democracy, in tackling problems which immediately affect them, in making decisions which they and their families will have to live with.

More emphasis on education and community development

It is not only individual projects which should be tested by these criteria, but the whole program for a country. In this sense we want to suggest that there may be an unfortunate tendency to downgrade the importance of education and community development in favor of projects involving concrete and machinery.

In many countries a crash program on literacy should be undertaken. People cannot benefit from technical information, suggestions on health and sanitation, on proposals for increasing food production, just to cite a few examples, unless they can read. When Raymond Wilson of the FCNL staff visited Kenya last December, he was told by a leading official that "there is an extreme shortage of secondary schools and of teachers to train teachers in Kenya. It is in these two areas that help is most needed from the United States so that we may have the necessary leadership for the development of education in this emerging country." Yet when Raymond Wilson passed on this request to Assistant Secretary of State for African Affairs, G. Mennen Williams, he was told that such funds for Africa were very, very limited.

Again I urge that you gentlemen of the Congress let the Administrator of the Agency for International Development know that you are looking beyond dollar expenditures and beyond dramatic physical symbols in evaluating his programs.

More emphasis on following through on programs

We also need more thinking through and following through on what we are doing. It makes little sense to help people to learn to read if we leave them with no reading materials in their language and at their level of interests. Yet this is what I have seen in Egyptian villages. It makes little sense to bring people to the United States for training and then to pay no further attention to them after they go back; yet in many countries we never know who the almumni of our programs are.

THE GOAL: DEVELOPMENT OF SELF-RELIANT, DEMOCRATICALLY ORIENTED PEOPLE

Let me conclude with one example of the kind of activity which is capable of changing the face of the globe, both economically and socially. In Gujerat in western India, north of Bombay, is the Kaira District Cooperative Milk Producers Union. Its 54,000 members average one and a half buffalo cows each. A modern, sanitary, efficient dairy plant supplies fluid milk to Bombay, and makes butter and milk powder products for sale all over India. It has a manager who was trained at Michigan State, and most of his top staff have been to college in the United States. The income of the farmer member from his

milk is eight times what it was when the co-op was organized about 15 years ago. The management is alert and progressive, and they are reaching out in other fields to build for their members a limejuice-processing plant and an animal feed mill. Over a 7-year period they are aiming to double milk production per animal. Milk is collected in over 200 collecting stations. Members are encouraged to save 1 day's income a month. Some of the co-op's margin is going back into schools, libraries, improved water supply, and so on. When the co-op began, it was just accepted that the untouchables and low-caste farmers waited at the collection points until their betters had been served. The co-op instituted the queuing system, and now if a Harijan (untouchable) gets there first, the Brahmin gets in line behind. Here is a combination of an active membership which supports a keen managerial team in performing a function which is both economically and socially useful.

One of the best ways to develop our program of technical assistance is to look all over the world for opportunities to develop this kind of enterprise, and then to help the people involved with capital on a loan basis, with technical assistance—for example, this co-op is trying to find out how to make good cheese out of buffalo milk, which reacts differently than cow's milk—and with training assistance.

We would not be able to claim it as a monument to American aid. In fact, the more successful we are, the less we will have to exhibit, because the people of the countries with which we are cooperating will feel that these projects are really theirs. But this kind of people's institution, with economic, social, and human results intertwined, would be the best memorial we could leave.

THE AMERICAN LEGION,
Washington, D.C., August 2, 1962.

Hon. OTTO E. PASSMAN,
Chairman, Subcommittee on Foreign Operations, House Committee on Appropriations, the Capitol, Washington, D.C.

DEAR CONGRESSMAN PASSMAN: Please find enclosed copies of two resolutions which place the American Legion in opposition to any type of foreign aid to any Communist or Communist-dominated country.

When the Foreign Aid Assistance Act of 1962 was being considered earlier this year, the American Legion made its views known to both the Senate and House committees. The American Legion was extremely gratified with the action taken by the Senate in this area; however, this authorization act, as finally passed, permits the continuation of aid to Communist and Communist-dominated countries.

Appreciating the nature and ultimate goal of international communism, the American Legion is firmly convinced that aid to these countries can never really serve the best interest of the United States.

We urge you and the members of your subcommittee to eliminate from foreign aid appropriations all funds for this purpose.

If there is no objection, I would appreciate having this letter included in the printed record of the hearings.

With best wishes, I am,

Sincerely yours,

CLARENCE H. OLSON, *Director.*

NATIONAL EXECUTIVE COMMITTEE MEETING OF THE AMERICAN LEGION HELD OCTOBER 25–27, 1961

Resolution No. 6.
Committee: National security commission.
Subject: Military aid and other aid to Communist-dominated countries, including Yugoslavia, opposed.

Whereas the American Legion in national convention assembled in San Francisco, Calif., in 1946 expressed opposition to further aid to the aggressive Communist Government of Yugoslavia; and

Whereas the American Legion has consistently since that time expressed its continued opposition to extending aid to that nation; and

Whereas the American Legion and the American people have been shocked by the information that this country's Armed Forces have been and are now engaged in training and equipping the armed forces of Yugoslavia: Now, therefore, be it

Resolved by the national executive committee of the American Legion in regular meeting assembled in Indianapolis, Ind., October 25–27, 1961, That the American Legion restates its opposition to any aid to any Communist or Communist-dominated country and that we do not except Yugoslavia from this classification.

FORTY-THIRD ANNUAL NATIONAL CONVENTION OF THE AMERICAN LEGION, DENVER, COLO., SEPTEMBER 11–14, 1961

Resolution No. 459.
Committee: Foreign Relations.
Subject: Foreign aid.

Whereas it is becoming increasingly evident that many nations of the world are reluctant of any positive or committed stand consistent with American policy to stem and contain the spread of world communism; and

Whereas many of these same nations are presently or are about to become recipients of American aid: Now, therefore, be it

Resolved by the American Legion in National Convention assembled in Denver, Colo., September 11–14, 1961, That foreign aid, whether it be military, monetary, or economic, be limited to those nations who show a willingness to join the United States in combating communism.

STATEMENT OF THE U.S. SECTION, WOMEN'S INTERNATIONAL LEAGUE FOR PEACE AND FREEDOM, WASHINGTON, D.C., IN FAVOR OF APPROPRIATIONS FOR THE FOREIGN ASSISTANCE ACT OF 1962

The Women's International League for Peace and Freedom is an organization which has functioned effectively for 47 years. It is composed of women of various races, nations, and philosophical backgrounds interested in working for peaceful change by nonviolent means.

For a number of years economic aid has been one of the chief interests of the organization. Only as the basic needs of human beings are met everywhere can there be stability in our world. Without stability there is no peace. Ours is the richest Nation in the world today and it is in our own self-interest to offer assistance to the newly developing nations. Members of the Women's International League for Peace and Freedom do not, however, regard this as the primary reason for the passage of the appropriations of the Foreign Assistance Act of 1962. We would urge the appropriations approved primarily because we believe it is the right thing to do. It is both the obligation and privilege of our country to assist the developing nations to arrive at the place where they can raise enough food to eat. Food is a basic necessity for each individual; without it he is concerned with nothing else, for hunger consumes him. Freedom is meaningless to a man with an empty stomach. Only as his hunger is satisfied and he begins to look forward with some assurance to his next meal can he think beyond his physical needs.

For problems in our domestic life today create more difficulty than our overflowing storehouses. In a world where most people never have enough to eat, our granaries have become an increasing burden upon our economy as well as upon our conscience. Our organization believes that hungry human beings should be fed regardless of the politics of their government. When we read of starvation and famine in China or anywhere in the world we believe it is incumbent upon our Government to find ways and means to share our abundance. It is contrary to all humanitarian and religious teachings and beliefs to maintain enormous food surpluses when untold numbers are threatened by starvation.

As our Nation has attempted to provide economic assistance to the developing areas it has learned by doing. We regret that about 10 times more money has been put into military rather than economic aid, but the proposed Economic Assistance Act of 1962 shows what great progress has been made. The single administrative agency, the Development Loan Fund, the area development plan, the many and varied facets of national life now being assisted are all indicative of the many adjustments which have been made in the program. They show the desire on the part of those responsible to make the aid as helpful as possible. The more the recipient nations themselves engage in the initial project planning, the more succesful the project. The league appreciates the way in which programs from the start are now being entered into cooperatively by the host

and assisting countries. It would be helpful to work out a set of criteria in the same way to govern each development expansion program. Only as more and more ways are devised to develop standards that are economically sound and suited to local conditions in each country, will the assisted nations come to the place where they can carry on themselves. As the next step in the long trek of world development the Women's International League for Peace and Freedom sincerely hopes that this Appropriations Committee will recommend and the Congress vote for the $4,568,900,000 to enact the Foreign Assistance Act of 1962 for fiscal year 1963.

STATEMENT OF DWIGHT D. TOWNSEND, DIRECTOR, WASHINGTON OFFICE, COOPERATIVE LEAGUE OF U.S.A.

Mr. Chairman and gentlemen of the committee, we are happy to present the views of the Cooperative League membership in support of the foreign operations appropriations, 1962. During the past several years we have followed the developments of the foreign aid program with very great interest. We feel that this program, despite its minor inadequacies, is most essential if we are to meet the long and continued problems in the battle for a free world. The Cooperative League supports the program in the form of resolutions passed by its membership at each biennial congress for the last decade. The league has also demonstrated its very great interest in doing something for the less privileged abroad by providing its own programs of advice and assistance supported by some 15 million American family owners of cooperatives included in the membership of the Cooperative League. These represent farm supply, petroleum, insurance, housing, medical care, credit, consumer and electric cooperatives.

It is our sincere belief that one of the most important facets of the foreign aid program is the promotion and development of cooperatives in developing countries. Cooperatives owned and controlled by the people they serve represent a true form of democracy. In countries where cooperatives are highly developed there has been no fear of a government "take over" by a military coup. Sweden and Denmark are good examples. And look at Finland where the people recently changed governments—very quietly—by the democratic technique. Cooperatives are the very essence of democracy. One member, one vote, provides complete control based on use rather than investment. Cooperatives offer these new countries great opportunities in developing democratic systems. They stimulate the stability that stems from ownership. They also serve as laboratories of democracy. Ownership enhances people's living patterns. Ownership causes houses to be built and maintained, fields to be more productive, children to be raised in a more healthy environment. Cooperatives, from the simple form of a credit union to the highly complex form of a manufacturing cooperative, provide people a chance at ownership which could not be offered in any other way. The principles of democracy are the same, whether in the political, social, or economic area. Cooperatives providing economic democracy bolster political democracy—thus producing understanding owners.

A portion of the 1962 authorizations will go to the Agency for International Development for training cooperative leadership and in helping to organize various types of cooperatives in developing countries. One project would provide for training and developing cooperative leaders in one pilot country to be selected—one in east and one in west Africa. AID would contribute $180,000 to the sponsor, International Federation of Agricultural Producers, through its U.S. members, the National Farmers Union, the National Grange and the National Council of Farmer Cooperatives. Another project would involve developing a regional training center in Peru for credit union leaders in Latin America and beginning credit union development programs in five pilot Latin American countries. AID is contributing $160,000 to the sponsor, the Credit Union National Association.

The Cooperative League has sponsored another project, the National Cooperative Training Center, for cooperative leaders from developing countries. This center has been set up in cooperation with the University of Wisconsin with an initial investment from AID of $140,000. There are several other projects which will help developing countries provide credit, housing, rural electrification, and other cooperative programs to bring the greatest possible benefits to the people at the lowest possible cost. AID has also been instrumental in bringing technicians to this country for cooperative training, and in some cases

actual employment by cooperatives, and in sending U.S. cooperative technicians for technical assistance purposes. The foreign operations budget this year would include a modest increase in this program to help fill the growing needs as they develop.

We would like to point out, Mr. Chairman, that these investments are in people—not in frivolous gifts which soon are forgotten. These investments are in democracy which offers the people their greatest opportunities to retain their prestige and their dignity. Cooperatives are bringing to the people in addition to pride of ownership a sense of responsibility in their communities, not only to their government, but to their neighbors and friends who make up these cooperatives. Certainly this is important.

We urge passage of the appropriations bill.

STATEMENT IN SUPPORT OF THE FOREIGN ASSISTANCE ACT OF 1962, SUBMITTED TO THE FOREIGN OPERATIONS SUBCOMMITTEE ON BEHALF OF DR. M. MARION SPECTOR, CHAIRMAN, INTERNATIONAL RELATIONS COMMITTEE; MRS. WALTER M. BAIN, CHAIRMAN, LEGISLATIVE PROGRAM COMMITTEE, AMERICAN ASSOCIATION OF UNIVERSITY WOMEN

Mr. Chairman and members of the committee, the American Association of University Women wishes to submit this statement in support of appropriation of the funds authorized by the Foreign Assistance Act of 1962, for inclusion in the record of the hearings of your subcommittee.

Although it may be unnecessary to identify the American Association of University Women to the majority of this subcommittee by which we have been so courteously received in the past, we do so for the record. The American Association of University Women is an organization of over 150,000 college women graduates organized into approximately 1,500 branches in the 50 States, Guam, and the District of Columbia. For over eight decades the association has pursued a study-action program. In the late 19th and during the earlier years of this century its program was devoted primarily to the improvement of education. Since the period of World War I the attention of the association's members also has been directed toward improvement of this country's international relations.

The association has supported the basic principles of the Foreign Assistance Act ever since the Marshall plan was first proposed. At its most recent convention in June 1961 the association adopted resolutions and an item in its legislative program reinforcing this longstanding position in favor of "expanding and improving programs for sound technical assistance and economic and social development for underdeveloped countries." Incontrovertible evidence of the belief on the part of our membership in the principles on which the Foreign Assistance Act is based lies in the association's own program of fellowships. This American Association of University Women program dates back to 1888 when the first association fellowship was given. Since 1888 nearly $3 million, collected in dimes and dollars, from this relatively small group of women has been given in stipends. In 1945–46 grants for 2 to 3 months of study in this country were given to 6 women from abroad, the first of 757 in the past 17 years. In this current year approximately $125,000 is being given to 52 American women for postgraduate work, and to 55 women from abroad. Some of these grantees are, of course, from the newly emerging countries of Africa and from South America—areas to which this program is directed.

It is our belief that in the main, the American people share the sense of responsibility shown by our own membership in the economic and social development of the peoples and the economies of nations in other parts of the world.

We do not come before this committee to say that everything about this program has been, or will be in the future, desirable or successful. Nonetheless, we do believe that, on the whole, the successes of this unpredecented experiment in defense and development far outweigh its failures.

Last year in our statement for the record of this subcommittee's hearings we welcomed the new approach to the problem of aid and the new direction these proposals made possible for the U.S. foreign assistance program.

As 3 months of the current fiscal year had passed before the appropriations bill for this program was signed by the President on September 30, it has not been possible, of course, to complete the redirection and reorganization of the program.

In the eyes of the association the caution with which these changes are being undertaken is understandable. We recognize, therefore, that the new trends, which we welcome, are now only in their earliest stages. We address these remarks in particular to the emphasis upon self-help, overall country development and long-term planning as well as to increased multilateral cooperation in aid efforts.

It is equally understandable that in the 10 months since the signing of the appropriation for the AID program the recipient countries have had barely enough time to familiarize themselves with the opportunities provided in the legislation. Ten months is also not enough time for these countries to develop plans or make necessary internal adjustments to achieve self-sustaining growth. Since some of these agrarian, educational, and social reforms may take years to effect, the association feels that it is fortunate that the legislation enacted last year provides a 5-year period in which to get these changes underway.

For these reasons the American Association of University Women believes that appropriation of the full sums authorized for the AID program for fiscal 1962–63 should be provided. Although we realize that some currently appropriated funds have not yet been committed, we believe it would be most unfortunate if program plans, now gathering momentum, were to be crippled by a shortage of funds in this second very important year.

Given the new philosophy of the Agency for International Development, its changed operational structure, and taking into consideration the time element to which we have just referred, the association realizes that AID will of necessity function with different emphasis and at a different pace in various parts of the world. The experience of this country in assistance programs over the last 15 years in postwar Europe, in Greece and Turkey, in India, and recently in Africa. illustrate these variations in emphasis and pace.

The association has watched with particular interest the developments in Africa by reason of the focused study among its branches for the last 2 years on these emerging nations. Because we in the association recognized the growing importance of Africa, we presented to the Foreign Affairs Committee a witness on the U.S. foreign aid program, Dr. Gwendolen Carter of Smith College who has spent well over 2 years in Africa as a background for her writings on this continent.

It was Dr. Carter's position that "the leaders of these countries are determined markedly to improve the standard of living of their people." Dr. Carter expressed the opinion that what these countries need is not only immediate but long-range help—projects of the most basic sort. These projects, as this committee well recognizes, required then, as they do now, careful planning, expert advice, materials from the outside, and long-term commitments from the United States and from the other countries of the Western World who share this burden with us of working with these new sovereignties, notably in Africa.

We have been pleased in the past year to note the increasing emphasis upon education in the AID program. An emphasis which we feel is as important in the work in the Alliance for Progress countries as in the African countries.

Recently, conversations and negotiations related to the Alliance for Progress program indicate that in the coming decade we will be faced with the special problems arising out of the characteristics of the Latin American area. In our opinion, the greater use of the loan pattern and continuing emphasis upon self-help cannot fail to stimulate self-sustaining growth within these countries.

The consolidation of our assistance efforts into the AID has been a most commendable move, but, as we have stated earlier, much of the success of these efforts will hinge upon recognition of the differences in the areas in which we are interested and upon the extent to which we are able to provide the tools for education; and to enlist expertise in the personnel we provide as consultants in government, economics, agriculture, health, and education. It is our earnest hope that sufficient funds will be provided and sufficient effort made to attract the experts who will be able to assist in drawing up long-term economic and social development plans.

We should also like to point out that other Western World countries are increasingly recognizing the needs of developing countries with both aggregate and individual country assistance programs which provide further evidence of the contribution made by our own earlier efforts.

For this reason, too, the American Association of University Women wishes to urge full appropriation of the authorization for this program which, on the one hand, can be regarded as a measure to combat the spread of communism, but which and even more importantly, will help to make the benefits of civilization increasingly available to greater numbers of the human race.

STATEMENT OF INTERNATIONAL TELEPHONE & TELEGRAPH CORP. IN SUPPORT OF APPROPRIATION OF ADDITIONAL RESERVES FOR INVESTMENT GUARANTY PROGRAM

The International Telephone & Telegraph Corp. (ITT) wishes to support the request of the executive branch for an appropriation of $180 million to increase the reserves of the investment guaranty program.

The reasons for this support are as follows:

1. Private enterprise and investment are the key to progress in the less-developed countries. This will be particularly true in Latin America. If private enterprise and investment are not encouraged and protected, progress will be slower and there will be greater calls for government-to-government aid programs.

2. In many of the less-developed countries, and particularly in Latin America because of events in Cuba and Brazil, the political risks of investment are high. In order to encourage and protect U.S. private investment in these areas, there is an urgent need for the guaranties against the risks of inconvertibility, expropriation, war, revolution, and insurrection as provided under the investment guaranty program. In certain countries the new general risk guaranty (in which the U.S. Government may assume up to 75 percent of the risk of nonpayment in the case of a loan) is most important to create a private alternative to Government projects supported by U.S. taxpayers' dollars. Without these various types of guaranties, such important new private investment cannot and will not take place.

3. The investment guaranty program is running out of funds just when the need for guaranties is greatest. Applications for investment guaranties are at an alltime high—$2.3 billion for the guaranties which can be offered in countries that have already signed bilateral agreements. If the guaranty program is extended to more types of coverage in more countries where it is needed, the backlog of guaranty applications will be even greater.

4. A dollar appropriated to support the investment guaranty program is one of the best opportunities this committee has to develop a substitute for government-to-government foreign aid loans or grants. The reserves appropriated stay in the U.S. Treasury where they are earmarked to meet possible claims which to date, in 15 years of operation of the program, have been very minor. In the case of political risk guaranties, $1 of reserves for the program currently supports $4 in private investment.

5. Provisions have been written by the Congress into the Foreign Assistance Act and the Sugar Act which will deny benefits under these laws to countries which expropriate or discriminate against U.S. investment without discharging their obligations under international law. These provisions are a very helpful indication of the seriousness with which the U.S. Congress views the mistreatment of U.S. investment abroad. They will do much to help protect existing U.S. investment. However, since they do not provide payment to the injured investor, they do not take the place of the investment guaranty program in encouraging new investment.

6. Congress has already this year recognized the need for an expanded investment guaranty program by increasing the amounts of guaranties authorized. Appropriation of adequate reserves now is necessary to keep this vital program going and to give substance to the Congress frequently expressed concern about the protection of U.S. investment, as well as sustain expansion of U.S. investment in support of economic developments.

NATIONAL COUNCIL OF JEWISH WOMEN,
New York, N.Y., August 21, 1962.

Hon. OTTO E. PASSMAN,
Chairman, Foreign Operations Subcommittee,
Committee on Appropriations, House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN PASSMAN: The National Council of Jewish Women respectfully urges your committee to appropriate the full $3.6 billion amount authorized by Congress for the Foreign Assistance Act of 1962. This amount authorized by the House and accepted by the conference committee represents a compromise between the much larger amounts requested by the President, and authorized by the Senate.

We make this request because one of the major interests of the National Council of Jewish Women, an organization established in 1893, with a current membership of 123,000 in 325 communities throughout the United States, is to promote effective international relations.

Our members believe that foreign assistance is such an important aspect of our foreign policy that they are prepared to expend their own financial and manpower resources in support of this effort. Since the fall of 1945, the National Council of Jewish Women spent close to $4 million on its own oversea program of assistance to some 17 countries.

We are, therefore, proud that our country has assumed a consistent responsibility for the welfare of other peoples and for meeting the challenge of needed economic development in other countries. We are aware that the 15 years in which our foreign-aid programs have existed is a short period of time for any nation to help bring about the modernization and industrialization of emerging nations. These are vast tasks and though much has been accomplished it is not surprising that some mistakes would be made or progress seems slow. Though we may become impatient at our expenditures for what seems to us a slow rate of progress, we have to realize worldwide tasks are not performed with the relative ease with which we sometimes carry out more limited types of national programs.

The United States has also worked for worldwide recognition of the needs of the less developed countries. Today the nations of Western Europe, together with Japan, Canada, and others are joining us in assuming responsibility for assisting these countries. During 1959 and 1960, the total flow of resources public and private from these nations was larger than that from the United States. This is a tribute to U.S. leadership and a recognition of the value and urgency of aid to less developed nations.

We, therefore, respectfully urge your committee not to reduce the funds for the Foreign Assistance Act of 1962 any further since the President's request has already been appreciably reduced in the authorization.

We shall appreciate the inclusion of this letter in the record of the hearings.

Respectfully yours,

Mrs. Charles Hymes, *President.*

Statement From Edward E. Swanstrom, D.D., Executive Director, Catholic Relief Services, National Catholic Welfare Conference, New York, N.Y.

Distinguished chairman and members, our organization is 1 of the 19 voluntary agencies certified through the Advisory Committee on Voluntary Foreign Aid, Mr. Charles P. Taft, chairman, for oversea distribution of American food and other resources under Public Law 480, Public Law 87–195 (AID Act of 1961) and other legislation well known to you.

During 1961 these 19 private, religious, and humanitarian agencies, as agents and channels of the American people, gave out almost 3 billion pounds of U.S. agricultural commodities to 66 million needy in 106 countries and territories. We are thus an integral partner in our Government's food for peace program.

Catholic Relief Services, National Catholic Welfare Conference, the agency which I direct, has an oversea staff of 135 American citizens in 67 countries. We have added 40 American staff persons in the past year and have opened operations in 20 new countries in the past 2 years, principally in Africa and Latin America.

Catholic Relief Services, National Catholic Welfare Conference, under the Displaced Persons Act and escapee program, has provided homes and jobs in the United States for 230,000 refugees from Iron Curtain countries since 1948, and has collaborated in the resettlement of 2 million more in other countries.

Currently, through our National Catholic Resettlement Council, with directors in 125 dioceses, we are processing and moving Cuban refugees out of the Miami area at the average rate of 600 per week by providing homes and jobs for them in all sections of the Nation.

In collaboration with the Food for Peace Office of the White House, the Department of Agriculture and USAID, under Public Law 480 and Public Law 87–195, we bring direct assistance—food, clothing, medicine, welfare services, community and social action—to more than 30 million needy children and families of the slums and villages of the world.

The development of indigenous counterpart voluntary agencies in each of the host countries is imperative to our success in an endeavor of this magnitude. Our American personnel devote themselves principally to initiating and upbuilding these local welfare systems, which are comparable to the Community Chest, United Givers, Red Cross and other community level efforts in our own Nation.

We transfer the "technical assistance" of organizational skills, administrative and promotion know-how to citizen leaders at national, provincial, market-town, slum, and village levels. In each country U.S. assistance, under this concept, stimulates host country citizen leaders to set up their own system and to seek their own resources to carry on their own program and shoulder their own burdens to an increasing degree—and to the full in due time.

Over the past year, we have been negotiating six experimental food-for-work and feed grain projects under title II of Public Law 480 for social and economic development in Korea, Philippines, Bolivia, Colombia, Ecuador, and Brazil. USAID assures us that two of these can be confirmed and implemented within the next few days.

Our organization, as is true of most of our sister U.S. based voluntary agencies, in concert with our host country indigenous counterparts and in close communication with USAID country missions and Washington staff, has now gone far beyond distribution programs of immediate assistance in emergency or chronic misery areas. Social action of long-term import, including structural reform, increasingly engages us.

We give support to indigenous movements in the fields of credit unions, cooperatives, housing, and savings and loan associations; rural and worker leader training centers; agricultural and technical trade schools; home and rural extension systems; radio and basic education; community development and social leader formation; health programs; and others.

We are strongly convinced that these grassroots and people-to-people programs are of immense value within the host countries and, most importantly, in establishing people-to-people communication and solidarity between the ordinary U.S. family and community group with the John Smith and his family and neighborhood in other lands.

Fully aware of the handicaps experienced by the present staff of the USAID during this past year of reorganization, and in deep admiration of the strenuous effort they are exerting, we express the hope that USAID will as a matter of policy and premise give more emphasis to people-to-people programs through American voluntary agencies and our numerous and maturing host country counterpart organizations, and less emphasis to government-to-government programs which so frequently leave the mind and heart of the man in the furrow and workshop untouched.

You and distinguished colleagues of the Congress in the Act for International Development of 1961 manifested full understanding of these facts by stating:

"It is the sense of Congress that the President, in furthering the purposes of this Act, shall use to the maximum extent practicable the services and facilities of voluntary, nonprofit organizations registered with, and approved by, the Advisory Committee on Voluntary Foreign Aid" (Public Law 87–195, sec. 635, par, c, p. 32).

It has been heartening to perceive certain among the administrators and staff of USAID take concrete steps toward realization of this expressed congressional intent, especially in the promotion of credit unions, cooperatives, and savings and loan associations for housing. We grasp full well that it is difficult to move a complex organization with rapidity and thoroughness to concrete application of congressional intent "across the board."

We do request renewed expression of congressional intent, not by new wording of legislation, but by oral expression to USAID administrators.

Further, we respectfully introduce to your attention the possibility that in future years certain appropriations be earmarked for USAID operation through voluntary agencies.

Such a suggestion must be given careful, long-term consideration. The Public Affairs Institute, 312 Pennsylvania Avenue SE., Washington, issued last month an 89-page booklet on this very subject, entitled "The Challenge to the Alliance for Progress." We do not necessarily agree with all the points made therein. Still this is a provocative approach to our common problems which deserves, I believe, close attention.

We append copies of this booklet for each of the distinguished members of your subcommittee, respectfully suggesting that it may be of interest to your deliberations in future years, especially as representative of U.S. citizen aspirations for U.S. foreign aid goals and as the type of program likely to enlist U.S. citizen understanding and tax support.

Despite criticisms of U.S. foreign aid heard publicly, and to a degree also implied in this statement, we wish to reaffirm our support for the principles which inspire this monumental effort by the people of our Nation. And in particular, we voice our admiration for the current effort at implementation by the staff of USAID.

We believe that substantial foreign assistance from our well-blessed Nation is a requirement of world reality and a duty of conscience. Others speak with sufficing clarity and conviction on political and economic motives drawn from the facts of international life. In a sense these are beyond our competence, but are in on way to be ignored. We are convinced that such aid is a moral and humanitarian duty deriving further from the Judaeo-Christian heritage from which the people and purpose, ideas and ideals of our Nation have sprung.

Respectfully submitted.

Rt. Rev. Msgr. JOHN F. MCCARTHY,
Assistant Executive Director
(For Edward E. Swanstrom, D.D., Executive Director)

AUGUST 4, 1962.

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